

PEGATRON
和碩聯合科技



2022

**ANNUAL
REPORT**

TWSE 4938

Printed on March 10th, 2023

PEGATRON SPOKESPERSON

Name: Louise Wu

Title: Chief Financial Officer

Tel.: 886(2) 8143-9001

E-mail: ir@pegatroncorp.com

DEPUTY SPOKESPERSON

Name: Kevin Tso

Title: HR & ADM Center, General Manager

Tel.: 886(2) 8143-9001

E-mail: ir@pegatroncorp.com

CORPORATE HEADQUARTERS

Address: 5F, No. 76, Ligong St., Beitou District, Taipei City

Tel.: 886(2) 8143-9001

MANUFACTURING SITE

Taoyuan Site

Address: No.5~6, Xingye St., Guishan District, Taoyuan City Tel: 886(3) 319 6899

Xindian Site

Address: No. 1, Lane 232, Baoqiao Rd., Xindian District, New Taipei City

COMMON SHARE TRANSFER AGENT AND REGISTRAR

Name: Registrar & Transfer Agency Department of KGI Securities Co. LTD.

Address: 5F, No. 2, Sec. 1, Chung-Ching South Road, Taipei City

Tel.: 886(2) 2389-2999 Website: <https://www.kjieworld.com.tw>

AUDITORS

CPA Firm: KPMG

Name of CPA: Kuo-Yang Tseng and Chi-Lung Yu

Address: 68F, TAIPEI 101 TOWER, No. 7, Sec. 5, Xinyi Road, Taipei City

Tel.: 886(2) 8101-6666 E-mail: <http://www.kpmg.com.tw>

OVERSEAS SECURITIES EXCHANGE

Luxemburg Stock Exchange: <http://www.bourse.lu>

FOR MORE INFORMATION ABOUT PEGATRON

<http://www.pegatroncorp.com>

This English version of the Pegatron Annual Report is a concise translation of the Mandarin version. This document is created for the sole purpose of the convenience for its non-Mandarin readers and is not an official document to represent the financial status of the Company per Taiwan laws.

Pegatron Corporation does not assure the accuracy of this translated document. Readers wishing to view the official audited version of Pegatron's financial reports can obtain a copy of the Pegatron Annual Report (Mandarin version) on the Pegatron Corporation website (www.pegatroncorp.com).

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1. Letter to Shareholders

Dear Shareholders,

As we look back at the year 2022, with the global COVID-19 pandemic abating and governments around the world taking measures to stimulate consumption, the global economy is expected to continue to rebound. However, the outbreak of the Russian-Ukrainian war led to a sharp rise in international energy and raw material prices, exacerbating inflation levels; this compelled central banks around the world to activate a cycle of interest rate hikes. Under the influence of monetary policy tightening and financial market turmoil in major economies, the outlook of overall economic recovery became bleaker, leading to weaker consumer demand. Looking ahead to 2023, it is expected that the global economy will continue to face geopolitical, capital market volatility, and climate change impacts in addition to the sluggish economic performance of the previous year. In addition, because of the unresolved inflation issues, it is expected that major countries will still adopt the strategy of raising interest rates and shrinkage of balance sheets; therefore, stagflation is expected to continue, increasing the risk of slowing down global economic growth or even recession. In 2022, in light of weak global consumer demand, Pegatron Corporation made every effort to adjust its product portfolio and production capacity in line with customers' needs, while its key subsidiaries actively seized business opportunities in new and existing products and scopes, resulting in consolidated revenue growth over the previous year. However, due to the impact of the global capital market and stock exchange market fluctuations, non-operating income decreased, resulting in a decline in net income after tax compared to the previous year. The Group's operating results for last year and the outlook for this year are summarized as follows:

Financial Performance

For FY2022, the Group's consolidated revenue was NT\$1,317.6 billion, an increase of NT\$56.2 billion from NT\$1,261.4 billion in FY2021, with an annual growth rate of 4.46% and a gross margin of 4.35%. Net income after tax attributable to owners of the parent company in FY2022 was NT\$15.1 billion, down from NT\$20.5 billion in FY2021, and earnings per share after tax was NT\$5.66. On a macro level view of the Group's operating performance in FY2022, although the sales of computing segment was not as good as expected, consumer electronics and communication products benefited from the smooth supply of components and a better product mix, while demand for automotive products continued to increase, bringing positive benefits to overall operations and resulting in an increase in operating margin compared to last year. The revenue contribution of communication products remained the highest among the three product segments in FY2022, and there was no significant change in the revenue share of the three categories compared to FY2021.

Note: The financial forecast for FY2022 was not disclosed. Therefore, no budget achievement results are available.

Technical Capability and Operating Highlights

In recent years, Pegatron has continued to focus on IoT, AI, AR/VR, 5G, server and automotive related technologies, among which IoT and AI have been introduced into smart manufacturing processes. We are also spearheading technological research in different fields, such as medical and cosmetic laser treatments, to meet the needs of users. In AR/VR, lightweight and thin optical display effects have been achieved, and we are developing technologies for human posture, limb control and coordination, positioning and control of virtual space objects, which will further enhance an immersive experience for users. On 5G technology, in addition to continuing development of existing CPE products, we have completed the end-to-end hardware and software development and system integration for the 5G enterprise network based on O-RAN architecture and SA Split 7.2 base station in line with 3GPP R15 standards, which has now been implemented in Pegatron's smart factories and applied in the field of emergency disaster response. In addition, in response to the current trend of expanding the coverage of LEO low earth orbit satellites, we are also working on the design and development of phased active array antennas. For servers, with the development of next-generation and various architecture platforms, we are actively strengthening the energy-saving design and continuing to develop the systems required for different usage scenarios and applications. In the automotive field, in addition to the development of on-board computers for driver assistance and charging piles, we are actively investing in the research and development of different sensing technologies such as DVS, millimeter wave, and UWB that can be used both inside and outside of vehicles, in order to contribute more to the smart cockpit environment and high safety requirements under the trend of self-driving vehicles. Furthermore, with increasing attention paid to energy saving and health issues, we are also actively developing control, communication, display, and radar sensors for electric bicycles.

In terms of operations, the momentum of the global consumer end market remains weak, with related industry chains continuing to face inventory pressure. This is further exacerbated by the increasing intensity of the technology war between the U.S. and China as well as other uncertainties. Pegatron will continue to maintain solid communication with suppliers and customers, versatily adjust production plans according to actual demand, continue product portfolio transformation and global capacity adjustment, strengthen R&D capabilities, enhance automation and production efficiency, and finetune operations and supply chain management, with the goal of improving overall capacity utilization and profitability.

Awards and Sustainability

Pegatron actively echoes the United Nations Sustainable Development Goals (SDGs) and responds to stakeholders' concerns about sustainability. In the face of the impact of climate change and the global attention on carbon reduction, Pegatron has officially joined SBTi, and will follow the requirements of the initiative to set science-based carbon reduction targets. Pegatron

drive the low-carbon transformation of the Group and supply chains. In addition, the TCFD framework is also used to identify the risks and opportunities associated with climate change and to develop countermeasures to mitigate long-term operational risks.



As an integral part of the global supply chain, Pegatron has joined the Responsible Business Alliance (RBA), which requires suppliers to carry out occupational safety and health and labor and human rights management in accordance with international initiatives and customer regulations. Moreover, the Group has continued to give back to society. Since its establishment, Pegatron has helped 143 charitable organizations in the areas of care for the disadvantaged, environmental protection and cultural promotion. Moving forward, we anticipate fulfilling our corporate social responsibility from a more diversified perspective. Pegatron has been selected as a constituent of the “FTSE4Good TIP Taiwan ESG Index” for the 11th consecutive time, and will continue to strive to optimize ESG performance, expand its impact, and work closely with the value chain to achieve sustainable benefits.

Outlook

In the outlook for 2023, the demand for consumer type of computing products in the post-pandemic era has softened and overall shipment momentum is facing challenges due to the weakening global economy. However, Pegatron will actively strive for products with high added value and adjust production capacity to stabilize shipment performance. In consumer electronics segment, the revenue contribution from the game console and smart home device business shall be boosted by the significant improvement from the shortage of components last year. The overall revenue performance is expected to be stable this year as major game console customers maintain their shipment momentum and major smart home device customers are expected to release new models. For communication products, it is expected that the revenue contribution from broadband products will grow due to the application of new technologies and the replacement of some legacy models, while we will continue to optimize the product mix of other communication products to enhance production efficiency and stabilize capacity utilization. In terms of automotive electronics, Pegatron not only expands its product lines and production scale with existing key accounts but shall also actively explore business opportunities with new customers. With the expansion of sales to new and existing customers in the future, and medium and long-term end-user demand remaining strong, it is believed that the revenue contribution of Pegatron’s automotive electronics business will continue to grow significantly. Furthermore, in terms of operational outlook, we shall continue to maintain flexibility in capacity adjustment while driving the transformation of our product portfolio, and continue to enhance our product and technology development capabilities to enhance our overall competitiveness.

On behalf of all the employees of Pegatron, I would like to thank all shareholders for your support and encouragement. We will continue to strengthen our core competencies and management efficiency and fully utilize our many years of extensive experience in product development and manufacturing to enhance our overall corporate value, with the expectation that our shareholders,

customers and employees will share in the fruitful results.

Chairman	T.H. Tung	
President and Co-CEO	Kuang-Chih Cheng	
	Kuo-Yen Teng	

2. Company Profile

2.1 Date of Incorporation: June 27th, 2007

2.2 Company Milestones

June 2007	<ul style="list-style-type: none">● Pegatron Corporation (“the Company”) was incorporated with a paid-in capital of NT\$1 million.
Nov 2007	<ul style="list-style-type: none">● Increased paid-in capital to NT\$50 million by capital injection
Jan 2008	<ul style="list-style-type: none">● Increased paid-in capital to NT\$16,050 million by issuing 1,600,000,000 shares to inherit the DMS (design and manufacturing services) unit from Asustek Computer Inc (“Asustek”).
Apr 2008	<ul style="list-style-type: none">● Merged 100% owned subsidiary, Asusalpha Computer Inc., in order to streamline corporate resources.
Jun 2008	<ul style="list-style-type: none">● Became the member of EICC (Electronic Industry Code of Conduct)● Increased paid-in capital to NT\$18,846 million by issuing 279,628,141 shares in exchange for 100% ownership of Unihan Corporation with Asustek. After the share exchange, Unihan became the Company’s wholly owned subsidiary.
Dec 2008	<ul style="list-style-type: none">● The Company was awarded the world’s first Energy using Product (EuP) certificate by DNV (DET NORSKE VERITAS).
Feb 2009	<ul style="list-style-type: none">● Acquired Top Quark Limited for US\$6.04 million in order to provide more comprehensive services of communication products to customers.
Apr 2009	<ul style="list-style-type: none">● Completed the world’s first Product Category Rule for Notebook PC products, which can be served as the key reference for Environmental Product Declaration (EPD) as officially announced on the website of Global TYPE III Environmental Product Declaration Network (GEDnet).
Jul 2009	<ul style="list-style-type: none">● Acquired 100% shareholding of Powtek (Shanghai) Co., Ltd so as to conduct business in mainland China and expand the market share in China.
Oct 2009	<ul style="list-style-type: none">● Assisted key customers received the world’s first TYPE III Environmental Product Declaration for N51V series Notebook PC awarded by Environment and Development Foundation (EDF).● Assisted key customers received the world first Carbon Footprint Certificate for N51V series Notebook PC awarded by DNV (DET NORSKE VERITAS).
Nov 2009	<ul style="list-style-type: none">● Increased NT\$4,014 million through capitalization of profits and the paid-in capital amounted to NT\$22,861 million.
Dec 2009	<ul style="list-style-type: none">● In order to streamline organization structure and reduce management cost, a key subsidiary, Protek (Shanghai) Limited, merged with another key subsidiary, North Tec Asia (Shanghai) Limited, and the former one is the surviving company.● In order to expand business, a key subsidiary, Maintek Computer (Suzhou) Co., Ltd, increased capital of US\$34 million.● Assisted customers achieving key environmental certifications such as EPEAT, EU Flower and Taiwan Green Market. For more than 55 products.
Jan 2010	<ul style="list-style-type: none">● The Company’s Board of Directors, acting on behalf of the Company’s AGM pursuant to the Company Law, approved the merger with Pegatron International. Upon the completion of the merger, the Company is the surviving company.
Mar 2010	<ul style="list-style-type: none">● The Company’s application for being a public company was approved.
Jun 2010	<ul style="list-style-type: none">● Approved the merger with Pegatron International by issuing 2,286,064 thousands shares after cancelling 2,286,054 thousands shares previously issued by Pegatron International. The paid-in capital amounted to NT\$22,861 million.● The Company was officially listed on the Taiwan Stock Exchange.
Aug 2010	<ul style="list-style-type: none">● The Company issued GDRs on Luxemburg Stock Exchange
Sep 2010	<ul style="list-style-type: none">● DNV (DET NORSKE VERITA) awarded the Company with A+ certification for the 2009 CSR Report based on Global Reporting Initiative G3 format.● The Company received ISO 14064-1 Greenhouse Gases Inventory

	Verification.
Nov 2010	<ul style="list-style-type: none"> The Company's Board of Directors approved the cancellation of 29,697,000 shares of treasury stock. Subsequently, the paid-in capital reduced to NT\$22,563,669 thousand dollars. Assisted key customers received the world first PAS 2050 and ISO 14067-1 Carbon Footprint Certificate awarded by DNV (DET NORSKE VERITA).
Nov 2011	<ul style="list-style-type: none"> The Company was awarded for top 100 companies in Taiwan by 2011 Taiwan Companies Innovation Survey organized by Industrial Development Bureau, Ministry of Economic Affairs and cosponsored by Business Next Magazine.
Feb 2012	<ul style="list-style-type: none"> The Company issued the Euro Convertible Bonds of US\$300 million on Singapore Stock Exchange.
Oct 2012	<ul style="list-style-type: none"> The Company, being the first of its peers in the DMS (design, manufacturing & service) industry, was awarded the 2011 National Sustainable Development Award by National Council for Sustainable Development, Executive Yuan.
Jan 2013	<ul style="list-style-type: none"> Issuance of 33,938,000 shares for Employee Restricted Stock Award and paid-in capital increased to NT\$22,903 million. The Company's subsidiary "Casetek Holdings Limited" listed on Taiwan Stock Exchange.
Oct 2013	<ul style="list-style-type: none"> Issuance of 6,062,000 shares for Employee Restricted Stock Award and paid-in capital increased to NT\$23,161 million.
Dec 2013	<ul style="list-style-type: none"> The Company was awarded the 2013 Industrial Sustainable Excellence Award – Enterprise Class by Industrial Development Bureau, Ministry of Economic Affairs. Merged 100% owned subsidiary, Unihan Corporation, in order to consolidate corporate resources, reduce operation cost and enhance operation efficiency.
Feb 2015	<ul style="list-style-type: none"> The Company's Euro Convertible Bonds of US\$300 million were fully converted to 232,406,616 shares.
Sep 2015	<ul style="list-style-type: none"> Issuance of 39,678,000 shares for Employee Restricted Stock Award and paid-in capital increased to NT\$26,033 million.
May 2016	<ul style="list-style-type: none"> The Company's board of Directors approved the cancellation of 26,410,000 shares of treasury stock. Subsequently, the paid-in capital reduced to 25,760,683 thousand dollars.
July 2017	<ul style="list-style-type: none"> Issuance of 37,808,000 shares for Employee Restricted Stock Award and paid-in capital increased to NT\$26,125 million.
July 2017	<ul style="list-style-type: none"> The Company issued unsecured corporate bonds (106-1) of NT\$7 billion.
Oct 2017	<ul style="list-style-type: none"> Issuance of 2,192,000 shares for Employee Restricted Stock Award and paid-in capital increased to NT\$26,145 million.
Dec 2017	<ul style="list-style-type: none"> The Company became a constituent of the new FTSE4Good TIP Taiwan ESG Index.
Jan 2018	<ul style="list-style-type: none"> The Company issued unsecured corporate bonds (106-2) of NT\$8 billion.
Jan 2018	<ul style="list-style-type: none"> Pegatron was named by Thomson Reuters 2018 Top 100 Global Technology Leaders.
May 2018	<ul style="list-style-type: none"> Pegatron was named by Commonwealth Magazine 2018 Top 2 Taiwan manufacturer in Top 2000 survey.
Mar 2019	<ul style="list-style-type: none"> Established subsidiary PT. Pegatron Technology Indonesia.
Jun 2019	<ul style="list-style-type: none"> The Company issued unsecured corporate bonds (108-1) of NT\$8.5 billion.
Oct 2019	<ul style="list-style-type: none"> The Company's subsidiary "Pegavision Corporation" listed on Taiwan Stock Exchange.
Mar 2020	<ul style="list-style-type: none"> Established subsidiary Pegatron Vietnam Company Limited.
Apr 2020	<ul style="list-style-type: none"> Established subsidiary Pegatron Technology Hai Phong Company Limited.
Jul 2020	<ul style="list-style-type: none"> Established subsidiary Pegatron Technology India Private Limited.

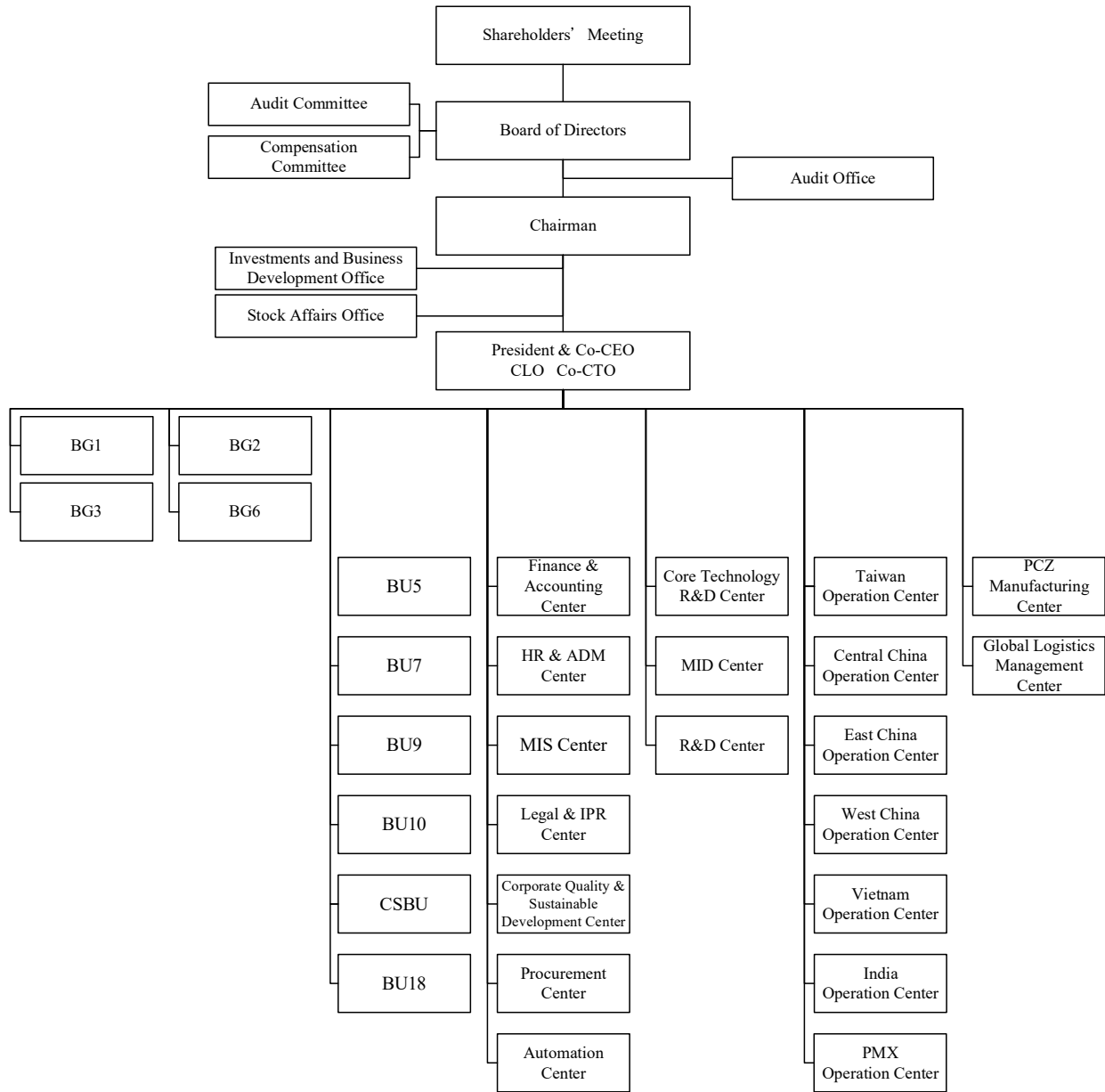
Aug 2020	<ul style="list-style-type: none"> The Company's Board of Directors approved a reverse triangular merger between the wholly-owned subsidiary Pegasus Ace Limited and Casetek Holdings Limited (Cayman). The consideration for the merger was paid by the Company to Casetek's shareholders in cash for NT\$87.5 per share.
Oct 2020	<ul style="list-style-type: none"> The Company issued unsecured corporate bonds (109-1) of NT\$5 billion.
Jan 2021	<ul style="list-style-type: none"> The Company issued unsecured corporate bonds (109-2) of NT\$3.5 billion.
Jan 2021	<ul style="list-style-type: none"> The reverse triangular merger with Casetek Holdings Limited (Cayman) was completed on Jan 15th 2021.
Jan 2021	<ul style="list-style-type: none"> Issuance of 52,411,000 shares for Employee Restricted Stock Award and paid-in capital increased to NT\$26,629 million.
Feb 2021	<ul style="list-style-type: none"> The Company's Board of Directors authorized subsidiary Rih Li International Limited to waive its pre-emptive rights to newly-issued shares for the capital injection of RMB 3,352,218,728 into indirect subsidiary Ri Kai Computer Accessory Co., Ltd., in order to expand the computer component business in China through strategic investment.
July 2021	<ul style="list-style-type: none"> Issuance of 7,574,000 shares for Employee Restricted Stock Award and paid-in capital increased to NT\$26,704 million.
Dec 2021	<ul style="list-style-type: none"> The Company issued unsecured corporate bonds (110-1) of NT\$8.9 billion.
Jan 2022	<ul style="list-style-type: none"> The Company's self-designed dual-screen laptop MAGNETO and ultra-lightweight wireless AR glasses AiR won the Taiwan Excellence Award.
Feb 2022	<ul style="list-style-type: none"> The Company has announced its participation in the Science Based Targets initiative (SBTi).
Apr 2022	<ul style="list-style-type: none"> The Company's self-designed VR headset VX6 won the German iF product design award.
Jun 2022	<ul style="list-style-type: none"> The Company's self-designed smart video conferencing device KAIGIO CAM 360 and smart wearable device Geisha won the Golden Pin Product Design Award.

3. Corporate Governance

3.1 Organization Structure

3.1.1 Organization Chart

As of 02/28/2023



3.1.2 Department Functions

Department	Main Responsibilities
Board of Directors	Establishing corporate business guiding principles and goals
Audit Office	Auditing and evaluating the compliance of internal policies, procedures and operations based on governing regulations
President and Co-CEO	Board resolutions execution and general corporate affairs
CLO	Managing global logistics and factory planning
Co-CTO	Managing research & development resource and technology planning & integration
Investments & Business Development Office	Long term corporate investment planning and industry analysis
Stock Affairs Office	Coordinating board meetings, shareholders' meetings and stock affairs
Central China Operation Center	Central China operation planning and management
East China Operation Center	East China operation planning and management
West China Operation Center	West China operation planning and management
Taiwan Operation Center	Taiwan operation planning and management
PCZ Manufacturing Center	Operation planning and management in Europe
PMX Operation Center	Mexico operation planning and management
Vietnam Operation Center	Vietnam operation planning and management
India Operation Center	India operation planning and management
Procurement Center	Management of raw material and facility procurement, cost plan, procurement system plan for resource coordination
Corporate Quality & Sustainable Development Center	Quality and sustainable development management in accordance to internal policies and customer requests
Global Logistics Management Center	Global logistics planning and management
Automation Center	Improving and implementing of automation system, automation equipment for manufacture
Customer Service Business Unit	Global customer service operation and providing the most comprehensive and prompt support to local customers via support network
R&D Center	Conducting simulations and developing technology shared among each business unit
MID Center	Developing mechanical and industrial design and providing support to each business unit for technology needed for each project
Core Technology R&D Center	Developing technologies for Digital Electronics and providing support to business units for relevant technology development
HR & ADM Center	Corporate human resource administration, construction and maintenance, labor safety and health planning and execution
Finance & Accounting Center	Corporate finance, accounting and tax planning and execution
Legal & IPR Center	Corporate legal affairs, legal counseling, litigation, patents, licensing and other intellectual property management

Department	Main Responsibilities
MIS Center	Internal & external network system planning, integration and design
Business Group 1	Design, manufacturing and services of computing and consumer electronics
Business Group 2	Design, manufacturing, development and services of Automotive products
Business Group 3	Design, manufacturing and services of handheld devices and related accessories
Business Group 6	Design, manufacturing and services of communication and visual products
Business Unit 5	Design, manufacturing and services of main boards and systems for large size customers
Business Unit 7	Design, manufacturing and services of game console products and tablets PCs
Business Unit 9	Design, manufacturing and services of metal casings and mold for products
Business Unit 10	Design, manufacturing and services of system products and peripheral products such as industrial PCs, industrial tablets, handheld devices
Business Unit 18	Design, manufacturing and services of server products

3.2 Board of Directors and Management Team
3.2.1 Introduction of Board of Directors

As of 02/28/2023

Title / Name	Nationality	Gender and Age	Date First Elected	Term (Years)	Date Elected	Shareholding when Elected		Current Shareholding (Note 1)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Selected Current Positions
						Shares	%	Shares	%	Shares	%	Shares	%		
Chairman T.H. Tung (Note 2)	R.O.C	Male 62	05/18/2010	3	06/15/2022	94,542,309	3.54	94,917,309	3.56	6,074,490	0.23	-	-	Master degree in Computer and Communication Engineering, National Taipei University of Technology Honorary PH.D in Engineering, National Taipei University of Technology Vice Chairman of Asustek Computer Inc. ("Asus") Chairman of Kinsus Interconnect Technology Corp. Chairman of Pegavisision Corp.	Chairman and CSO of Pegatron Corp. Chairman of Kinsus Investmebt Co., Ltd. Chairman of Lumens Digital Optics Inc. Chairman of Asus Investment Co., Ltd. Chairman of Asuspower Investment Co., Ltd. Chairman of Asustek Investment Co., Ltd. Chairman of Ri-Kuan Metal Corporation Chairman of Beauty Tech Platform Corp Chairman of FacialBeau International Corp. Chairman of FISFISA Media Inc. Independent Director of PChome online Inc. Director of Pegavisision Corp. Director of Asrock Incorporation Director of Kinsus Interconnect Technology Corp. Director of Casetek Holdings Limited (Cayman) Director of Pegatron Holding Ltd. Director of UniHan Holding Ltd. Director of Magnificent Brightness Ltd. Director of Casetek Holdings Ltd. Director of Protek Global Holdings Ltd. Director of Digitek Global Holdings Ltd. Director of Kinsus Corp.(USA) Ltd. Director of Pegatron Holland Holding B.V. Director of Powtek Holdings Limited Director of Cotek Holdings Limited Director of Grand Upright Technology Limited Director of Aslink Precision Co., Ltd Director of Q Place Creative Inc. Director of The Alliance Cultural Foundation Director of Hanguang Education Foundation Director of Taipei Computer Association Director of Lung Yingtai Cultural Foundation Director of ANDREW T.HUANG Medical Education Promotion Fund Director of Fair Winds Foundation Director of Bridge Across the Strait Foundation

Title / Name	Nationality	Gender and Age	Date First Elected	Term (Years)	Date Elected	Shareholding when Elected		Current Shareholding (Note 1)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Selected Current Positions
						Shares	%	Shares	%	Shares	%	Shares	%		
Vice Chairman Jason Cheng	R.O.C	Male 63	05/18/2010	3	06/15/2022	4,564,773	0.17	5,019,773	0.19	13,120	0.00	-	-	<p>President of Chinese Culture & Educational Innovation Association</p> <p>President of Monte Jode Science & Technology Association</p> <p>Director of Fullfoods Cultural Education Foundation</p> <p>Director of Bulareyaung Dance Cultural Foundation</p> <p>Director of National Chung-Shan Institute of Science & Technology</p> <p>Director of Cloud Gate Culture and Arts Foundation</p> <p>Director of Lovely Taiwan Foundation</p> <p>Vice Chairman of New Frontier Foundation</p> <p>Vice Chairman of Taiwan Climate Partnership</p> <p>Director of The LIU KUO-SUNG Foundation</p> <p>Director of Institute for Biotechnology and Medicine Industry</p> <p>Vice Chairman and Deputy CSO of Pegatron Corp.</p> <p>Chairman of AzureWave Technologies, Inc.</p> <p>Chairman of Casetek Holdings Limited (CAYMAN)</p> <p>Chairman and CEO of FuYang Technology Corp.</p> <p>Chairman of Azure Lighting Technologies, Inc.</p> <p>Chairman of Pegatron Technology India Private Limited</p> <p>Director of Asus Investment Ltd.</p> <p>Director of Asustek Investment Ltd.</p> <p>Director of RI-KUAN METAL Corp.</p> <p>Director of Pegatron Czech s.r.o.</p> <p>Director of Pegatron USA</p> <p>Director of Azwave Holdings(SAMOA)INC.</p> <p>Independent Director of GCS Holdings, Inc.</p> <p>Director of Alcor Micro Corp.</p> <p>Director of Epoch Foundation</p>	<p>Master degree in Electrical Engineering, University of Southern California</p> <p>President and CEO of Pegatron Corp.</p> <p>Deputy General Manager of Asus</p>

Title / Name	Nationality	Gender and Age	Date First Elected	Term (Years)	Date Elected	Shareholding when Elected		Current Shareholding (Note 1)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Selected Current Positions
						Shares	%	Shares	%	Shares	%	Shares	%		
Director Ted Hsu	R.O.C	Male 61	05/18/2010	3	06/15/2022	56,353,713	2.11	56,353,713	2.11	5,550,533	0.21	-	-	EMBA, National Chiao Tung University Deputy General Manager of Asustek Computer Inc. Vice Chairman & Deputy Group CEO of Pegatron Corp. Director of A2+ BIOTECH Consulting Co., Ltd. Director of HONG WEI Investment Co., Ltd. Director of Buddhist Tzu Chi Medical Foundation Director of Koo Foundation Sun Yat-Sen Cancer Center	Chairman of eBizprise Inc. Vice Chairman and CSO of Asustek Computer Inc. Director of ASMedia Technology Inc. Director of Eusol Biotech Co., Ltd. Director of iMotion Group Inc. Director of Medus Technology Inc. Director of Huasyn Biomedical Co., Ltd Director of A2+ BIOTECH Consulting Co., Ltd. Director of HONG WEI Investment Co., Ltd. Director of Buddhist Tzu Chi Medical Foundation Director of Koo Foundation Sun Yat-Sen Cancer Center
Director H. T. Tung	R.O.C	Male 63	06/15/2022	3	06/15/2022	125,000	0.00	540,000	0.02	-	-	-	-	Bachelor degree in Electrical Engineering, National Taiwan University Associate Vice President of Asus	Senior Vice President of Pegatron Corp. Chairman of Asrock Incorporation Chairman of Top Quark Limited Executive Director of Digttek (CHONGQING) Ltd. Chairman and CSO of Pegavision Corp. Chairman of Mayin Investment Co.,Ltd. Vice Chairman of Beauty Tech Platform Corp. Vice Chairman of FacialBeau International Corp Director of Kinsus Interconnect Technology Corp. Director of Lumens Digital Optics Inc. Director of Kinsus Investmebt Co., Ltd. Director of Kinsus Corp. (USA)
Director Peter Kuo	R.O.C	Male 76	06/15/2022	3	06/15/2022	-	-	-	-	-	-	-	-	National Taipei Institute of Technology General Manager of UNICAP Electronics Chairman & CEO of Kinsus Interconnect Technology Corp.	Chairman and CSO of Pegavision Corp. Chairman of Mayin Investment Co.,Ltd. Vice Chairman of Beauty Tech Platform Corp. Vice Chairman of FacialBeau International Corp Director of Kinsus Interconnect Technology Corp. Director of Lumens Digital Optics Inc. Director of Kinsus Investmebt Co., Ltd. Director of Kinsus Corp. (USA)

Title / Name	Nationality	Gender and Age	Date First Elected	Term (Years)	Date Elected	Shareholding when Elected		Current Shareholding (Note 1)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Selected Current Positions
						Shares	%	Shares	%	Shares	%	Shares	%		
Director T.K. Yang	R.O.C	Male 68	06/21/2016	3	06/15/2022	-	-	-	-	-	-	-	-	Ph.D of Business Management, National Chengchi University Political Deputy Minister, the Ministry of Finance, R.O.C. Chairman of Bank of Taiwan Executive Secretary of National Development Fund, Executive Yuan President of China Development Industrial Bank Associate Professor of MBA at National Chengchi University	Chairman of Yangtze Associates Director and President of Huiyang Private Equity Fund Co., Ltd. Director of Asustek Computer Inc. Director of TTY Biopharm Company Limited Director of CHIEN KUO Construction Co., LTD. Director of Airiti Inc.

Title / Name	Nationality	Gender and Age	Date First Elected	Term (Years)	Date Elected	Shareholding when Elected		Current Shareholding (Note 1)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Selected Current Positions
						Shares	%	Shares	%	Shares	%	Shares	%		
Director DAI-HE Investment Co., Ltd. Rep. : S. Chi	R.O.C	Male 75	06/21/2016	3	06/15/2022	370,000	0.01	370,000	0.01	-	-	-	-	Bachelor of Economics, National Taiwan University Master degree in Economics, National Taiwan University Ph.D. in Economics, Case Western Reserve University Assistant Professor, Department of Economics, Ohio University Associate Professor, Professor and Department Chair of Economics, National Taiwan University Dean of School of Management at National Central University Professor and Director of Graduate Institute of Industrial Economics at National Central University Visiting Professor of Freie Universität Berlin, Berlin Deputy Minister of Council for Economic Planning and Development, Executive Yuan Chief Negotiator of Taiwan's accession to WTO, General Agreement on Trade in Services (GATS) Vice Chair of Economic Committee, APEC President of Taiwan Academy of Banking and Finance Chairman of Taiwan Stock Exchange Minister without Portfolio of Executive Yuan Visiting Professor, University of Zagreb, Croatia	Independent Director of SinoPac Holdings Independent Director of SinoPac Securities Corp. Independent Director of Asia Cement Corp Chair Professor of Shin Hsin University Chair Professor of Soochow University Director of The China Foundation for the Promotion of Education and Culture Director of NTU Economic Research Academic Foundation

Title / Name	Nationality	Gender and Age	Date First Elected	Term (Years)	Date Elected	Shareholding when Elected		Current Shareholding (Note 1)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Selected Current Positions
						Shares	%	Shares	%	Shares	%	Shares	%		
Director HONG-YE Investment Co., Ltd. Rep. : S.J. Liao (Note 3)	R.O.C	Male 73	06/21/2016	3	06/15/2022	2,600,000	0.10	2,600,000	0.10	-	-	-	-	Bachelor degree in Industrial and Business Management, Tatung University Honorary PH.D, Tatung University President and CEO of Pegatron Corp. Chief Operating Officer of Pegatron Corp. Senior Vice President of Unihan Corp.	Deputy Group CEO of Pegatron Corp. Chairman of Kinsus Interconnect Technology Corp. Chairman of Pegatron Vietnam Company Limited Chairman of Pegatron Technology HAI PHONG Company Limited President of Pegatron Japan Inc. Director of AMA Precision Inc. Director of Asuspower Corporation Director of Asuspower Investment Co., Ltd. Director of KAEDAR Electronics (KUNSHAN) Co.,Ltd. Director of Piotek Holdings Ltd (Cayman) Director of Piotek Holdings Ltd Director of PIOTEK (HK) TRADING LIMITED Director of Kinsus Holding (Samoa) Limited Director of Kinsus Holding (Cayman) Limited Executive Director of KAI CHUAN Electronics (CHONGQING) Co.,Ltd.
E.L. Tung (Note 4)	R.O.C	Female 30	06/21/2019	3	06/15/2022	3,336,014	0.12	3,336,014	0.13	-	-	-	-	Master degree in Mass Communication, New York Institute of Technology (NYIT) Waseda University Center for Japanese Language Program	

Title / Name	Nationality	Gender and Age	Date First Elected	Term (Years)	Date Elected	Shareholding when Elected		Current Shareholding (Note 1)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Selected Current Positions
						Shares	%	Shares	%	Shares	%	Shares	%		
Independent Director C. Lin	R.O.C	Male 71	05/18/2010	3	06/15/2022	-	-	-	-	-	-	-	-	Ph.D. Economics, University of Illinois Premier of Executive Yuan Chairman of Vanguard International Semiconductor Corporation Minister of Finance of the R.O.C. Minister, Directorate General of Budget, Accounting and Statistics, Executive Yuan, R.O.C. Director General, Bureau of Finance, Taipei City Government Professor and Department Chair of public finance at National Chengchi University Research Fellow of Chung-Hua Institution for Economic Research	Chairman of TTY Biopharm Company Limited. Chairman of TSH Biopharm Corporation Limited.
Independent Director C.P. Hwang	R.O.C	Male 62	06/21/2016	3	06/15/2022	80,745	0.00	80,745	0.00	1,108,202	0.04	-	-	Electrical Engineering, National Taipei Institute of Technology President & GM of Havix Electronics Co., Ltd.	President & GM of Havix Electronics Co., Ltd.
Independent Director C.W. Wang	R.O.C	Male 68	06/15/2022	3	06/15/2022	-	-	-	-	-	-	-	-	Bachelor degree in Electronic Engineering, National Chiao Tung University CEO & President, Quanta Computer Inc. Independent Director of Phison Electronics Corp. Independent Director of Simplo Technology Co., Ltd. Director of ITIC Co., Ltd. Director of Give-Circle Co., Ltd. Director of B Current Impact Investment Director of Janus Technologies, Inc Director of Exyte AG	Independent Director of Phison Electronics Corp. Independent Director of Simplo Technology Co., Ltd. Director of ITIC Co., Ltd. Director of Give-Circle Co., Ltd. Director of B Current Impact Investment Director of Janus Technologies, Inc Director of Exyte AG

Title / Name	Nationality	Gender and Age	Date First Elected	Term (Years)	Date Elected	Shareholding when Elected		Current Shareholding (Note 1)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Selected Current Positions
						Shares	%	Shares	%	Shares	%	Shares	%		
Director C.I. Chia (Note 5)	R.O.C	Male 67	05/18/2010	3	06/21/2019	200,186	0.01	200,186	0.01	-	-	-	-	BBA, National Taiwan University MBA, University of Wisconsin-Madison Vice President, Citibank, N.A. Taipei Branch President, Individual Financial Services Group, Bank SinoPac	Supervisor of Yangtze Associates Independent Director of Ardentec Corporation Supervisor of Alriti Inc.
Director C.V. Chen (Note 5)	R.O.C	Male 77	05/18/2010	3	06/21/2019	-	-	-	-	-	-	-	-	LL.B., National Taiwan University LL.M., University of British Columbia LL.M., Harvard Law School S.J.D., Harvard Law School Vice Chairman & Secretary-General of Straits Exchange Foundation (SEF) President of The Red Cross Society of The Republic of China Adjunct Professor of Law at National Chengchi University	Senior Partner of Lee and Li Attorneys-At-Law Director of Lee and Li Foundation Director of Asia Cement Corporation Adjunct Professor of Law at Soochow University
Independent Director C.B. Chang (Note 5)	R.O.C.	Male 75	05/18/2010	3	06/21/2019	-	-	-	-	130,000	0.00	-	-	B.S., Statistics, National Chengchi University Master degreee in Statistics, National Chengchi University Deputy General Manager of China Development Industrial Bank Manager of Far Eastern Textile Ltd.	Independent Director of Standard Foods Corporation Director of Polytronic Technology Corp.

Title / Name	Nationality	Gender and Age	Date First Elected	Term (Years)	Date Elected	Shareholding when Elected		Current Shareholding (Note 1)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Selected Current Positions
						Shares	%	Shares	%	Shares	%	Shares	%		
Independent Director C.S. Yen (Note 5)	R.O.C.	Male 74	05/18/2010	3	06/21/2019	-	-	-	-	-	-	-	-	Chairman of The Alliance Cultural Foundation Chairman of Junyi School for Innovative Learning Director of NSFG Foundation Director of C. C. Social Welfare Foundation Director of Dwen An Social Welfare Foundation Director of Koo Foundation Sun Yat-Sen Cancer Center Director of Andrew T. Huang Medical Education Promotion Foundation Director of Lung Yingtai Cultural Foundation Director of Long Yen Foundation Director of T.T. Chao Cultural & Educational Foundation Director of Wistro Foundation Director of Kang Wen Culture & Education Foundation Director of USI Education Foundation Director of WT Education Foundation Director of Kehua Culture & Education Foundation Director of Children's Hearing Foundation Director of Paul Chiang Arts & Cultural Foundation Director of GUO MIN-XING Tourism Development Foundation	Provincial Keelung Senior High School Group President of Landis Hotels and Resorts Country Manager of American Express Inc. Taiwan General Manager of the Grand Hotel Chairman of Taiwan Visitors Association Pacific Asia Travel Association (PATA) Young Presidents' Organization (YPO) Asia Conference. Chairman for Asia Pacific region of The Leading Hotels of The World

Note 1: Current shareholding included the employee restricted stocks, which are under the custody of the Trust.

Note 2: Mr. T.H. Tung is Ms. E.L. Tung's second-degree relative of consanguinity. Title of Ms. Tung is director and relation to Mr. Tung is father and daughter.

Note 3: Mr. S.J. Liao was a natural-person director in the term of fifth BOD. Been elected as a juristic-person director after re-election on June 15, 2022.

Note 4: Ms. E.L. Tung is Mr. T.H. Tung's second-degree relative of consanguinity. Title of Mr. Tung is Chairman and relation to Ms. Tung is father and daughter. She was a juristic-person director in the term of fifth BOD. Been elected as a natural-person director after re-election on June 15, 2022.

Note 5: Term expired on June 15, 2022 after election of directors. The shareholding is updated to resignation date and his selected current positions are updated to February 28, 2022.

Major Shareholders of the Institutional Shareholders

As of 02/28/2023

Name of Institutional Shareholders	Major Shareholders of the Institutional Shareholders
Dai-He Investment Co., Ltd.	Hong-Ye Investment Co., Ltd (99.11%), C.T. Chen (0.30%), I.S. Lin (0.30%), S.P. Yang (0.29%)
Hong-Ye Investment Co., Ltd	T.H. Tung (92.08%), M.F. Shih (2.44%), E.L. Tung (2.44%), K.V. Tung (2.44%), I.S. Lin (0.12%), H.C. Huang (0.12%), S.P. Yang (0.12%), C.R. Wu (0.12%), M.L. Chung (0.12%)

Major Shareholders of the Major Shareholders that are Juridical Persons

As of 02/28/2023

Name of Institutional Shareholders	Major Shareholders of the Institutional Shareholders
Hong-Ye Investment Co., Ltd	T.H. Tung (92.08%), M.F. Shih (2.44%), E.L. Tung (2.44%), K.V. Tung (2.44%), I.S. Lin (0.12%), H.C. Huang (0.12%), S.P. Yang (0.12%), C.R. Wu (0.12%), M.L. Chung (0.12%)

3.2.2 Professional Qualifications and Independence Analysis of the Board Directors

3.2.2.1 Disclosure of Professional Qualifications of the Board Directors and Independence of Independent Directors

As of 02/28/2023

Criteria	Professional Qualification and Experiences	Independence Criteria	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Name T.H. Tung	<p>Been one of the co-founders and served as vice chairman of Asus. After division of Asus brand-name business and OEM/ODM business in 2008, Mr. Tung served as the Chairman of Pegatron Corp. until now. Be committed to promoting technology innovation and has accumulated industry experience for over 30 years.</p>	<p>1. As the management Team of the Company and its affiliates, and a director of its affiliates. 2. As the top 10 shareholders of the company. Around 3.79% of the Company's outstanding shares held by him and his spouse. 3. Be relative with Ms.E.L.Tung within second degree of kinship. 4. Other conditions comply with the independence criteria specified in Article 3, paragraph 1, of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies".</p>	1
Jason Cheng	<p>With expertise in both chip design and motherboard R&D. Served as general manager of OEM business group and deputy general manager of Asus, President and CEO and current vice chairman of Pegatron Corp. Familiar with DMS business and has accumulated industry experience for over 30 years.</p>	<p>1. As the management Team of the Company and its affiliates, and a director of its affiliates. 2. Around 0.19% of the Company's outstanding shares held by him and his spouse. 3. Other conditions comply with the independence criteria specified in Article 3, paragraph 1, of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies".</p>	1

Criteria Name	Professional Qualification and Experiences	Independence Criteria	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Ted Hsu	Been one of the co-founders of Asus and served as vice chairman and Deputy Group CEO of Pegatron Corp. He has profound professional capabilities in research and development of both software and hardware. Mr. Ted Hsu is the Vice Chairman and CSO of Asustek Computer Inc. and has accumulated industry experience for over 30 years.	<ol style="list-style-type: none"> 1. As the top 10 shareholders of the company. Around 2.32% of the Company's outstanding shares held by him and his spouse. 2. Other conditions comply with the independence criteria specified in Article 3, paragraph 1, of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies". 	0
H.T. Tung	With expertise in both motherboard and server R&D. Mr. H.T. Tung served as the associate vice president of Asustek Computer Inc. He is the Senior Vice President of Pegatron Corp., the vice chairman of Asrock Incorporation and has accumulated industry experience for over 30 years.	<ol style="list-style-type: none"> 1. As the management Team of the Company and a director of its affiliates. 2. Around 0.02% of the Company's outstanding shares held by him and his spouse. 3. Other conditions comply with the independence criteria specified in Article 3, paragraph 1, of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies". 	0
Peter Kuo	Mr. Peter Kuo served as the chairman and CEO of Kinsus Interconnect Technology Corp. He is the Chairman and CSO of Pegavision Corp. Over 40 years of experience in electronics, biotechnology and medical care industry, marketing management and market arrangement.	<ol style="list-style-type: none"> 1. As the management Team and a director of its affiliates. 2. Other conditions comply with the independence criteria specified in Article 3, paragraph 1, of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies". 	0

Criteria	Professional Qualification and Experiences	Independence Criteria	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Name T.K. Yang	Served as Associate Professor of MBA at National Chengchi University and held several important positions in government and financial institutions. With expertise in business management, areas of investment bank and venture capital. Over 30 years of experience in government, commerce and academics.	All conditions comply with the independence criteria specified in Article 3, paragraph 1, of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies".	0
S. Chi	Served as Dean of School of Management at National Central University and Department Chair of economics, National Taiwan University, and held several important positions in government and financial institutions. As a Chair Professor of Shin Hsin University and Soochow University at present. Familiar with government financial policies and have abundant teaching experience. With expertise in economic development strategies and industrial development. Over 40 years of experience in government, commerce and academics.	<ol style="list-style-type: none"> 1. As a juristic-person director defined in Article 27 of the Company Law. 2. Other conditions comply with the independence criteria specified in Article 3, paragraph 1, of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies". 	3
S.J. Liao	Mr. S.J. Liao served as Chief Procurement Officer of Asus and Pegatron Corp., and Chief Operating Officer, President and CEO of Pegatron Corp. He is current Chairman of Kinsus Interconnect Technology Corp. Familiar with factory operations, procurement and other businesses for over 40 years.	<ol style="list-style-type: none"> 1. As the management Team of the Company and its affiliates, and a director of its affiliates. 2. As a juristic-person director defined in Article 27 of the Company Law. 3. Around 0.12% of the Company's outstanding shares held by him and his spouse. 4. Other conditions comply with the independence criteria specified in Article 3, paragraph 1, of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies". 	0

Criteria	Professional Qualification and Experiences	Independence Criteria	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Name	Specializes in communication management.	<ol style="list-style-type: none"> 1. Around 0.13% of the Company's outstanding shares held. 2. Be relative with the Chairman, Mr. T.H.Tung, within second degree of kinship. 3. Other conditions comply with the independence criteria specified in Article 3, paragraph 1, of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies". 	0
E.L. Tung	Mr. C. Lin served as professor of public finance at National Chengchi University, and the premier of Executive Yuan, minister of Finance of the R.O.C. and several important positions in government and financial institutions. He also served as independent director of Pegatron Corp. and Casetek Holding LTD before. He is the Chairman of TTY Biopharm Company Limited and TSH Biopharm Corporation Limited. With expertise in economics, taxation and finance and abundant experience in technology, biotechnology and medical care industry. Over 40 years of experience in government, commerce and academics.	All conditions comply with the independence criteria specified in Article 14-2 of "Securities and Exchange Act" and Article 3, paragraph 1, of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" during the two years before being elected or during the term of office.	0
C. Lin			

Criteria Name	Professional Qualification and Experiences	Independence Criteria	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
C.P. Hwang	Mr. C.P. Hwang served as the independent director of Kinsus Interconnect Technology Corp. and is also the President and General Manager of Havix Electronics Co., Ltd. Over 30 years of experience in electronic industry risks and performance management.	<ol style="list-style-type: none"> 1. Around 0.04% of the Company's outstanding shares held by him and his spouse. 2. All conditions comply with the independence criteria specified in Article 14-2 of "Securities and Exchange Act" and Article 3, paragraph 1, of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" during the two years before being elected or during the term of office. 	0
C.W. Wang	Mr. C.W. Wang served as CEO and President of Quanta Computer Inc. After that, he is devoted to biotechnology and medical care industry and has accumulated management experience in technology, biotechnology and medical care industry for over 30 years.	All conditions comply with the independence criteria specified in Article 14-2 of "Securities and Exchange Act" and Article 3, paragraph 1, of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" during the two years before being elected or during the term of office.	2

Note: Not been involved in any of the provisions of Article 30 of the Company Law.

3.2.2.2 Diversity and Independence of the Board

Diversity of Board Members

The Company's sixth Board of Directors encompass diverse professional backgrounds and are composed of 12 Directors, including one female Director, taking into account gender, professional background and experience. The Board is composed of members with backgrounds in technology, finance, industry and academe, with areas of expertise covering computer telecommunications, electrical engineering, electronic product applications, business management, biotechnology and medical care, media management and industrial economics and generally possesses the knowledge, skills and qualities necessary to perform their duties. They possess the ability to make judgements about operations, accounting, finance, knowledge of the industry, leadership capabilities, as well as an international market perspective.

The Directors are fully composed of Taiwanese nationals, with 33.33% of the Directors being employees of the Company, 33.33% being employees of subsidiaries and 66.67% being non-employees. One Director is under the age of 40, seven are between 40 and 70 and four are over 70.

The diversity of the Company's Board members has been implemented in accordance with the "Corporate Governance Best Practice Principles" and the "Procedures for the Election of Directors." The current Board members have different qualifications and provide advice to the Company based on their respective expertise. The composition of the Board of Directors shall be determined by taking diversity into consideration and formulating an appropriate policy on diversity based on the company's business operations, operating dynamics, and development needs, including but not limited to the criteria of basic criteria and values, professional knowledge and skills, etc. This ensures the Board of Directors have a diversity of perspectives and strengthens the functions of the Board. In addition to the foregoing, the Company also places emphasis on gender equality in the composition of the Board of Directors, which should include at least one member of each gender and will continue to strive to increase the percentage of female Directors in the future.

Name	T.H. Tung	Jason Cheng	Ted Tsu	H.T. Tung	Peter Kuo	T.K. Yang	S. Chi	S.J. Liao	E.L. Tung	C. Lin	C.P. Hwang	C.W. Wang
Diversity	Male	Male	Male	Male	Male	Male	Male	Male	Female	Male	Male	Male
Gender	V	V	V	V	V	V	V	V	V	V	V	V
Employee of Pegatron												
Age												
Below 40												
Between 40-70	V	V	V	V	V	V	V	V	V	V	V	V
Above 70												
Business Management	V	V	V	V	V	V	V	V	V	V	V	V
Technology	V	V	V	V	V	V	V	V	V	V	V	V
Finance												
Commerce	V	V	V	V	V	V	V	V	V	V	V	V
Biotechnology and Medical Care	V		V		V	V				V		V
Communication Management									V			
Industry Knowledge	V	V	V	V	V	V	V	V	V	V	V	V

Management Goals of Diversity :

Management Goals	Implementation Status
Less than half of the directors should be management team of the Company.	Yes
The composition of the board of directors should have at least one member of different genders.	Yes

Independence of the Board :

The 12 Directors of the Company include 3 independent Directors. All three independent directors meet the independence requirements of Article 14-2 of the "Securities and Exchange Act" and the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies." All Directors maintain their independence within the scope of their duties and are not directly or indirectly interested parties to the Company. A declaration of

independence from each of the independent Directors has also been obtained during their election and terms of office and the three independent Directors are not related to each other as spouses or relatives within the second degree of kinship.

More than half of the members of the Board of Directors of the Company do not concurrently serve as employees or managerial officers, and only Mr. T.H. Tung, the Chairman and Ms. E.L. Tung, a director, are related to each other within two degrees. As more than half of the Directors are not related to each other by spousal relationships or second degree of kinship, the Board of Directors of the Company is deemed independent in accordance with the above.

3.2.3 Board of Directors Training Record

Title	Name	Date	Institute	Course	Period (hours)
Chairman	T.H. Tung	2022/04/25	The Taiwan Corporate Governance Association	Net-Zero emissions, carbon neutrality and corporate compliance	3
		2022/09/22		How to Avoid Breach of Trust and Non-Arm's Length Transactions in Board Decisions	3
		2022/10/31		How to effectively maintain the brand value of enterprises from trademark cases	3
		2022/11/10		Protection of Trade Secret and Prevention of Insider Trading	3
Vice Chairman	Jason Cheng	2022/09/22	The Taiwan Corporate Governance Association	How to Avoid Breach of Trust and Non-Arm's Length Transactions in Board Decisions	3
		2022/11/10		Protection of Trade Secret and Prevention of Insider Trading	3
Director	Ted Hsu	2022/07/20	The Taiwan Corporate Governance Association	Corporate sustainability governance from perspectives on risk from corporate governance to ESG	3
		2022/09/22		How to Avoid Breach of Trust and Non-Arm's Length Transactions in Board Decisions	3
		2022/11/10		Protection of Trade Secret and Prevention of Insider Trading	3
Director	H.T. Tung	2022/09/22	The Taiwan Corporate Governance Association	How to Avoid Breach of Trust and Non-Arm's Length Transactions in Board Decisions	3
		2022/11/10		Protection of Trade Secret and Prevention of Insider Trading	3
Director	Peter Kuo	2022/09/22	The Taiwan Corporate Governance Association	How to Avoid Breach of Trust and Non-Arm's Length Transactions in Board Decisions	3
		2022/10/31		How to effectively maintain the brand value of enterprises from trademark cases	3
		2022/11/10		Protection of Trade Secret and Prevention of Insider Trading	3

Title	Name	Date	Institute	Course	Period (hours)
Director	T.K. Yang	2022/09/22	The Taiwan Corporate Governance Association	How to Avoid Breach of Trust and Non-Arm's Length Transactions in Board Decisions	3
		2022/11/10		Protection of Trade Secret and Prevention of Insider Trading	3
Director	DAI-HE Investment Co., Ltd. Rep. : S. Chi	2022/09/22	The Taiwan Corporate Governance Association	How to Avoid Breach of Trust and Non-Arm's Length Transactions in Board Decisions	3
		2022/11/10		Protection of Trade Secret and Prevention of Insider Trading	3
Director	HONG-YE Investment Co., Ltd. Rep. : S.J. Liao	2022/09/22	The Taiwan Corporate Governance Association	How to Avoid Breach of Trust and Non-Arm's Length Transactions in Board Decisions	3
		2022/11/10		Protection of Trade Secret and Prevention of Insider Trading	3
Director	E.L. Tung	2022/09/22	The Taiwan Corporate Governance Association	How to Avoid Breach of Trust and Non-Arm's Length Transactions in Board Decisions	3
		2022/11/10		Protection of Trade Secret and Prevention of Insider Trading	3
Independent Director	C. Lin	2022/09/07	Securities & Futures Institute	Global trend of Net-Zero emissions and Taiwan's actions to promote Zero Carbon transformation	3
		2022/09/22	The Taiwan Corporate Governance Association	How to Avoid Breach of Trust and Non-Arm's Length Transactions in Board Decisions	3
		2022/10/12		Prohibition against insider trading	3
		2022/11/10		Protection of Trade Secret and Prevention of Insider Trading	3

Title	Name	Date	Institute	Course	Period (hours)
Independent Director	C.P. Hwang	2022/09/22	The Taiwan Corporate Governance Association	How to Avoid Breach of Trust and Non-Arm's Length Transactions in Board Decisions	3
		2022/11/10		Protection of Trade Secret and Prevention of Insider Trading	3
Independent Director	C.W. Wang	2022/09/22	The Taiwan Corporate Governance Association	How to Avoid Breach of Trust and Non-Arm's Length Transactions in Board Decisions	3
		2022/11/04		Introduction and Prevention of Joint Pricing	3
		2022/11/04		Case studies of Implementation of Ethical Corporate Management	3

3.2.4 Introduction of the Management Team

As of 02/28/2023

Title / Name	Nationality	Gender	On-board Date	Current Shareholding (Note 1)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Selected Current Positions	Note
				Shares	%	Shares	%	Shares	%			
CSO T.H. Tung	R.O.C.	Male	01/01/2008	94,917,309	3.56	6,074,490	0.23	-	-	Master degree in Computer and Communication Engineering, National Taipei University of Technology Honorary PH.D in Engineering, National Taipei University of Technology Vice Chairman of Asustek Computer Inc. Chairman of Kinsus Interconnect Technology Corp. Chairman of Pegavisioin Corp.	Refer to Introduction of Board of Directors	
Deputy CSO Jason Cheng	R.O.C.	Male	01/01/2008	5,019,773	0.19	13,120	0.00	-	-	Master degree in Electrical Engineering, University of Southern California President and CEO of Pegatron Corp. Deputy General Manager of Asustek Computer Inc.	Refer to Introduction of Board of Directors	
Deputy Group CEO S.J. Liao	R.O.C.	Male	11/02/2012	3,219,856	0.12	93	0.00	-	-	Bachelor degree in Industrial and Business Management, Tatung University Honorary PH.D, Tatung University Chief Operating Officer of Pegatron Corp. Senior Vice President of Unihan Corp.	Refer to Introduction of Board of Directors	Note 2

Title / Name	Nationality	Gender	On-board Date	Current Shareholding (Note 1)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Selected Current Positions	Note
				Shares	%	Shares	%	Shares	%			
President and Co-CEO Kuang-Chih Cheng	R.O.C	Male	08/12/2022	285,946	0.01	80	0.00	-	-	Master degree in Computer Science and Information Engineering Tamkang University Associate Vice President of ASUS	Director of ASROCK INCORPORATION Director of AzureWave Technologies, Inc. President and CEO of AzureWave Technologies, Inc. Chairman of AzureLighting Technologies (Yangzhou) Inc. Chairman of Azurewave Technologies (U.S.A.) Inc.	Note 3
President and Co-CEO Kuo-Yen Teng	R.O.C.	Male	08/01/2008	608,309	0.02	309,000	0.01	-	-	College degree in Electronic Engineering National Taipei Institute of Technology Associate Vice President of ASUS	None	Note 4
Senior Vice President Te-Tzu Yao	R.O.C.	Female	08/01/2008	1,446,109	0.05	-	-	-	-	M.S. Psychology, National Taiwan University MBA in International Management, Thunderbird, The American Graduate School of International Management Chief Staff, CEO Office, ASUS Vice President of Material Management, Wistron Corp General Auditor, Chief Logistic Officer, AVP of Global Operation, Acer Inc.	Director of AzureWave Technologies, Inc. Director and President of FUYANG TECHNOLOGY CORPORATION Director of FUYANG FLEX Holding LTD. Chairman of PEGATRON ELECTRONICS INC. Chairman of PEGATRON TECHNOLOGY TEXAS INC.	Note 5
Senior Vice President H.T. Tung	R.O.C	Male	08/01/2008	540,000	0.02	-	-	-	-	Bachelor degree in Electrical Engineering National Taiwan University Associate Vice President of ASUS	Refer to Introduction of Board of Directors	
Senior Vice President Chung Yu Huang	R.O.C	Male	11/02/2012	1,600,630	0.06	-	-	-	-	Ph. D. Electrical Engineering, University of Southern California Master degree in Electrical Engineering, University of Southern California Bachelor degree in Electrical Engineering, National Taiwan University Associate Vice President of ASUS Vice President of Unihan Corp	None	Note 6

Title / Name	Nationality	Gender	On-board Date	Current Shareholding (Note 1)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Selected Current Positions	Note
				Shares	%	Shares	%	Shares	%			
Senior Vice President and Co-Chief Technology Officer Pei-Chih Wang	R.O.C	Male	10/03/2011	1,468,949	0.06	-	-	-	-	Master degree in Electrical Engineering, National Taiwan University Vice President of ASUS	None	Note 7
Senior Vice President and Co-Chief Technology Officer Yean-Jen Shue	R.O.C	Male	08/19/2022	883,432	0.03	440,175	0.02	-	-	Ph. D. Electrical Engineering, University of Florida Associate Vice President of ASUS	Director of Kai He Computer Accessory (Suzhou) Co., Ltd.	Note 8

Title / Name	Nationality	Gender	On-board Date	Current Shareholding (Note 1)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Selected Current Positions	Note
				Shares	%	Shares	%	Shares	%			
Vice President and Chief Logistic Officer Chiu-Tan Lin	R.O.C	Male	02/01/2008	315,000	0.01	-	-	-	-	Master degree in Business Administration Tunghai University Deputy Chief Investment Officer of ASUS	Chairman of STARLINK ELECTRONICS CORPORATION Supervisor of POWTEK (SHANGHAI) LTD. Supervisor of DIGITEK (CHONGQING) LTD. Chairman of PEGATRON TECHNOLOGY SERVICE INC. Director of PEGATRON Czech s.r.o. Director of Pegatron Technology India Private Limited	Note 9
Vice President Tsong-Jen Ku Lai	R.O.C	Male	08/01/2008	1,242,278	0.05	6,991	0.00	-	-	Bachelor degree in Industrial Engineering Tunghai University Associate Vice President of ASUS	Director of PEGATRON TECHNOLOGY SERVICE INC. Director of PEGATRON SERVICE SINGAPORE PTE. LTD. Director of PEGATRON SERVICE KOREA LLC. Chairman of AMA PRECISION INC. Director of PEGATRON SERVICE AUSTRALIA PTY. LTD.	
Vice President En-Bair Chang	R.O.C.	Male	02/01/2008	561,213	0.02	-	-	-	-	Master degree in Industrial Design Pratt Institute Associate Vice President of ASUS	Director of KAEDAR TRADING LTD. Director of KAEDAR HOLDINGS LIMITED Chairman of SLITEK HOLDING LTD.	
Vice President Shih-Chi Hsu	R.O.C.	Male	01/17/2022	967	0.00	-	-	-	-	Bachelor degree in Mechanical Engineering National Taiwan Institute of Technology Associate Vice President of ASUS	None	Note 10

Title / Name	Nationality	Gender	On-board Date	Current Shareholding (Note 1)		Spouse & Minor Shareholdings		Shareholding by Nominee Arrangement		Experience (Education)	Selected Current Positions	Note
				Shares	%	Shares	%	Shares	%			
Vice President Tian-Bao Chang	R.O.C	Male	08/01/2008	974,101	0.04	-	-	-	-	College degree in Transportation Management Chungyu Institute of Technology Senior Director of ASUS	Director of PROTEK (SHANGHAI) LTD. Director of POWTEK (SHANGHAI) LTD. Director of PEGAGLOBE (KUNSHAN) CO.,LTD. Director of MAINTEK COMPUTER (SUZHOU) CO., LTD. Director of CASETEK COMPUTER (SUZHOU) CO., LTD. Director of COTEKELECTRONICS (SUZHOU) CO., LTD. Director of CORE-TEK (SHANGHAI) LIMITED Director of CHONGQING ZUANSHUO TRADING CO., LTD.	
Vice President Ming-Tung Hsu	R.O.C.	Male	08/01/2008	673,624	0.03	8,219	0.00	-	-	College degree in Industrial Engineering National Taipei Institute of Technology Associate Vice President of ASUS	Representative of FUYANG ELECTRONICS (SUZHOU) CO., LTD.	
Vice President Chih-Hsiung Chen	R.O.C	Male	07/01/2010	635,609	0.02	400,000	0.01	-	-	Master degree in Electrical Engineering Tufts University Vice President of ASUS	None	
Vice President Hsi-Wen Lee	R.O.C.	Male	08/01/2012	550,390	0.02	-	-	-	-	Master degree in Mechanical Engineering, National Taiwan University Senior Director of ASUS	None	

Title / Name	Nationality	Gender	On-board Date	Current Shareholding (Note 1)		Spouse & Minor Shareholdings		Shareholding by Nominee Arrangement		Experience (Education)	Selected Current Positions	Note
				Shares	%	Shares	%	Shares	%			
Vice President and Chief Financial Officer Shaing-Shaing Wu	R.O.C.	Female	07/01/2014	1,040,000	0.04	-	-	-	-	Master degree in Business Administration, University of St. Thomas Vice Chairman of OFCO Industrial Corp. Director of KINSUS INVESTMENT CO., LTD. Director of ASUS INVESTMENT CO., LTD. Director of ASUSTEK INVESTMENT CO., LTD. Supervisor of FUYANG TECHNOLOGY CORPORATION Director of EsLite Corporation. Supervisor of PT. PEGAUNIHAN TECHNOLOGY INDONESIA Supervisor of PEGATRON VIETNAM COMPANY LIMITED Supervisor of PEGATRON TECHNOLOGY HAI PHONG COMPANY LIMITED Director of Pegatron Venture Capital Co., Ltd.	Director of KINSUS INVESTMENT CO., LTD. Director of ASUS INVESTMENT CO., LTD. Director of ASUSTEK INVESTMENT CO., LTD. Supervisor of FUYANG TECHNOLOGY CORPORATION Director of EsLite Corporation. Supervisor of PT. PEGAUNIHAN TECHNOLOGY INDONESIA Supervisor of PEGATRON VIETNAM COMPANY LIMITED Supervisor of PEGATRON TECHNOLOGY HAI PHONG COMPANY LIMITED Director of Pegatron Venture Capital Co., Ltd.	
Vice President Chen-Yu Feng	R.O.C.	Male	08/01/2014	901,795	0.03	21,000	0.00	-	-	Master degree in Computer Science, National Chiao Tung University Associate Vice President of Unihan Corp. Senior Director of ASUS	Director of Pegatron USA	
Vice President Ting-Pang Huang	R.O.C	Male	08/01/2018	598,000	0.02	-	-	-	-	Bachelor degree in Industrial Management Science, National Taiwan University of Science and Technology Deputy Director of ASUS MBA in International Management, Thunderbird, The American Graduate School of International Management Master degree in Computer Science, Florida Institute of Technology Associate Vice President of ASUS Senior Special Assistant of Wistron Corp. Chief Operating Officer of Wistron NeWeb Corp	None	
Vice President Shyh-Heh Hwang	R.O.C	Male	08/01/2018	201,000	0.01	-	-	-	-	Associate Vice President of ASUS Senior Special Assistant of Wistron Corp. Chief Operating Officer of Wistron NeWeb Corp	None	Note 11

Title / Name	Nationality	Gender	On-board Date	Current Shareholding (Note 1)		Spouse & Minor Shareholdings		Shareholding by Nominee Arrangement		Experience (Education)	Selected Current Positions	Note
				Shares	%	Shares	%	Shares	%			
Vice President Yi-Yung Wu	R.O.C	Male	08/01/2020	400,028	0.01	-	-	-	-	Ph.D. of Power Mechanical Engineering, National Tsing Hua University Master degree in Power Mechanical Engineering, National Tsing Hua University Section Manager of OES/ITRI Deputy Director of ASUS Senior Director of Unihan Corp.	Supervisor of KAI CHUAN Electronics (Chongqing) Co., Ltd. Director of Luxcase Precision Technology (YanCheng) Co., Ltd. Director of Zhangjiagang Dongbu High Technology Metal Products Co.,Ltd.	
Corporate Governance Officer Chieh-Tsung Chen	R.O.C	Male	06/21/2019	895,893	0.03	1,117,199	0.04	-	-	Master degree in Management, Tamkang University Senior Associate Vice President of Kinsus Interconnect Technology Corp. Director of Starlink Electronics Corp.	Supervisor of ASUSPOWER INVESTMENT CO., LTD. Supervisor of ASUS INVESTMENT CO., LTD. Supervisor of ASUSTEK INVESTMENT CO., LTD.	
Accounting Officer Ju-Hui Hsieh	R.O.C	Female	09/01/2019	450,000	0.02	21,000	0.00	-	-	Master degree in Accounting, National Taiwan University Chief Financial Officer of Kinsus Interconnect Technology Corp. Chief Accounting Officer of Casetek Holdings Limited Director of ASUS	Supervisor of Pegatron Venture Capital Co., Ltd.	

Note 1: Current shareholding included the employee restricted stocks, which are under the custody of the Trust.

Note 2: Mr. S.J. Liao new position effective on August 12th, 2022.

Note 3: Mr. Kuang-Chih Cheng was appointed President and Co-CEO on August 12th, 2022.

Note 4: Mr. Kuo-Yen Teng new position effective on August 12th, 2022.

Note 5: Ms. Te-Tzu Yao new position effective on August 19th, 2022.

Note 6: Mr. Chung-Yu Huang new position effective on August 19th, 2022.

Note 7: Mr. Pei-Chin Wang new position effective on August 19th, 2022.

Note 8: Mr. Yean-Jen Shue was appointed Senior Vice President and Co-Chief Technology Officer on August 19th, 2022.

Note 9: Mr. Chiu-Tan Lin new position effective on August 19th, 2022.

Note 10: Mr. Shih-Chi Hsu was appointed Vice President on January 17th, 2022.

Note 11: Mr. Shyh-Heh Hwang resigned from his position effective on October 1st, 2022. The shareholding is updated to September 30th, 2022, and his selected current positions are updated to February 28th, 2022.

3.2.5 Remuneration and Compensation Paid to Directors, the President, and Vice President

3.2.5.1 Remuneration Paid to Director

Unit: NT\$ thousands

Title/ Name	Remuneration						Compensation Earned by a Director Who is an Employee of Pegatron or its Consolidated Entities						Total remuneration (A+B+C+D+E+F+G) as a % of net income		Compensation paid to directors from non-consolidated affiliates						
	Base Compensation(A)		Severance Pay and Pensions(B)		Compensation to Directors(C) (Note)		Allowances(D)		Total remuneration (A+B+C+D) as a % of net income		Base Compensation, Bonuses, and Allowances (E)		Severance Pay and Pensions (F)			Employee Compensation (G)					
	From Pegatron	From all consolidated entities	From Pegatron	From all consolidated entities	From Pegatron	From all consolidated entities	From Pegatron	From all consolidated entities	From Pegatron	From all consolidated entities	From Pegatron	From all consolidated entities	From Pegatron	From all consolidated entities		From Pegatron	From all consolidated entities	From Pegatron	From all consolidated entities		
																				Cash	Stock
Chairman T.H. Tung																					
Vice Chairman Jason Cheng																					
Director C.I. Chia																					
Director C.V. Chen	0	873	0	0	89,570	141,133	0	3	89,570 0.59%	142,009 0.94%	89,538	107,360	0	0	26,000	73,965	0	205,108 1.36%	323,334 2.14%	0	
Director T.K. Yang																					
Director DAI-HE Investment Co., Ltd. Rep: S. Chi																					

Title/ Name	Remuneration										Compensation Earned by a Director Who is an Employee of Pegatron or its Consolidated Entities			Total remuneration (A+B+C+D+E+F+G) as a % of net income		Compensation from non-consolidated affiliates paid to directors								
	Base Compensation(A)		Severance Pay and Pensions(B)		Compensation to Directors(C) (Note)		Allowances(D)		Total remuneration (A+B+C+D) as a % of net income		Base Compensation, Bonuses, and Allowances (E)		Severance Pay and Pensions (F)		Employee Compensation (G)		From all consolidated entities	From all consolidated entities						
	From Pegatron	From all consolidated entities	From Pegatron	From all consolidated entities	From Pegatron	From all consolidated entities	From Pegatron	From all consolidated entities	From Pegatron	From all consolidated entities	From Pegatron	From all consolidated entities	Cash	Stock	Cash				Stock					
Director S.J. Liao																								
Director HONG-YE HONG-YE Investment Co., Ltd. Rep: E.L. Tung																								
Director HONG-YE Investment Co., Ltd. Rep: S.J. Liao	Same as Above	Same as Above	Same as Above	Same as Above	Same as Above	Same as Above	Same as Above	Same as Above	Same as Above	Same as Above	Same as Above	Same as Above	Same as Above	Same as Above	Same as Above	Same as Above	Same as Above	Same as Above	Same as Above	Same as Above	Same as Above			
Director Ted Hsu																								
Director H.T. Tung																								
Director Peter Kuo																								
Director E.L. Tung																								
Independent Director C.B. Chang																								
Independent Director C. P. Hwang	0	0	0	0	26,280	26,280	0	0	0	26,280	26,280	0	0	0	0	0	0	0	0	0	26,280	26,280	0	
Independent Director C.S. Yen																								

Bracket	Name of Directors					
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)		Companies in the financial report	The company
	The company	Companies in the financial report	The company	Companies in the financial report		
Below NT\$ 1,000,000	-	-	-	-	-	-
NT\$1,000,000(Included) ~ NT\$2,000,000(Excluded)	-	-	-	-	-	-
NT\$2,000,000(Included) ~ NT\$3,500,000(Excluded)	-	-	-	-	-	-
NT\$3,500,000(Included) ~ NT\$5,000,000(Excluded)	C. Lin Ted Hsu C.B. Chang C.V. Chen C.I. Chia C.S. Yen HONG-YE Investment Co., Ltd. Rep.: S.J. Liao S.J. Liao HONG-YE Investment Co., Ltd. Rep.: E.L.Tung H.T. Tung Peter Kuo E.L. Tung C.W. Wang	C. Lin Ted Hsu C.B. Chang C.V. Chen C.I. Chia C.S. Yen HONG-YE Investment Co., Ltd. Rep.: S.J. Liao HONG-YE Investment Co., Ltd. Rep.: E.L.Tung E.L. Tung C.W. Wang	C. Lin Ted Hsu C.B. Chang C.V. Chen C.I. Chia C.S. Yen HONG-YE Investment Co., Ltd. Rep.: S.J. Liao HONG-YE Investment Co., Ltd. Rep.: E.L.Tung Peter Kuo E.L. Tung C.W. Wang	C. Lin Ted Hsu C.B. Chang C.V. Chen C.I. Chia C.S. Yen HONG-YE Investment Co., Ltd. Rep.: S.J. Liao HONG-YE Investment Co., Ltd. Rep.: E.L.Tung E.L. Tung C.W. Wang	C. Lin Ted Hsu C.B. Chang C.V. Chen C.I. Chia C.S. Yen HONG-YE Investment Co., Ltd. Rep.: S.J. Liao HONG-YE Investment Co., Ltd. Rep.: E.L.Tung E.L. Tung C.W. Wang	C. Lin Ted Hsu C.B. Chang C.V. Chen C.I. Chia C.S. Yen HONG-YE Investment Co., Ltd. Rep.: S.J. Liao HONG-YE Investment Co., Ltd. Rep.: E.L.Tung E.L. Tung C.W. Wang
NT\$5,000,000 (Included)~ NT\$10,000,000(Excluded)	T.K. Yang DAI-HE Investment Co., Ltd. Rep.: S. Chi C.P. Hwang	T.K. Yang DAI-HE Investment Co., Ltd. Rep.: S. Chi C.P. Hwang H.T. Tung	T.K. Yang DAI-HE Investment Co., Ltd. Rep.: S. Chi C.P. Hwang	T.K. Yang DAI-HE Investment Co., Ltd. Rep.: S. Chi C.P. Hwang	T.K. Yang DAI-HE Investment Co., Ltd. Rep.: S. Chi C.P. Hwang	T.K. Yang DAI-HE Investment Co., Ltd. Rep.: S. Chi C.P. Hwang
NT\$10,000,000(Included) ~ NT\$15,000,000(Excluded)	Jason Cheng	Jason Cheng	Jason Cheng	Jason Cheng	Jason Cheng	Jason Cheng
NT\$15,000,000 (Included)~ NT\$30,000,000(Excluded)	T.H. Tung	S.J. Liao Peter Kuo	S.J. Liao Peter Kuo	S.J. Liao Peter Kuo	H.T. Tung	H.T. Tung
NT\$30,000,000 (Included)~ NT\$50,000,000(Excluded)	-	T.H. Tung	T.H. Tung	T.H. Tung	Jason Cheng S.J. Liao	H.T. Tung Peter Kuo
NT\$50,000,000(Included) ~ NT\$100,000,000(Excluded)	-	-	-	-	-	T.H. Tung Jason Cheng S.J. Liao
Over NT\$100,000,000	-	-	-	-	-	-
Total	18	18	18	18	18	18

3.2.5.2 Compensation Paid to President and Vice President

Unit: NT\$ thousands

Title/Name	Salary(A)		Severance Pay and Pensions (B)		Bonuses and Allowances (C)		Employee Compensation (D)				Total remuneration (A+B+C+D) as a % of net income		Compensation paid to directors from non-consolidated affiliates
	From Pegatron	From all consolidated entities	From Pegatron	From all consolidated entities	From Pegatron	From all consolidated entities	From Pegatron	Cash	Stock	From all consolidated entities	From all consolidated entities		
CSO T.H. Tung													
Deputy CSO Jason Cheng													
Deputy Group CEO S.J. Liao													
President and Co-CEO Kuang-Chih Cheng													
President and Co-CEO Kuo-Yen Teng													
Senior Vice President Te-Tzu Yao													
Senior Vice President H.T. Tung													
Senior Vice President Chung Yu Huang	113,919	124,546	0	0	175,495	184,298	83,500	0	118,294	0	372,914 2.47%	427,138 2.83%	240
Senior Vice President and Co-Chief Technology Officer Pei-Chin Wang													
Senior Vice President and Co-Chief Technology Officer Yean-Jen Shue													
Vice President and Chief Logistic Officer Chiu-Tan Lin													
Vice President Tsung-Jen Ku Lai													
Vice President En-Bair Chang													
Vice President Shih-Chi Hsu													

Title/Name	Salary(A)		Severance Pay and Pensions (B)		Bonuses and Allowances (C)		Employee Compensation (D)				Total remuneration (A+B+C+D) as a % of net income		Compensation paid to directors from non-consolidated affiliates
	From Pegatron	From all consolidated entities	From Pegatron	From all consolidated entities	From Pegatron	From all consolidated entities	From Pegatron		From all consolidated entities		From Pegatron	From all consolidated entities	
							Cash	Stock	Cash	Stock			
Vice President Tian-Bao Chang													
Vice President Ming-Tung Hsu													
Vice President Chih-Hsiung Chen													
Vice President Hsi-Wen Lee													
Vice President and Chief Financial Officer Shaing-Shaing Wu	Same as Above	Same as Above	Same as Above	Same as Above	Same as Above	Same as Above	Same as Above	Same as Above	Same as Above	Same as Above	Same as Above	Same as Above	Same as Above
Vice President Chen-Yu Feng													
Vice President Ting-Pang Huang													
Vice President Shyh-Heh Hwang													
Vice President Yi-Yung Wu													

Bracket	Name of President and Vice President	
	The company	Companies in the financial report
Below NT\$ 1,000,000	-	-
NT\$1,000,000(Included) ~ NT\$2,000,000(Excluded)	-	-
NT\$2,000,000(Included) ~ NT\$3,500,000(Excluded)	-	-
NT\$3,500,000(Included)~ NT\$5,000,000(Excluded)	-	-
NT\$5,000,000(Included) ~ NT\$10,000,000(Excluded)	Shih-Chi Hsu Chih-Hsiung Chen Shyh-Heh Hwang	Shih-Chi Hsu Chih-Hsiung Chen Shyh-Heh Hwang
NT\$10,000,000(Included) ~ NT\$15,000,000(Excluded)	Kuang-Chih Cheng Chiu-Tan Lin Tsung-Jen Ku Lai En-Bair Chang Tian-Bao Chang Ming-Tung Hsu Hsi-Wen Lee Ting-Pang Huang Yi-Yung Wu	Chiu-Tan Lin Tsung-Jen Ku Lai En-Bair Chang Tian-Bao Chang Ming-Tung Hsu Hsi-Wen Lee Ting-Pang Huang Yi-Yung Wu
NT\$15,000,000(Included) ~ NT\$30,000,000(Excluded)	T.H. Tung Kuo-Yen Teng Te-Tzu Yao H.T. Tung Chung Yu Huang Pei-Chin Wang Yean-Jen Shue Shaing-Shaing Wu Chen-Yu Feng	Kuang-Chih Cheng Kuo-Yen Teng Te-Tzu Yao H.T. Tung Chung Yu Huang Pei-Chin Wang Yean-Jen Shue Shaing-Shaing Wu Chen-Yu Feng
NT\$30,000,000(Included) ~ NT\$50,000,000(Excluded)	Jason Cheng S.J. Liao	T.H. Tung Jason Cheng
NT\$50,000,000(Included)~NT\$100,000,000(Excluded)	-	S.J. Liao
Over NT\$100,000,000	-	-
Total	23	23

3.2.5.3 Employee Profit Sharing Granted to Management Team

Unit: NT\$ thousands

Title	Name	Stock (Fair Market Value)	Cash	Total	Ratio of Total Amount to Net Income (%)
CSO	T.H. Tung	0	90,200	90,200	0.60%
Deputy CSO	Jason Cheng				
Deputy Group CEO	S.J. Liao				
President and Co-CEO	Kuang-Chih Cheng				
President and Co-CEO	Kuo-Yen Teng				
Senior Vice President	Te-Tzu Yao				
Senior Vice President	H.T. Tung				
Senior Vice President	Chung Yu Huang				
Senior Vice President and Co-Chief Technology Officer	Pei-Chin Wang				
Senior Vice President and Co-Chief Technology Officer	Yean-Jen Shue				
Vice President and Chief Logistic Officer	Chiu-Tan Lin				
Vice President	Tsung-Jen Ku Lai				
Vice President	En-Bair Chang				
Vice President	Shih-Chi Hsu				
Vice President	Tian-Bao Chang				
Vice President	Ming-Tung Hsu				
Vice President	Chih-Hsiung Chen				
Vice President	Hsi-Wen Lee				
Vice President and Chief Financial Officer	Shaing-Shaing Wu				
Vice President	Chen-Yu Feng				
Vice President	Ting-Pang Huang				
Vice President	Shyh-Heh Hwang				
Vice President	Yi-Yung Wu				
Corporate Governance Officer	Chieh-Tsung Chen				
Accounting Officer	Ju-Hui Hsieh				

3.2.5.4 Compare and state the ratio of total remuneration paid to the Company’s Directors, President and Vice Presidents by the company and the companies in the consolidated financial statements to net income in the past two years. Please also describe the policy, criteria, packages and rules relating to the remuneration, as well as its relation to business performance and future risks.

Total remuneration paid by the Company and by all companies included in the consolidated financial statements for the most recent two fiscal years to directors, presidents and vice presidents of the Company are as follows:

Net Income of year 2021: NT\$20,545,643 thousand dollars

Net Income of year 2022: NT\$15,096,180 thousand dollars

NT\$ thousands; %

Year	Total remuneration paid to directors, presidents and vice presidents		Ratio of total remuneration paid to directors, presidents and vice presidents to net income (%)	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
2021	555,698	623,846	2.70%	3.04%
2022	488,764	616,325	3.24%	4.08%

The ratio of remuneration paid to directors, presidents and vice presidents of the Company and the companies in the consolidated financial statements in the last two years to the net income was 2.70% and 3.04% in 2021 and 3.24% and 4.08% in 2022, respectively.

Pursuant to Article 14-6 of Securities and Exchange Act, our Board of Directors approved the establishment of Compensation Committee, appointment of committee members and related internal regulations on August 25, 2011. Since the establishment of Compensation Committee, members of the committee shall exercise the utmost good faith and perform the following duties:

- a. Prescribe and periodically conduct performance review and remuneration policy, system, standards, and structure for directors, supervisors and managerial officers.
- b. Periodically evaluate and prescribe the remuneration of directors, supervisors, and managerial officers.

In accordance with Article 26-1 of the Company’s Articles of Incorporation, the remuneration to directors should not exceed 0.7% of the company’s annual profit. Reasonable remuneration should be given while taking into consideration the overall operation and performance of the Company, each director’s degree of participation and responsibilities in the operation of the company, and the performance evaluation results from the Board and functional committee. The Compensation Committee will hold regular evaluations concerning the reasonability of the compensation policies. Furthermore, remunerations to the management team are determined based on their responsibilities, performance, and the industry compensation level. Whereas variable bonuses comprehensively take into consideration the operating

performance of the Company and an individual's performance. The performance of an individual is evaluated based on their profitability, growth and operational efficiency.

Remuneration and dividend distribution of directors, supervisors, and managerial officers shall be proposed by the Compensation committee to Board of Directors for resolution.

3.3 Implementation of Corporate Governance

3.3.1 Board of Directors

A total of 8 (A) meetings of the Board of Directors were held in 2022. The directors' attendance status is as follows:

Title	Name	Attendance in person (B)	By Proxy	Attendance rate (%) 【B/A】	Remarks
Chairman	T.H. Tung	8	0	100.0%	Renewal of office
Director	Jason Cheng	8	0	100.0%	Renewal of office
Director	C.I. Chia	4	0	100.0%	Term expired
Director	C.V. Chen	4	0	100.0%	Term expired
Director	T.K. Yang	8	0	100.0%	Renewal of office
Director	S.J. Liao	4	0	100.0%	Term expired (In new session, Mr. Liao is elected as representative of Hong-YE Investment Co., Ltd, and the attendance in person is calculated when Mr. Liao was natural person director)
Director	DAI-HE Investment Co., Ltd. Rep. : S. Chi	8	0	100.0%	Renewal of office
Director	HONG-YE Investment Co., Ltd. Rep. : S.J. Liao / E.L. Tung	4/4	0	100.0%	Renewal of office(The new representative / The former representative)
Director	Ted Hsu	4	0	100.0%	New office assumed

Pegatron's 6th session of Board of Directors was elected at 2022 Annual General Shareholders' Meeting. Tenure of the session is from 15th June, 2022 to 14th June, 2025.

Director	M.D. Kuo	4	0	100.0%	New office assumed
Director	H.T. Tung	4	0	100.0%	New office assumed
Director	E.L. Tung	4	0	100.0%	New office assumed (The Attendance in person has been calculated since Ms. Tung was elected as natural person director)
Independent Director	C.S. Yen	4	0	100.0%	Term expired
Independent Director	C.B. Chang	4	0	100.0%	Term expired
Independent Director	C.P. Hwang	8	0	100.0%	Renewal of office
Independent Director	C. Lin	4	0	100.0%	New office assumed
Independent Director	C.W. Wang	4	0	100.0%	New office assumed

Remarks:

1. For resolution of agendas referring to Article 14-3 of Securities and Exchange Act, please refer to the Major resolutions of Board of Directors. There were no resolutions objected by independent directors in writing, on record or subject to qualified opinion in 2022.

2. There were no recusals of directors due to conflict of interest in 2022.

3. Measures taken to strengthen the functionality of the Board:

The Board complies with the "Rules Governing the Conduct of Board Meetings" which has been established according to statutory regulations. Chief Internal Audit and Chief Financial Officer also report to the Board regarding the status of internal audit and finance and relevant reports are provided to the directors for their reference.

Execution Status of Self Evaluation of Board

Pegatron has executed the 2022Y Board Evaluation in 1st quarter 2023, and reported the result of self evaluation to Board of Directors on March 14th, 2023.

Evaluation Cycle	Evaluation Period	Evaluation Scale	Evaluation Approach	Evaluation Content	Evaluation Result
Once a year	2022.1.1 – 2022.12.31	Board of Directors (as a whole), Board members, Audit	Self evaluation of Board members、Board of Directors,	Self evaluation of Board members : 1. Familiarity with the goals and missions of the Company 2. Awareness of the	Self evaluation of Board members : All Board members are actively engaged

		committee and Compensation committee	Audit committee and Compensation Committee	<p>duties of the director</p> <p>3. Participation in the operation of the Company</p> <p>4. Management and communication of internal relationship</p> <p>5. The director's profession and continuing educations</p> <p>6. Internal control</p> <p>Self evaluation of Board of Directors :</p> <p>1. Participation in the operation of the Company</p> <p>2. Improvement of the quality of the board of directors' decision making</p> <p>3. Composition and structure of the board of directors</p> <p>4. Election and continuing education of the directors</p> <p>5. Internal control</p> <p>Self evaluation of Audit and Compensation committee :</p> <p>1. Participation in the operation of the company</p> <p>2. Awareness of the duties of the committee</p> <p>3. Improvement of quality of decisions made by committee</p> <p>4. Composition of the committee and election of its members</p> <p>5. Internal control</p>	<p>and have good interaction with management team.</p> <p>Self evaluation of Board of Directors : The Board of Directors has complied with corporate governance.</p> <p>Self evaluation of Audit and Compensation committee : All members approve of the implementation and efficiency.</p>
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Note :

- (1) In accordance with Pegatron's latest "Rules for Board of Directors and Functional Committee Performance Assessments", the Company's board performance evaluation shall be conducted by an external independent professional institution or a panel of external experts and scholars at least once every three years.**
- (2) In 2023, Pegatron appoints Diwan & Company as external independent professional institution to execute performance evaluation of Board of Directors in 2022Y. According to their report submitted on March 31st, 2023, the result of assessment is excellent.**

3.3.2 Audit Committee

A total of 7 (A) meetings of the audit committee were held in 2022. The independent directors' attendance status is as follows:

Title	Name	Attendance in person (B)	By Proxy	Attendance rate (%) 【B/A】	Remarks	
Independent Director	C.B. Chang	4	0	100%	Term expired	Pegatron's 6 th session of Board of Directors was elected in 2022 Annual General Shareholders' Meeting.
Independent Director	C.S. Yen	4	0	100%	Term expired	
Independent Director	C.P. Hwang	7	0	100%	Renewal of office	
Independent Director	C. Lin	3	0	100%	New office assumed	
Independent Director	C.W. Wang	3	0	100%	New office assumed	

Remarks:

- For resolution of agendas referring to Article 14-5 of Securities and Exchange Act, please refer to the note below. There are no agendas which were not approved by the Audit Committee but otherwise resolved by two thirds or more of all directors in 2022.
- There were no recusals of independent directors due to conflicts of interests in 2022. Descriptions of the communications between the independent directors, the internal auditors, and the independent auditors, and Audit Committee's key tasks in 2022:
 - The Audit Committee convenes meetings with the Company's independent auditors and the head of internal audit to review major items such as operating results, financial statements, internal control, internal audit plan and its findings. In addition to the findings of internal audit presented by the internal audit department quarterly, the independent auditors will also present the external audit findings and review of the Company's second quarter and fourth quarter financial results. Discussion and conclusion of above mentioned items are recorded in the Audit Committee meeting minutes and resolutions will be reported to the directors in Board meetings periodically. The Company's head of internal audit and the independent auditors report to the independent directors solely at least once a year about the internal audit and financial statement audit matters. The auditors and the independent directors have an effective communication in the meeting.
 - Meeting agenda among independent directors, independent auditors, and the head of internal audit.

Date	Types of Meeting	Participant	Meeting Agenda	Resolution
2022/3/10	Closed Door Session	Head of internal audit	1. Review internal audit report 2. Review Statement of Internal Control of 2021	1. Independent directors have no other opinions. 2. Independent directors have no objection and submit the Statement to the board of directors for approval.
		Independent auditors	Review annual consolidated and non-consolidated financial statements, and auditors' audit findings for the full year of 2021	Independent directors have no objection and submit the financial statements to the board of directors for approval.

2022/5/12	Audit Committee	Head of internal audit	Review internal audit report	Independent directors have other opinions.
2022/8/11	Closed Door Session	Head of internal audit	1. Review internal audit report 2. Adjust closed door session schedule of 2022	Independent directors have no other opinions.
		Independent auditors	Review consolidated financial statements, and auditors' review findings for the second quarter of 2022	Independent directors have no objection and submit the financial statements to the board of directors for approval.
2022/11/10	Audit Committee	Head of internal audit	1. Review internal audit report 2. Review internal audit plan of 2023 3. Internal control and internal audit system amendment	1. Independent directors have no other opinions. 2. Independent directors have no objection and submit the internal audit plan and the amendment to the board of directors for approval.

- Moreover, in complying with the duties of Audit committee, it has supervised the fair expression of financial reports, the effective implementation of the internal control system, major investments, independence and compensation of external auditors in this year.

Note: Resolution for agendas referring to in Article 14-5 of Securities and Exchange Act

Date	Agenda (Referring to Article 14-5 of Securities and Exchange Act)	Disagreements from Independent Directors	Responses to disagreements	Resolution Circumstance
2022.03.10	1. Business report and financial statements of year 2021 2. Earnings distribution of year 2021 3. The evaluation report for the independence of external Auditor 4. Pegatron's Internal Control System Statement of 2021Y	None	None	Approved
2022.04.26	1. Amend Pegatron's "Regulations Governing the Acquisition and Disposal of Assets"	None	None	Approved
2022.05.12	1. The 1st quarter 2022 consolidated financial report 2. To increase the estimated expense for expanding manufacturing sites in north America 3. To invest subsidiary Pegatron Electronics Inc US\$40M	None	None	Approved
2022.08.11	1. The 2nd quarter 2022 consolidated financial report	None	None	Approved
2022.09.22	1. The total compensation for external auditor in year 2022 2. To invest subsidiary Pegatron Vietnam Company Limited US\$100M	None	None	Approved
2022.11.10	1. To establish " Pre-approval for Non-assurance services policy " 2. The 3rd quarter 2022 consolidated financial report 3. The plan of internal auditing in year 2023 4. To amend Pegatron's Internal control system and internal audit implementation rules	None	None	Approved

3.3.3 Status of Compensation Committee:

Pursuant to Article 14-6 of Securities and Exchange Act, listed companies shall establish a compensation committee. In 2022, after the election of new session of directors, the Compensation Committee comprised three independent directors, Mr. Z.W. Wang, Mr. C. Lin and Mr. C.P. Hwang. Mr. Z.W. Wang is the Chairman of the Compensation Committee. The Compensation Committee Charter is available on Market Observation Post System of Taiwan Stock Exchange.

3.3.3.1 Members of Compensation Committee:

As of 12/31/2022

Title	Name	Criteria	Professional Qualification and Experiences	Independence Criteria	Number of Other Public Companies in Which the Individual is Concurrently Serving a Member of Compensation Committee
Independent Director (Chairman)	C.W. Wang		Please refer to Page 21, the table 3.2.2	Please refer to Page 21, the table 3.2.2	2
Independent Director	C. Lin		Please refer to Page 21, the table 3.2.2	Please refer to Page 21, the table 3.2.2	0
Independent Director	C.P. Hwang		Please refer to Page 21, the table 3.2.2	Please refer to Page 21, the table 3.2.2	0

Tenure of the fifth session of Compensation committee is from 15th June, 2022 to 14th June, 2025.

A total of 4 (A) meetings of the Compensation Committee were held in 2022. The status of attendance is as follows:

Title	Position	Name	Attendance in person (B)	By Proxy	Attendance rate (%) (B/A)	Remarks
Chairman (4 th Session)	Independent Director	C.S. Yen	2	0	100%	Term expired Pegatron's 6 th session of Board of Directors was elected in 2022
Member	Independent Director	C.B. Chang	2	0	100%	
Member	Independent Director	C.P. Hwang	4	0	100%	Renewal of office
Chairman (5 th Session)	Independent Director	C.W. Wang	2	0	100%	New office assumed Annual General Shareholders' Meeting.

Member	Independent Director	C. Lin	2	0	100%	New office assumed
Other Information to be disclosed:						
1. If Board of Directors did not adopt or revise the proposal made by the Compensation Committee, please specify the date, session, agendas and resolutions of the Board of Directors meeting and how the Company handled the proposal made by the Compensation Committee (If amount of the compensation approved by the Board of Directors is higher than that proposed by the Compensation Committee, please specify the reasons and differences in proposals.) None.						
2. If any members of the Compensation Committee were against or reserved their opinions towards the resolutions, please specify the date, session, agendas, opinions of all members and how the opinions were handled. None.						
3. According to the Article 6 of Pegatron Remuneration Committee Charter, the committee's duties are: (1) Establishing and periodically reviewing the performance evaluation for directors, supervisors and managerial officers, and the policies, systems, standards and structures for their compensation. (2) Periodically assessing and setting the compensation for directors, supervisors and managerial officers. The Resolution for agendas relating to compensation in 2022:						
Date	Agenda					Resolution Circumstance
2022.01.20	1. The year-end bonus for managerial officers in year 2021.					Approved
2022.03.10	1. Appropriated remuneration of 2021Y for employees and directors.					Approved
2022.08.11	1. Adjustment of managerial officers' salary in year 2022 2. Distribution of Directors' remuneration in 2021					Approved
2022.09.22	1. The Performance bonus for managerial officers in year 2022					Approved

3.3. 4 Corporate Governance Implementation Status and Deviations from “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”

Item	Implementation Status		Non-implementation and its reason(s)
	Y	N	
1. If the Company established and disclosed Corporate Governance Principles in accordance with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies?	V		None
2. Shareholding Structure & Shareholders' Rights (1) If the Company established internal procedures to handle shareholder suggestions, proposals, complaints and litigation and execute accordingly?	V		None
(2) If the Company maintained of a list of major shareholders and a list of ultimate owners of these major shareholders?	V		The Company established internal procedures and assigned designated departments to handle shareholder suggestions, proposals, complaints and disputes. Shall there be any legal issue, our legal department and outside counsel will involve and handle the issues.
(3) If risk management mechanism and “firewall” between the Company and its affiliates are in place?	V		The Company maintains a good relationship with major shareholders and keeps an updated list of the major shareholders. The Company established appropriate internal policies and assigned designated personnel to handle risk management mechanism and “firewall” between the Company and its affiliates.
(4) If the Company established internal policies that forbid insiders from trading based on non-disclosed information?	V		The Company established Ethical Corporate Management Policy, Codes of Ethical Conduct and Procedures of Prohibition against insider trading and aforementioned policies are disclosed on the corporate website. On

Item	Implementation Status		Non-implementation and its reason(s)
	Y	N	
3. Structure of Board of Directors and its responsibility (1) If the Board develop diversified policies, concrete management goal, and execute?	V		None
(2) If the Company established any other functional committee in addition to Compensation Committee, Audit Committee as required by law?	V		<p>November 10, 2022, the Company arranged a three-hour class named "Protection of Trade Secret and Prevention of Insider Trading" for a total of 14 incumbent directors and managers who attended BOD meeting, to disseminate regulations related to insider trading.</p> <p>Article 20 of the Company's Corporate Governance Principles stated that the Board shall consist of members from diverse background. Current Board members focuses on diversified professions, twelve directors include one female director, while taking into account the diversity of genders, professional skills and backgrounds. The members are elites of technology, financial, industrial and academic areas, covering computer telecommunications, electrical engineering, electronic product applications, business management, biotechnology and medical care, media management, industrial economics and other professional fields. They are generally equipped with the knowledge, skills and competencies necessary to perform their duties. Please refer to "Diversity of Board Members". In the future, competent female director with qualification should be taken into consideration.</p> <p>The Company established Compensation Committee and Audit Committee and its policies and procedures. Apart from the above mentioned committees, the Company has not established any other functional committee.</p>
(3) If the Company established methods and procedures to assess the performance of the Board and conduct assessment on annual basis? If the result of the	V		<p>The Company established methods and procedures for board of directors' performance assessments and conduct assessment on annual basis. The performance evaluation</p>

Item	Implementation Status		Non-implementation and its reason(s)
	Y	N	
assessment will be reported to the Board and taken into considerations for individual remuneration nomination purpose?			results in 2022 will be reported to the Board before the end of the first quarter of 2023. The Company's Compensation Committee takes all factors such as the performance evaluation results and participation in the operation of the Company, etc. into consideration when conducting remuneration evaluation on each Board member in the second half of each year.
(4) If the Company assess the independence of CPA periodically?	V		Each March, the Company evaluates the independence and competence of CPA based on KPMG's Statement of Independence and items stated in Article 47 of Certified Public Accountant Act and No.10 of The Norm of Professional Ethics for Certified Public Accountant. Should the result of evaluation indicate compliance with the independence standard of the Company that such an individual is qualified to act as CPA for the Company. The results of relevant evaluation will be submitted to the Audit Committee and Board meeting for review and approval. Please refer to "Note 1" for the criteria of independence evaluation.
4. If the Company had adequate number of corporate governance personnel and appoint a chief corporate governance officer overlooking corporate governance affairs including but not limited to handling matters relating to board meetings and shareholder meetings, assisting directors with legal compliance, preparing agendas and producing minutes for board meetings and shareholder meetings?	V		In order to fulfill corporate governance and improve effectiveness of the board of directors, the Corporate Governance Officer was proposed and approved in the 5 th session of Board of Directors at its 1st meeting on June 21, 2019. The Board appointed Mr. Chieh-Tsung Chen as the "Corporate Governance Officer". Mr. Chen has been in charge of related financial affairs, stock affairs and

Item	Implementation Status		Non-implementation and its reason(s)
	Y	N	
		<p>corporate governance matters in listed company for more than three years. According to the Article 3-1 of the Corporate Governance Best Practice Principles, the corporate governance affairs include at least the following items :</p> <ol style="list-style-type: none"> 1. Handling matters relating to board meetings and shareholders meetings according to laws 2. Formulating minutes of board meetings and shareholders meetings 3. Assisting in onboarding and continuous development of directors 4. Furnishing information required for business execution by directors 5. Assisting directors with legal compliance 6. Other matters set out in the articles of incorporation or contracts <p>The Corporate Governance Officer attended the training courses in accordance with Operation Directions for Compliance with the Establishment of Board of Directors by TWSE Listed Companies and the Board's Exercise of Powers. Please refer to Note 2 for "The Corporate Governance Officer Training Records in 2022".</p>	
5. If the Company established communication channel with stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc) and disclosed key corporate social responsibility issues frequently enquired by stakeholders on the designated area of corporate website?	V	<p>The Company set up Honest_Box@pegatroncorp.com on the designated area of the corporate website for communication with stakeholders. Designated personnel and contact information are available to handle all enquiries and respond to any key issues raised by stakeholders. Please refer to the Company's Sustainability report and corporate website for Issues of Concern and Communication Channel of stakeholders.</p>	None

Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
6. If the Company engaged professional transfer agent to host annual general shareholders' meeting?	V		The Company engaged Registrar & Transfer Agency Department of KGI Securities Co. Ltd. to host annual general shareholders' meeting.	None
7 Information Disclosure (1) If the Company set up a corporate website to disclose information regarding the Company's finance, business and corporate governance?	V		To ensure transparency of information, the Company set up Investor Relations section on the corporate website and disclose information regarding finance, business and corporate governance.	(1) & (2) None
(2) If the Company adopted any other information disclosure channels (e.g., maintaining an English-language website, appointing designated personnel to handle information collection and disclosure, appointing spokespersons, webcasting investors conference, etc)?	V		In addition to the role of spokesperson, the Company also has designated departments to collect and disclose information. Information disclosed on the corporate website is presented in both Chinese and English, while quarter result and webcast of investor conference are available on the corporate website as soon as applicable.	
(3) If the Company disclosed its annual financial report within two months after year end and disclose its 1 st , 2 nd , 3 rd quarter financial reports and monthly revenue ahead of regulated disclosure date?	V		Annual financial report, quarterly financial reports and monthly sales revenue are disclosed in a timely manner according to relevant government regulations.	(3) Since there is a large number of consolidated entities within the group, the Company is not able to disclose financial reports and monthly revenue ahead of its regulated disclosure date.
8. If the Company had other important information to facilitate better understanding of the Company's corporate governance practices (including but not limited to	V		1. Employee rights and wellness are stated in internal policies as required by relevant laws and regulations. Please refer to the "Employee Relations" of this annual	None

Item	Implementation Status		Non-implementation and its reason(s)
	Y	N	
<p>employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?</p>		<p>Summary</p> <p>report for employee rights and employee wellness.</p> <ol style="list-style-type: none"> The Company maintains good relationship with customers and suppliers and fulfills its duties as a responsible corporate citizen. Internal control, auditing and self-evaluation procedures are in place. The Company also purchases liability insurance for its directors. The amount and scope of insurance coverage are reported to the Board of Directors and are available on MOPS. In 2022, the directors have completed the training courses in accordance with Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies. Please refer to "Board of Directors Training Record". In the succession planning program, executives in Pegatron must be familiar with the operation of high-tech industry and focus on industry long-term development. They lead through vision and values of Pegatron, and cultivate talents by providing opportunities, resources and authorities to subordinates, and stimulate employees' passion for work and encourage them to achieve their full potential. The Company's Board of Directors focuses on diversified professions, while taking into account the diversity of gender, professional skills and industry experience in accordance with Procedures for Election of Directors. Several executives of the Company have taken over important positions of affiliated companies to be familiar with implementation of Board of Directors. For example, Mr. Jason Cheng, Vice Chairman and 	

Item	Implementation Status		Non-implementation and its reason(s)
	Y	N	
		<p>Summary</p> <p>Deputy CSO, serves as the Chairman of AzureWave Technologies Inc. Mr. S.J. Liao, Deputy Group CEO, serves as the Chairman of Kinsus Interconnect Technology Corp. and has been elected the Company's juristic-person director in 2022 during the term of office. Mr. H.T. Tung, Senior Vice President, serves as the Chairman of Astrock Technology Inc. and has been elected the Company's natural-person director in 2022 during the term of office. Ms. Te-Tzu Yao, Senior Vice President, serves as the President of FuYang Technology Inc. and the director of AzureWave Technologies Inc. Mr. Kuang-Chih Cheng, President and Co-CEO, serves as President and director of of AzureWave Technologies Inc. Meanwhile, in order to be familiar with implementation of Board of Directors and operations of affiliated companies, arrange several senior managers to attend the Board meetings. With their experiences and professions, the board of directors can be enriched with different views. Also, they gain various experiences integrating all kinds of resources of affiliated companies proficiently to develop capabilities of strategy formulation, decision making and crisis management and continue to create the dynamics for corporate sustainability development. Pegatron implements IDP (Individual Development Plan) to facilitate the development of talent and enhance the competitive advantages and core competence of Pegatron.</p> <p>IDP enables the targets to understand the goal of development and combine the capabilities of development with the work. The progress and effectiveness of IDP are reviewed and tracked jointly by</p>	

Item	Implementation Status		Non-implementation and its reason(s)
	Y	N	
		<p>Summary</p> <p>the supervisors and the targets. The supervisors may provide suggestions and adequate resources including training programs, job rotation, coaching, job following, etc. in order to help the targets build up required skills to make better business judgment and maintain effective business relationship with customers.</p> <p>7. The company routinely reports on the Intellectual Property management plan to the board of directors, the latest reporting date is November 10, 2022. The plan list is as follow:</p> <p>(1) Numbers of patent applications, patent granted, patent maintenance and cost thereof. The inventions related smart pole and 5G-ORAN networking devices corresponds to the development of the company are significantly increased.</p> <p>(2) As of October 20, 2022, we maintain 2,284 valid patents of various countries.</p> <p>(3) The Intellectual Property management strategies from the perspective of the company as a whole are actively conducting patent applications related new products on one hand and control cost of patent maintenance on the other hand.</p>	
9. If the Company had a structure in place to manage risks associated with communication security, established communication security policy, its implementation plan, and invested resources in management of information security?	V	<p>1. Cybersecurity management system We have introduced ISO/IEC 27001:2013 and conducts internal and third-parties audit annually. The certificate is examined every three years to maintain valid.</p> <p>2. Cybersecurity management organization (1) We established cybersecurity management organization and appointed Chief Information Security Officer (CISO) as organizer. To make sure</p>	None

Item	Implementation Status		Non-implementation and its reason(s)
	Y	N	
		<p>Summary</p> <p>cybersecurity policies serve our promises toward cybersecurity and sustainability, CISO ensures that cybersecurity policies suits company's strategies.</p> <p>(2) Cybersecurity department's supervisor serve as management delegator. To govern the cybersecurity affairs which includes policies proposal and executing, education, daily maintenances, early warning, intelligence gathering, disaster drills, incidents handling and internal audition. Furthermore, management delegator also reports to CISO for the execution effectiveness of previous tasks.</p> <p>(3) Summon a monthly meeting to update current cybersecurity posture and the execution effectiveness of cybersecurity tasks.</p> <p>(4) Convene an annual cybersecurity management reviewing meeting. To discuss the topic such as risk analysis, audition report, policy reviewing and the progress of the tasks.</p> <p>3. Specific management measure We have enacted comprehensive regulations for cybersecurity and invest appropriate resource to support it.</p> <p>(1) Network Security: Implement NGFW, IPS and mail security portal to prevent cyber attack and malicious mail. Implement network segmentation and enhance access control to optimize network flow and prevent Lateral Movements.</p> <p>(2) Endpoint Security: Using inventory management system to effectively</p>	

Item	Implementation Status		Non-implementation and its reason(s)
	Y	N	
		<p>Summary</p> <p>seize the status of assets. Install anti-virus software to engage real-time protection, regular scanning and updating virus pattern. Restrict software installation and the usage of portable storage devices. (3) Data Security: Introduce DRM mechanism for protection and access control to protect confidential documents. Introduce encryption mechanism for data in-transit. (4) Security Awareness: Employees received information security training. Conduct Phishing mail drill regularly. (5) Cooperating with third-parties institution for cybersecurity evaluation Engage third-parties penetration test By third parties scoring system, we establish full awareness of our cybersecurity Participating TWCERT/CC and High-Tech Cybersecurity Alliance. To exchange the trend and intelligence of the cybersecurity exposure.</p> <p>4. Risk distribution We have invested in cybersecurity insurance for the cause of risk distribution. Being a valuable client, insurance also provide us the resource of cybersecurity expert all over the world to strength our capabilities to respond potential incidents.</p> <p>5. There is not any cybersecurity incidents involving Pegatron Corporation</p>	

Item	Implementation Status		Non-implementation and its reason(s)
	Y	N	
10. Any improvement made in accordance with the result of the most recent corporate governance evaluation conducted by TWSE? Any measures to be taken on the outstanding items?	√		The Company reported to the Board of Directors in January 2023 regarding the result of self-evaluation and the feasibility of its improvement plans to rectify non-compliance items under the commercial practices. None

Note 1: Assessment criteria of accountant's independence

Assessment	Independence(Y/N)
1. The designated accountant does not have direct or indirect financial interest relationship with the Company.	Y
2. The designated accountant does not have a financing or guarantee relationship with the Company or any director of the Company.	Y
3. The designated accountant does not take into account the possible loss of the client to affect his/her auditing task.	Y
4. The designated accountant does not have close business relationship or potential employment relationship with the Company.	Y
5. The designated accountant does not have contingent fees related to his/her auditing task.	Y
6. The company does not engage the same CPA without replacement for 7 years consecutively.	Y
7. The designated accountant does / did not currently/ in the recent two years serve as a director, supervisor, or manager of the Company or play a role having significant influence on the audit case.	Y
8. The non-audit service that the firm of the designated accountant offered to the Company does not have direct influence on any important items of the audit case.	Y
9. The designated accountant does not promote or act as an intermediate for the shares or other securities issued by the Company.	Y
10. The designated accountant does not serve as the advocate of the Company nor as the representative of the Company to mediate the dispute between the Company and any third party.	Y
11. The designated accountant does not have kinship with any director, or manager of the Company or the person having significant influence on the audit service.	Y
12. No former partner of the designated accountant serves as a director, or manager of the Company or in a position having significant influence on the audit case within one year after relieved of his/her office.	Y
13. The designated accountant did not receive any gift or present of great value from the Company or any director, or manager of the Company.	Y
14. The designated accountant did not accept any inappropriate selection of accounting policies or inappropriate disclosure, or reduce the extent of work performed inappropriately, being pressured to reduce auditing fee	Y

Note 2: The Corporate Governance Officer Training Records

Date	Institute	Course	Period (hours)
09/22/2022	The Taiwan Corporate Governance Association	How to Avoid Breach of Trust and Non-Arm's Length Transactions in Board Decisions	3
10/21/2022	Securities & Futures Institute	2022 Prevention of Insider Trading seminars	3
10/31/2022	The Taiwan Corporate Governance Association	How to effectively maintain the brand value of enterprises from trademark cases	3
11/10/2022	The Taiwan Corporate Governance Association	Protection of Trade Secret and Prevention of Insider Trading	3

3.3.5 Implementation of Sustainable Development and Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies”

Item	Implementation Status		Non-implementation and its reason(s)
	Y	N	
1. If the Company established and implement governance structure of sustainable development, and a part time or full time unit to execute corporate sustainable development projects, which the Board supervise and authorized top management to overlook?	V		<p>The company's sustainable development activities are planned, operated and executed by the PureCSR (PEGATRON Corporate Social Responsibility) committee, and the CEOs are authorized by the board of directors to be the Chairmen of the committee. Committee members include HR & ADM Center, Procurement Center, OSH Department, Audit Office, Corporate Quality and Sustainability Development Center, Legal & IPR Center, MIS, F&A Center, managers and representatives come from various business units and sites. The committee members identify interested parties according to their respective duties, and respond to their concerns in their daily work.</p> <p>The PureCSR Steering Committee is responsible for coordinating cross-departmental issues, regularly reporting the implementation plan and performance to the CEOs, and reporting to the board of directors at least once a year for supervision. This year, on November 10,</p>

Item	Implementation Status		Non-implementation and its reason(s)
	Y	N	
	Summary		
		2022, the annual sustainable development performance, stakeholder communication and response results, and risk management policies and identification results were reported to the board of directors. There are no doubts or suggestions for changes in the sustainable development indicators, risk management implementation and other proposals.	
2. If the Company conducted risk assessment on its business operation, social environment as and corporate governance based on the principle of materiality and established risk management policy or strategy accordingly?	√	<p>The company has implemented risk assessments on environmental, social and corporate governance issues based on the principle of materiality. The assessment boundaries are 15 factories with operational control, which are the same as the boundaries of the subsequent environmental and social issues in this table.</p> <p>(1) Risk assessment standards and procedures: The PureCSR Committee, through annual regular meetings, entrusts committee members and working groups of each unit to assess potential risks and emerging risks of the environment, society and corporate governance based on factors such as frequency of occurrence, degree of impact, and degree of control. The risk management process includes risk identification, analysis, evaluation, disposal, monitoring, reporting and disclosure.</p> <p>(2) Evaluation results and countermeasures: 9 risk issues are extracted as follows, and the complete content is disclosed in the sustainability report.</p> <p>A. Corporate Governance-Using internal information to gain improper benefits: Follow integrity policies and implement fraud prevention programs</p>	None

Item	Implementation Status		Non-implementation and its reason(s)
	Y	N	
			<p>Summary</p> <p>B. Information Security-Information leakage or intrusion: Account authority control, login restriction, multi-factor authentication</p> <p>C. Production Safety-Shortage of materials: Maintain more than two suppliers for each key component</p> <p>D. Environmental Protection-Hazardous substance discharge: Pre-exclusion of high risk hazardous substances at design stage</p> <p>E. Community Impact-Impact on community development caused by business activities: Provide open channels to communicate with stakeholders</p> <p>F. Climate Change-Energy shortage: Equipment improvement and process optimization to improve production efficiency</p> <p>G. Labor Rights-Misuse of child labor: Identification card verification and internal audit inspection</p> <p>H. Responsible Sourcing-Purchasing unethical minerals: Encouraging smelters to attend responsible minerals guarantee plans</p> <p>I. Equality In The Workplace-Discrimination in the recruitment process: Anti-discrimination training for recruiters</p> <p>(3) Risk management strategy: The company adheres to the concept of sustainable operation, and through the establishment, implementation and maintenance of a proactive risk management mechanism, it continuously grasps internal and external issues and environmental changes, implements operational impact analysis, and has the ability to respond to challenges in a timely manner. We realized the commitment of the company's sustainable operation, and protect the best rights and</p>

Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
			<p>interests of customers and stakeholders through self-examination and optimization of the company's resilience.</p> <p>(4) Reporting frequency and supervision to the board of directors: at least once a year. We reported to the board of directors on November 10, 2022. The board of directors has no doubts or suggestions for changes in the risk identification results and response measures.</p>	
<p>3. Environmental Issues</p> <p>(1) If the Company endeavored to utilize resources more efficiently and utilized renewable materials which have a lower impact on the environment?</p>	V		<p>(1) The company has established an environmental management system in accordance with the requirements of the ISO 14001 and passed third-party certification. The certificate is valid from February 22, 2022 to October 24, 2022 and is publicly disclosed on the company's official website. The verification scope is Pegatron Technology Co., Ltd.</p>	None
<p>(2) If the Company established proper environmental or energy management system based on the characteristics of the industry where the Company belongs to?</p>	V		<p>(2) The company improves energy efficiency by evaluating equipment operational efficiency, introducing energy saving technologies, and eliminating high energy consumption equipment. In addition, non-productive power consumption is controlled, and power usage in daily operations is optimized through air-conditioning and lighting system management. The electricity saving target is to reduce electricity consumption per unit revenue by 25% in 2030 compared with that of 2019, and the base year data is 1.81 (GJ/million revenue). In addition to improving its own energy efficiency, the company also takes reducing the environmental impacts of the entire product life cycle (including product design, raw material usage, production process to waste</p>	None

Item	Implementation Status		Non-implementation and its reason(s)
	Y	N	
(3) If the Company assessed current and potential impact and opportunity of climate change on the Company's operation and take preventive measures?	V	<p>disposal) as one of our main strategies. Under the premise of meeting customer product specifications and quality requirements, we maximize the selection of recycled materials with low environmental impacts..</p> <p>(3) The company uses the APS and NZE scenarios proposed by the International Energy Agency (IEA) and the SSP 1-1.9 and SSP 5-8.5 scenarios announced by the United Nations Intergovernmental Panel on Climate Change (IPCC) to complete the risk and opportunity assessment of climate change. The assessment results and response measures are summarized as follows:</p> <p>1. Physical risks-Drought, heavy rain, typhoon, sea level rise, average temperature rise, etc. Response measures include: formulate emergency response and post-disaster recovery plans in advance, and do a good job of flood control and rush repair when disasters occur, or adjust the production schedule according to the level of risks or notify the customers of the impacted situation in time.</p> <p>2. Transformation risks-carbon inventory requirements of laws and regulations, customer carbon reduction needs, supply chain disconnection, management model transformation, etc: Setting up Pegatron and supply chain low carbon transformation plan, and continuously monitoring the achieving progress of regulations and customer goals. In addition, a contingency plan for external supply interruptions has also been formulated by maintaining a number of potential suppliers.</p>	None

Item	Implementation Status		Non-implementation and its reason(s)																		
	Y	N																			
(4) If the Company monitored the amount of greenhouse emission, water usage and waste handling for the past two years and established corporate strategies on reduction of greenhouse gas emission, water usage and waste management?			<p>3. Climate opportunities-Promote low-carbon transformation, increase low-carbon energy usage, material recycling, strengthen supply chain resilience, etc: We set up renewable energy procurement plans in advance and shape colleagues' awareness of energy conservation and carbon reduction internally. Also, we invest in the research and development of low carbon products and assist customers to obtain environmental labels.</p> <p>(4) The greenhouse gas emissions, water consumption and waste output in the past two years (2020 and 2021) are as follows, and the information covers 15 sites which the company has operational control. In 2021 and 2022, the data has been confirmed by the ISO 14064 Verification Statement and AA1000 AS (2008) Assurance Statement issued by the verification body. The 2022 data will be updated in the 2022 Sustainability Report after being verified by a third party.</p> <table border="1"> <thead> <tr> <th></th> <th>2020</th> <th>2021</th> </tr> </thead> <tbody> <tr> <td>Scope 1(tons CO2e)</td> <td>32,595.10</td> <td>33,442.43</td> </tr> <tr> <td>Scope 2(tons CO2e)</td> <td>566,482.91</td> <td>480,916.86</td> </tr> <tr> <td>Scope 3(tons CO2e)</td> <td>N/A</td> <td>709.29</td> </tr> <tr> <td>Total Emissions (tons CO2e)</td> <td>599,078.01</td> <td>515,068.58</td> </tr> <tr> <td>Emission per revenue (ton CO2e/million NTD)</td> <td>0.43</td> <td>0.41</td> </tr> </tbody> </table>		2020	2021	Scope 1(tons CO2e)	32,595.10	33,442.43	Scope 2(tons CO2e)	566,482.91	480,916.86	Scope 3(tons CO2e)	N/A	709.29	Total Emissions (tons CO2e)	599,078.01	515,068.58	Emission per revenue (ton CO2e/million NTD)	0.43	0.41
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Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
			<p>continuously improve it.</p> <p>Carbon reduction target: In 2030, the greenhouse gas emissions per unit of revenue will be reduced by 25% compared with that of 2019. The base year data is 0.44 (ton CO2e/million NTD). Reduction measures include improving energy efficiency and purchasing renewable energy.</p> <p>Energy saving goal: In 2030, the electricity consumption per unit of revenue will be reduced by 25% compared that with 2019. The base year data is 1.81 (GJ/million NTD). Reduction measures include replacing old equipment and promoting energy management.</p>	
<p>4. Social Issues</p> <p>(1) If the Company followed relevant laws, and internationally recognized human rights principal, and established appropriate management policies and procedures?</p>	V		<p>(1) The company follows the code of conduct of the Responsible Business Alliance and local labor-related laws and regulations to formulate labor human rights requirements. At the same time, it supports and respects labor rights norms, including the International Labor Organization, the United Nations Global Compact and the guiding principles of business and human rights. Human rights protection policies and management programs include the following.</p> <p>1. Employee training and feedback channels: To promote and explain labor rights to new employees, and provide a variety of employee feedback channels to collect employees' ideas, suggestions and complaints, so as to respond to employee needs and make adjustments in real time.</p> <p>2. Risk assessment and internal and external audit: We</p>	None
				None

Item	Implementation Status		Non-implementation and its reason(s)
	Y	N	
(2) If the Company provide reasonable employee welfare (including compensation, paid leaves, other benefits, etc.) and adequately reflect company's operational result on their employees' compensation?	V		<p>assess and analyze human rights risks and improvement opportunities every year, and conduct internal audits more than once to ensure that all management measures and implementation results are in compliance with human rights requirements. Internal audits are also been performed according to customer requirements, and cooperates with RBA to complete the conformity assessment at least once a year to ensure that labor rights meet the requirements of customers and RBA.</p> <p>3. Management review: At least once a year, senior executives review the human rights policy and the implementation effectiveness of the management plan.</p> <p>(2) 1. The compensation, paid leaves, and benefits of the Company are comply with or better than the laws, for example, the Company offers 7 additional days of paid leave. 2. The Articles of Incorporation states the principle of accrued employee compensation. In addition, company operating results, team and individual work performance are appropriately reflected in employees' compensation.</p> <p>None</p>
(3) If the Company provided safe and healthy working			(3) 1. The company promotes and creates a safe and

Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
environment to employees and conducted relevant training on safety and health management to employees periodically?	V		<p>healthy working environment through risk assessments, working environment improvements, daily inspections and audits. We also provide health checks in compliance with laws and regulations, and set up emergency personnel and medical offices according to laws. In addition, we employ nursing staffs engaged in labor health services, and regularly implement safety and health education and training for employees to prevent occupational accidents.</p> <p>2. The company has established an occupational safety and health management system in accordance with the requirements of ISO 45001 and passed third party certification. The certificate is valid from February 22, 2022 to October 24, 2022 and is publicly disclosed on the company's official website. The certification scope is Pegatron Technology Co., Ltd.</p> <p>3. Total of 232 occupational accidents have occurred in 2021, accounting for 0.14% of the total number of employees. They were mainly traffic accidents. The data covers 15 factories over which the company has operational control. The 2022 data will be updated in the 2022 Sustainability Report after passing third party verification. Corrective and preventive measures have been formulated individually for occupational accidents, and the progress of handling and closing cases is tracked in the annual management review meeting.</p>	None
(4) If the Company provided career planning, relevant training and skill development for employees?	V		(4) In order to meet the strategy of talent nurturing and to build up a learning environment, Pegatron Group introduced "Individual Development Plan (IDP)" to help	

Item	Implementation Status		Non-implementation and its reason(s)
	Y	N	
<p>(5) If the Company followed relevant laws and regulations and international guidelines on consumer health and safety, customer privacy, marketing and labeling of products and services etc. and established relevant consumer and customer protection policy and grievance channel?</p>	V		<p>all employees to set their self-development plans according to the corporate and personal targets, and to implement the plan to become mature in their occupational field. Through IDP, supervisors can support corresponding resources and assistances in profession or work skills according to the employees' needs. Moreover, employees can set their own targets and develop skills by participating multidimensional learning activities.</p> <p>(5) 1. Consumer or customer rights protection policy: The company stipulates in the Sustainable Development Practice Principles that the company should follow relevant laws, regulations and international guidelines in regard to customer health and safety and customer privacy involved in, and marketing and labeling of, its products and services and do not have deceptive, misleading, fraudulent or any other activities that may breach customers' trusts, or harm customers' and consumers' interests.</p> <p>2. Complaint procedure: The Company provide a transparent and effective process for handling customers' complaints with fair and timely approach, and respect customers' rights of privacy indeed to protect their personal information through complying with laws and regulations related to the Personal Information Protection Act. And there is a procedure for how can we handle a customer complaint.</p>

Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
(6) If the Company established suppliers management policy requesting suppliers to comply with relevant regulations on EHS and human rights issues and monitored suppliers' execution status.	V		<p>(6) The company has formulated the Supplier PureCSR Audit Management Procedure, which requires suppliers to fill in the questionnaire or participate in the audit.</p> <p>1. New suppliers: Suppliers are required to sign the "PEGATRON Supplier Responsible Business Alliance Code of Conduct Agreement" stipulated by the company and fill in the New Supplier Self-Assessment Questionnaire. Questionnaire questions include whether ISO 14001/ISO 45001/ISO 14064-1 have been certified, how to avoid violate relevant economic/social/environmental laws and regulations, has been hired young workers or student workers, or whether toxic chemicals or store flammable substances have been used or not, etc.</p> <p>2. Existing suppliers: The company conducts online survey or onsite audit for major suppliers every year. We have completed online survey or onsite audits for 74 major suppliers in 2021. Suppliers are also encouraged to participate in RBA audits to examine suppliers' sustainable performance from a third-party objective perspective.</p>	
5. If the Company's CSR report prepared based on international recognized standard and if the report verified by the third party?	V		<p>1. The company releases its sustainability report every year with reference to the GRI Standard issued by the Global Sustainability Standards Board (GSSB), and publicly discloses it on the company's official website and the Market Observation Post System.</p> <p>2. The sustainability report has obtained the assurance statement issued by SGS, and the assurance standard is the core option of AA1000 AS (2008) and GRI</p>	None

Item	Implementation Status		Non-implementation and its reason(s)
	Y	N	
6. If the Company established any guideline of corporate sustainable development in accordance with "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies"? The company formulated the "Sustainable Development Practice Principles" based on the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies". The fourth edition was approved by the board of directors in 2022 and publicly disclosed on the company's official website. The implementation status is consistent with the principle.			standards. Financial data refer to financial reports issued by accountants.
7. Other material information that helps to understand the operation of corporate sustainable development: For the implementation and results of the company's sustainable development, please refer to the annual sustainability report and official website, and the Sustainable Development Practice Principles are published on the Major Internal Policies page. (1) Sustainable development implementation status and sustainable report: https://cht.pegatroncorp.com/csr/view/id/5 (2) Sustainable Development Practice Principles: https://cht.pegatroncorp.com/investorRelation/majorInternalPolicies			

Climate-Related Information of TWSE/TPEX Listed Company

1. Implementation of Climate-Related Information

Item	Implementation status
<p>1. Describe the board of directors' and management's oversight and governance of climate-related risks and opportunities.</p>	<p>1. Pegatron regards the board of directors as the highest governance unit for overseeing climate related risks and opportunities, and the PureCSR committee is responsible for the planning and implementation of climate change policy promotion and identify its risks and opportunities. The CEOs are authorized by the board of directors to be the Chairman of the committee. Committee members include HR & ADM Center, Procurement Center, OSH Department, Audit Office, Corporate Quality and Sustainability Center, Legal & IPR Center, MIS, F&A Center, managers and representatives of various business units and each site. The committee reports to the board of directors at least once a year the identification results of climate related risks, opportunities and response measures.</p>
<p>2. Describe how the identified climate risks and opportunities affect the business, strategy, and finances of the business (short, medium, and long term).</p>	<p>2. The results of climate risk and opportunity identification and response measures are summarized below. For details, please refer to the 2022 Sustainability Report.</p> <p>Transition Risk/Business or Financial Impact:</p> <ol style="list-style-type: none"> 1) Policies and regulations (short term)-regulatory carbon inventory requirements: increased internal personnel costs and external inventory costs 2) Market (short term)-Customer demands for carbon reduction: purchasing renewable energy and certificate fees increase 3) Market (med term)-management model transformation: purchase cost of energy saving equipment increases 4) Technology (long term)-demand for low carbon products: increased R&D and management personnel costs 5) Market (long term)-supply chain disconnection: capacity decline leads to a decrease in operating income <p>Physical Risk/Business or Financial Impact:</p> <ol style="list-style-type: none"> 1) Immediate-Drought: lower production resulting in lower operating income 2) Immediate-Rainstorm: Increased operating costs due to heavy rain: equipment loss 3) Long term-typhoon: production drop leads to reduced operating income 4) Long term-sea level rise: factory relocation or purchase of flood protection equipment lead to cost increase 5) Long term-the average temperature rises: purchasing energy saving equipment leads to an increase in procurement costs

Item	Implementation status						
<p>3. Describe the financial impact of extreme weather events and transformative actions.</p> <p>4. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system.</p> <p>5. If scenario analysis is used to assess resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors and major financial impacts used should be described.</p>	<p>Climate opportunity/business or financial impact:</p> <ol style="list-style-type: none"> 1) Energy source (short term)-Overall arrangement: purchase at a lower price to reduce operating costs 2) Resource Efficiency (short term)-Material recycling: selling or recycling materials reduces operating costs 3) Resilience (med term)-Strengthen supply chain resilience: ensure supply chain resilience to reduce variable costs 4) Products and services (long term)-research and development of low carbon products: increased orders to increase operating income 5) Resilience (long term)-promote low-carbon transformation: reduce energy consumption and reduce operating costs <p>3. The degrees of financial impacts of various extreme climate events and transition actions depend on the degree of climate change in the plant area and the intensity of requirements from customers or the government. Overall, the company needs to invest in additional management manpower, additional equipment and purchase of renewable energy to meet the needs of climate change and low carbon transformation.</p> <p>4. The PureCSR committee is responsible for the planning and implementation of climate risk and overall risk management mechanism, and reports the identification results and response measures of climate change and other types of risks to the board of directors at least once a year.</p> <p>5. The climate scenarios, parameter assumptions and analysis results are described below.</p> <table border="1" data-bbox="1086 129 1289 1550"> <thead> <tr> <th data-bbox="1093 1370 1129 1550">Scenarios</th> <th data-bbox="1093 922 1129 1370">Parameters</th> <th data-bbox="1093 129 1129 922">Major Impacts</th> </tr> </thead> <tbody> <tr> <td data-bbox="1129 1370 1283 1550">IEA APS (2022~2030)</td> <td data-bbox="1129 922 1283 1370">Assuming that the carbon reduction policies currently enacted by all countries are achieved, the global carbon emissions in 2030 will approach the 2020 level</td> <td data-bbox="1129 129 1283 922">If the company's carbon emissions exceed the threshold required by the governments of various countries, it is necessary to pay carbon tax or carbon fee in 2030.</td> </tr> </tbody> </table>	Scenarios	Parameters	Major Impacts	IEA APS (2022~2030)	Assuming that the carbon reduction policies currently enacted by all countries are achieved, the global carbon emissions in 2030 will approach the 2020 level	If the company's carbon emissions exceed the threshold required by the governments of various countries, it is necessary to pay carbon tax or carbon fee in 2030.
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Item	Implementation status											
	SBTi 1.5°C (2022~2030)	Scope 1 and Scope 2 greenhouse gas emissions reduced by 4.2% per year	The company has committed to join SBTi in 2022. The carbon reduction targets set in accordance with climate scenarios will lead to an increase in the cost of purchasing renewable energy and replacing energy-saving equipment. If net zero emissions are to be achieved, other carbon reduction measures must be included in addition to energy conservation, which will increase the investment budget for other carbon reduction projects.									
	IEA NZE (2022~2050)	Reaching net zero emissions by 2050										
Physical Risks												
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Item	Implementation status
<p>6. If there is a transition plan for managing climate-related risks, describe the content of the plan, and the indicators and targets used to identify and manage physical risks and transition risks.</p> <p>7. If internal carbon pricing is used as a planning tool, the basis for setting the price should be stated.</p> <p>8. If climate-related targets have been set, the activities covered, the scope of greenhouse gas emissions, the planning horizon, and the progress achieved each year should be specified. If carbon credits or renewable energy certificates (RECs) are used to achieve relevant targets, the source and quantity of carbon credits or RECs to be offset should be specified.</p>	<p>The proportion of strong typhoon will increase by 50%</p> <p>6. In response to transformation risks, the company has developed a low carbon transformation plan for the group and the supply chain, which includes the company's energy saving and carbon reduction target setting, promotion of energy saving and carbon reduction measures, and plans to lead subsidiaries and supply chains to perform greenhouse gas inventory and implement energy management systems, etc. In order to prevent physical risks, each factory formulates its emergency response plan, and the response measures are based on the environmental conditions of the area where the factory is located. Climate related indicators and goals include reducing greenhouse gas emissions per unit of revenue by 25% in 2030 compared to that of 2019, and reducing electricity consumption per unit of revenue by 25% in 2030 compared to that of 2019.</p> <p>7. The Company has not implemented internal carbon pricing.</p> <p>8. The company's carbon reduction goal is "25% reduction in greenhouse gas emissions per unit of revenue in 2030 compared to 2019", covering 15 factories with operational control. In 2021, the greenhouse gas emissions per unit of revenue will be 0.41 (ton CO2e/million yuan), which is 6.8% lower than the 0.44 (ton CO2e/million yuan) per unit revenue in 2019, achieving a phased carbon reduction Target.</p>

Item	Implementation status
9. Greenhouse gas inventory and assurance status (separately fill out in point 1-1 below).	9. The company started to carry out the greenhouse gas inventory in 2009, and completed the greenhouse gas verification of the previous year before the end of June every year. To be in line with the schedule of the third party, the company will disclose the 2021 greenhouse gas verification situation in this annual report. For the 2022 greenhouse gas inventory and verification information, please refer to its 2022 Sustainability Report.

1-1. Greenhouse Gas Inventory and Assurance Status

Instructions for Completing the Table:

1. Scope 1 and Scope 2 information in this table shall be disclosed according to the schedule prescribed in the order issued under Article 10, paragraph 2 of the Regulations. Scope 3 information may be voluntarily disclosed by the business.
2. The company may conduct the greenhouse gas inventory in accordance with the following standards:
 - (1) The Greenhouse Gas Protocol (GHG Protocol).
 - (2) ISO 14064-1 issued by the International Organization for Standardization.
3. The assurance body shall meet the provisions regarding assurance of sustainability reports prescribed by the TWSE and the TPEX.
4. The information for subsidiaries may be reported individually, or in aggregate (e.g., by country or by region), or on a consolidated basis (Note 1).
5. The intensity of greenhouse gas emissions may be calculated per unit of product/service or revenue, but at least the data calculated in terms of revenue (NT\$ 1 million) should be disclosed (Note 2).
6. The proportion of total emissions from operating sites or subsidiaries not included in the inventory calculation shall not be more than 5%. "Total emissions" above means the quantity of emissions calculated according to the mandatory inventory scope referred to in point 1 of these Instructions for Completing the Table.
7. The description of assurance status shall summarize the content of the assurance report of the assurance body, and the complete assurance opinion shall be appended to the annual report (Note 3).

<p>Basic information of the company</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Capital of NT\$10 billion or more, iron and steel industry, or cement industry <input type="checkbox"/> Capital of NT\$5 billion or more but less than NT\$10 billion <input type="checkbox"/> Capital of less than NT\$5 billion 	<p>Minimum required disclosure under the Sustainable Development Roadmap for TWSE/TPEX Listed Companies:</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Inventory for parent company only <input type="checkbox"/> Inventory for all consolidated entities <input checked="" type="checkbox"/> Assurance for parent company only <input type="checkbox"/> Assurance for all consolidated entities
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Scope 1	Total emissions (Metric tons CO2e)	Intensity (Note 2) (Metric tons CO2e / NT\$ 1 million)	Assurance body	Description of assurance status (Note 3)
Parent Company	33,047.53	0.025	SGS	In line with the schedule of the 3 rd party, the data disclosed in this table is the 2022 greenhouse gas emissions that have not been verified. The finalized 2022 greenhouse gas emissions will be verified and disclosed in the 2022 sustainability report in June.
Total	33,047.53	0.025		
Scope 2	Total emissions (Metric tons CO2e)	Intensity (Note 2) (Metric tons CO2e / NT\$ 1 million)	Assurance body	
Parent Company	505,201.00	0.383	SGS	
Total	505,201.00	0.383		

3.3.6 Implementation of Ethical Corporate Management Best Practice Principles:

Items	Implementation Status		Non-implementation and its reason(s)
	Y	N	
<p>1. Ethical Corporate Management Policy (1) If the Company established ethical corporate management policy approved by the Board and specified procedures in its internal policies and external document? If the Board of Directors and the management team committed to enforce such policies rigorously and thoroughly?</p>	V		None
<p>(2) If the Company executed any measures to prevent unethical conduct and clearly prescribed the specific ethical management practice including operational procedures, guiding principles, penalties and grievance channels? If the Company reviewed the execution of these measures periodically and revised the measures where necessary.</p>	V		<p>The Board of Directors approved Ethical Corporate Management Policy and Codes of Ethical Conduct on Nov 10, 2014. Both policy and code of conduct include: Ethical Corporate Management Policy is clearly stated in the internal policy and external documents. Board of Directors and management team are fully committed to implement such policies rigorously and thoroughly on internal management and external business dealings.</p> <p>The Company established and stipulated preventive measures of unethical conduct, penalties in the Code of Business Ethics and Business Gifts and Entertainment Policy. All employees shall follow these guiding principles with integrity, confidentiality and respect.</p>
<p>(3) If the Company established a system to periodically evaluate business activities which are possibly at a higher risk of being involved in an unethical conduct and if relevant prevention policy covering business activities specified in the second paragraph of Article 7 of Ethical Corporate Management Best Practice Principles for TWSE/GTSE Listed Companies established thereof?</p>	V		<p>The Company adopted preventive measures against business activities within the business scope which are possibly at higher risks of being involved in an unethical conduct.</p>
<p>2. Implementation of Ethical Corporate Management (1) If the Company checked whether the respective</p>	V		None

Items	Implementation Status		Non-implementation and its reason(s)
	Y	N	
<p>counterparty holds any record of unethical misconduct and if the contract terms required the compliance of ethical corporate management policy?</p> <p>(2) If the Company set up a unit, under the direct supervision of the Board of Directors, to handle the implementation and supervision of ethical corporate management as well as prevention of unethical conduct and reported to the Board of Directors periodically (annually)?</p> <p>(3) If the Company established a policy on prevention of conflict of interests, provided appropriate reporting channel and executed rigorously and thoroughly?</p> <p>(4) If the Company established an effective accounting system and internal control system and if internal auditing department formulated auditing plan based on the result of risk evaluation on unethical conduct and audited the compliance of prevention plan or authorized</p>	<p>V</p> <p>V</p> <p>V</p>	<p>counterparty's legitimacy and record of unethical conduct. All vendors are required to sign "Statement of Integrity" which stipulated the contractual liability for violation of ethical conduct.</p> <p>The Company values the great significance of integrity and ethical business conduct. Therefore HR&ADM Center, Legal & IPR Center, Audit Office, Stock Affairs Office and relevant departments have been assigned to establish Ethical Corporate Management Policy and its prevention system, which requires the procurement center and all other employees follow ethical policies under any business engagement. Any significant violations and findings will be reported to the Board of Directors annually. Implementation of Ethical Corporate Management in 2022 was reported to the Board of Directors on November 10, 2022. Please refer to Note 1 for "The implementation in 2022".</p> <p>The Company established measures to prevent conflict of interests and an appropriate reporting channel is provided to report any potential risks of conflict of interest.</p> <p>The Company established an accounting system and internal control system to evaluate business activities within the business scope which are possibly at a higher risk of being involved in an unethical conduct. Internal Audit would plan its annual audit scope based on the assessment of</p>	<p>None</p>

Items	Implementation Status		Non-implementation and its reason(s)
	Y	N	
external accounting firm to conduct auditing?			
(5) If the Company organized training and awareness programs on ethical corporate management to internal and external parties?	V		risks and report to the Board of Directors. The Company presents Ethical Corporate Management during new employee orientation. In 2022, 639 employees attended the course and around 159.75 hours spent on hosting this introductory course. Shall there be any enquiries about the course, please contact Mr. Bau at David_Bau@pegatroncorp.com.
3.Implementation of whistleblowing system (1) If the Company established a whistleblowing and reward system? Upon receiving a reported case, is there a dedicated personnel handling the reported case?	V		None The Company set forth penalties for violation of ethical conduct and set up Honest_Box@pegatroncorp.com and reporting hotline on the "Stakeholders Communication Area" of the corporate website for reporting of any violations. Internal Audit will be handling any reported cases.
(2) If the Company established standard operational procedures and relevant information confidentiality policy for investigation of reported cases and recommendation of preventive measures?	V		The Company established operational procedures for handling reported cases and the identity of the whistleblower as well as the content of the reported case are handled in confidentiality. Furthermore, the Company will investigate every claim, take appropriate measures and issue penalties for any violation found.
(3) If the Company established any measures for protecting whistleblowers from inappropriate disciplinary actions?	V		The Company provides protection to whistleblower and personnel involved in the investigation against any unfair treatment or retaliation.
4. Information Disclosure (1) If the Company disclosed ethical corporate management policy and its status of implementation via corporate website or Market Observation Post System?	V		None Ethical corporate management policy was disclosed on the corporate website and Market Observation Post System. The Company also set up a designated area on the

Items	Implementation Status		Non-implementation and its reason(s)
	Y	N	
		corporate website to promote ethical business conduct and implement measures such as declarations of ethical business conduct made by management team and the emphasis on disciplines and honor. The content of the website is updated from time to time.	
5. If the Company established any guideline of ethical business conduct in accordance with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" and please state the implementation status of the guideline and any reasons for non-implementation? None.			
6. If any other information that helped to understand the operation of ethical business conduct and its implementation. (ie. Declarations, trainings and conventions held with vender to promote ethical business conduct)? None.			

Note1: The implementation in 2022 is as follows:

Suppliers	All suppliers are required to sign a "Statement of Integrity" which stipulated the contractual liability for the violation of ethical conduct. 2,700 of 2,750 Suppliers signed "Statement of Integrity", the signing rate is 98.18%. In 2022, 183 of 203 new suppliers signed a "Statement of Integrity", the signing rate is 90.15%.
Training	The Company presents about "Ethical Corporate Management" during new employee orientations. 639 new employees in 2022 attended the course and around 159.75 hours was spent on hosting this introductory course.
Commitment	All employees of Pegatron and 639 new employees in 2022 "signed Acknowledgement of Honesty, Integrity and Confidentiality".
Disseminate	The Company sets up a designated area on the corporate website to promote ethical business conduct and implement measures such as declarations of ethical business conduct made by the management team. The content of the website is to be updated from time to time.

3.3.7 Corporate Governance Guideline and Regulations:

Pegatron has established corporate governance guideline and relevant regulations and disclosed on the corporate website and Market Observation Post System.

3.3.8 Other Important Information Regarding Corporate Governance: None.

3.3.9 Internal Control System:

■ Declaration of internal control: Please refer to page 90.

■ If the Company is requested by the SEC to retain CPA's service for examining internal control system, the Independent Auditor's Report must be disclosed: None.

Pegatron Corporation Statement of Internal Control System

Date: March 14, 2023

Based on the findings of self-assessment, Pegatron Corporation states the following with regard to its internal control system in 2022:

1. Pegatron is fully aware that establishing, operating and maintaining an internal control system are the responsibilities of its Board of Directors and management. The aim of the internal control system is to provide reasonable assurance to effectiveness and efficiency of operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency and regulatory compliance of financial reporting and compliance with of applicable laws, regulations and bylaws.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can only provide reasonable assurance of accomplishing the aforementioned three objectives. Moreover, the effectiveness of an internal control system may be subject to changes of environmental or circumstances. Nevertheless, the internal control system of Pegatron contains self-monitoring mechanism and Pegatron takes corrective actions whenever a deficiency is identified.
3. Pegatron evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control System by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations identify five constituent elements of internal control based on the process of management control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communications, and (5) monitoring activities. Each component further contains several items. Please refer to the Regulations for details.
4. Pegatron has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of the self-assessment mentioned in the preceding paragraph, Pegatron believes that, as of December 31, 2022, its internal control system (including its supervision and management of subsidiaries), as well as understanding the degree of achievement of its objectives concerning operational effectiveness and efficiency, reliability, timeliness, transparency and regulatory compliance of financial reporting, and compliance with the applicable laws, regulations and bylaws, were effective in design and operation, and reasonably assured the achievement of the above-stated objectives.
6. This Statement will be integral part of Pegatron's Annual Report for the year 2022 and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Law.
7. This Statement has been passed by the Board of Directors in their meeting held on March 14, 2023 with zero of twelve attending directors expressing dissenting opinions, and all affirming the content of this Statement.

Pegatron Corporation

T.H. Tung
Chairman

Kuang-Chih Cheng Kuo-Yen Teng
President and Co-CEO

3.3.10 The penalties delivered to the Company and the staffs of the Company, or the penalties delivered by the Company to the staffs for violations of internal control system in the most recent years and up to the date of the annual report which caused material impact to shareholder equity or share price and content of penalty shall be disclosed accordingly: None.

3.3.11 Major Resolutions of Shareholders' Meeting and Board Meetings

3.3.11.1 Major Resolutions of Shareholders' Meeting and its Implementation Status:

Pegatron's 2022 Annual General Shareholder Meeting was held in Taipei on June 15, 2022. At the meeting, shareholders presented in person or by proxy approved the following agendas:

(1) The 2021 Business Report and Financial Statements

(2) The proposal of 2021 Earning Distribution

Implementation status : Ex-dividend record date was on July 6, 2022. Cash dividend date was distributed on July 28, 2022 and cash dividends per share was NT\$5.00137591.

(3) Amendment to the Procedures for Acquisition or Disposal of Assets

Implementation status : Announced on MOPS on the day of shareholders' meeting and executed revised procedures accordingly.

(4) Election of Directors

The list of elected directors is as follows :

Director : T.H. Tung, Jason Cheng, Ted Hsu, H.T. Tung, Peter Kuo, T.K. Yang, DAI-HE Investment Co., Ltd. Rep.: S. Chi, HONG-YE Investment Co., Ltd. Rep.: S.J. Liao, E.L. Tung

Independent Director : C. Lin, C.P. Hwang, C.W. Wang

Implementation status : Announced on MOPS on the day of shareholder's meeting and completed amendment registration on August 1, 2022.

(5) Proposal of Release the Prohibition on Directors

Implementation status : Announced on MOPS on the day of shareholder's meeting.

3.3.11.2 Major Resolutions of Board Meetings

Date	Major resolutions	Disagreements from Independent Director	Responses to disagreements
01.20.2022	<ul style="list-style-type: none"> Approved the year-end bonus for managerial officers in year 2021. 	None	None
03.10.2022	<ul style="list-style-type: none"> Approved the appropriated remuneration of 2021Y for employees and directors. Approved 2021Y business report and financial statements. Approved earnings distribution of year 2021. Approved to hold the election for the sixth session of Board of Directors (including Independent Directors) of the Company. Approved the list of nominated candidates of sixth session of Directors (including Independent Directors) Approved the proposal for releasing the prohibition on new session of directors from participation in competitive business Approved the evaluation report for the independence of external Auditor Approved the scheduling of 2022 Annual Shareholders' Meeting. Approved Pegatron's Internal Control System Statement of 2021Y 	None	None
04.26.2022	<ul style="list-style-type: none"> Approved the amendment to the "Regulations Governing the Acquisition and Disposal of Assets". Approved to revise the scheduling of 2022 Annual Shareholders' Meeting. 	None	None
05.12.2022	<ul style="list-style-type: none"> Approved the amendment to the "Sustainable Development Practice Principles" Approved the schedule of Pegatron's Greenhouse Gas Inventory and Verification program Approved the 1st quarter 2022 consolidated financial report Approved to increase the estimated expense for expanding the manufacturing site in north America. Approved to invest subsidiary " Pegatron Electronics Inc" US\$40M. 	None	None
06.15.2022	<ul style="list-style-type: none"> The board of directors elected Mr. TH Tung as Chairman The board of directors elected Mr. Jason Cheng as Vice Chairman Approved the appointment of members of 5th session compensation committee Approved the appointment of members of 4th session audit committee Approved to release the prohibition on managerial officer Mr. TH Tung and Mr. SJ Liao from participation in competitive business 	None	None
08.11.2022	<ul style="list-style-type: none"> Approved the 2nd quarter 2022 consolidated financial report Approved the adjustment of managerial officers' salary in year 2022 	None	None

	<ul style="list-style-type: none"> ● Approved the distribution of Directors' remuneration in 2021 ● Approved the position adjustment of CEO 		
09.22.2022	<ul style="list-style-type: none"> ● Approved the total compensation for external auditor in year 2022 ● Approved to indirectly invest subsidiary Pegatron Vietnam Company Limited US\$100M ● Approved to release the prohibition on managerial officer Mr. Gary Cheng from participation in competitive business ● Approved the performance bonus for managerial officers in year 2022. 	None	None
11.10.2022	<ul style="list-style-type: none"> ● Approved to establish Pegatron's "Non-Assurance Services Pre-approval Policy" ● Approved the 3rd quarter 2022 consolidated financial report ● Approved to establish "Procedures For Handling Material Inside Information of Pegatron Corporation" ● Approved the plan of internal auditing in year 2023 ● Approved the amendment to the Company's Internal control system and internal audit implementation rules . 	None	None

3.3.12 Major Issues of Record or Written Statement Made by Any Director Dissenting to Important Resolutions Passed by the Board of Directors in 2022 and to the date of the annual report: None.

3.3.13 Resignation or Dismissal of Key Personnel Involved in the Company : None.

3.4 Information Regarding CPA Fees

Unit: NT\$ thousands

CPA Firm	CPA	Auditing Period	Auditing Fees	Non-Auditing Fees	Total	Remark
KPMG	Kuo-Yang Tseng	Jan 1, 2022 ~ Dec 31, 2022	10,640	4,921	15,561	Non-auditing services include R&D investment tax credit, master file, CBC report and tax consultant.
	Chi-Lung Yu	Jan 1, 2022 ~ Dec 31, 2022				

Information on audit fees in terms of amount, proportion and reasons if the amount of audit fees decreased by 10% from the previous year: None

3.5 Information on Change of CPA: None

3.6 If the chairman, president, and financial or accounting manager of the Company who had worked for the independent auditor or the related party in the most recent year, the name, title, and the term with the independent auditor or the related party must be disclosed:
None.

3.7 Information on Net Change in Shareholding and Net Change in Shares Pledged by Directors, Department Heads and Shareholders of 10% Shareholding or More:

3.7.1 Information on Net Change in Shareholding

Unit: Share

Title	2022(Note 1)		01/01/2023-02/28/2023(Note 1)	
	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman and CSO T.H. Tung	-	-	-	-
Vice Chairman and Deputy CSO Jason Cheng	-	-	-	-
Director Ted Hsu (Note 2)	-	-	-	-
Director and Senior Vice President H.T. Tung	-	-	-	-
Director Peter Kuo (Note 2)	-	-	-	-
Director T.K. Yang	-	-	-	-
Director HAI-HE Investment Co., Ltd Rep: S. Chi	-	-	-	-
Director S. Chi	-	-	-	-
Director HONG-YE Investment Co., Ltd. Rep: S.J. Liao	-	-	-	-
Director and Deputy Group CEO S.J. Liao	-	-	-	-
Director E.L. Tung	-	-	-	-
Independent Director C. Lin (Note 2)	-	-	-	-
Independent Director C.P. Hwang	-	-	-	-
Independent Director C.W. Wang (Note 2)	-	-	-	-
Director C.I. Chia (Note 3)	-	-	-	-
Director C.V. Chen (Note 3)	-	-	-	-
Independent Director C.B. Chang (Note 3)	-	-	-	-
Independent Director C.S. Yen (Note 3)	-	-	-	-
Shareholder of 10% shareholding or more Asustek Computer Inc.	-	-	-	-
President and Co-CEO Kuang-Chih Cheng (Note 2)	-	-	-	-
President and Co-CEO Kuo-Yen Teng	(20,000)	-	-	-
Senior Vice President Te-Tzu Yao	(15,000)	-	-	-
Senior Vice President Chung Yu Huang	(45,000)	-	-	-

Title	2022(Note 1)		01/01/2023-02/28/2023(Note 1)	
	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Senior Vice President and Co-Chief Technology Officer Pei-Chin Wang	-	-	-	-
Senior Vice President and Co-Chief Technology Officer Yean-Jen Shue (Note 2)	-	-	-	-
Vice President and Chief Logistic Officer Chiu-Tan Lin	(35,000)	-	-	-
Vice President Tsung-Jen Ku Lai	(9,000)	-	-	-
Vice President En-Bair Chang	-	-	-	-
Vice President Shih-Chi Hsu (Note 2)	-	-	-	-
Vice President Tian-Bao Chang	(70,000)	-	-	-
Vice President Ming-Tung Hsu	(19,000)	-	(8,000)	-
Vice President Chih-Hsiung Chen	(233,000)	-	-	-
Vice President Hsi-Wen Lee	(28,000)	-	(13,000)	-
Vice President and Chief Financial Officer Shaing-Shaing Wu	-	-	-	-
Vice President Chen-Yu Feng	-	-	-	-
Vice President Ting-Pang Huang	(60,000)	-	-	-
Vice President Shyh-Heh Hwang (Note 3)	-	-	-	-
Vice President Yi-Yung Wu	(40,000)	-	-	-
Corporate Governance Officer Chieh-Tsung Chen	-	-	-	-
Accounting Officer Ju-Hui Hsieh	(28,000)	-	-	-

Note 1: Holding Increase (Decrease) included employee restricted stocks are under the custody of the Trust.

Note 2: Holding Increase (Decrease) of 2022 is from the on-board date to December 31, 2022.

Note 3: Holding Increase (Decrease) of 2022 is from January 1st, 2022 to his resignation Date.

3.7.2 Information of Shares Transferred:

Name	Reason of the Transfer	Transfer Date	Transferee	Relation with the Transferee	Shares	Transfer price
Chih-Hsiung Chen	Gifting	2022/03/11	Wei-Chieh Chen	Daughter	33,000	-
Chih-Hsiung Chen	Gifting	2022/03/11	Rong-Mei Liao	Spouse	200,000	-

3.7.3 Information of Equity Pledged: None.

3.8 The Relations of the Top Ten Shareholders as Defined in the Finance Standard Article 6:

Record Date : 07/06/2022

Name	Shareholding		Spouse & Minor		Shareholding by Nominee Arrangement		The relationship between any of the Company's Top Ten Share holders		Remarks %
	Shares	%	Shares	%	Shares	%	Name	Relation	
Asustek Computer Inc.	448,506,484	16.81	-	-	-	-	Jonney Shih	Chairman of Asustek Computer Inc.	-
T.H.Tung	94,542,309	3.54	6,074,490	0.23	-	-	-	-	-
Yuanta/P-shares Taiwan Dividend Plus ETF	73,150,925	2.74	-	-	-	-	-	-	-
Jonney Shih	67,032,290	2.51	-	-	-	-	Asustek Computer Inc.	Chairman	-
Ted Hsu	56,353,713	2.11	-	-	-	-	-	-	-
Silchester International Investors International Value Equity Trust	53,357,000	2.00	-	-	-	-	-	-	-
Government of Singapore	49,625,296	1.86	-	-	-	-	-	-	-
CTBC Bank in Custody for Pegatron Corporation	42,949,288	1.61	-	-	-	-	-	-	-
Morgan Stanley & Co. International Plc	42,348,323	1.59	-	-	-	-	-	-	-
Cathay United Bank in Custody for Expert Union Limited Investment account	38,505,000	1.44	-	-	-	-	-	-	-

3.9 Long-Term Investment Ownership

Unit: thousand shares; %; As of 12/31/2022

Long-Term Investment	Ownership by Pegatron (1)		Direct/Indirect Ownership by Directors and Management (2)		Total Ownership (1)+(2)	
	Shares	%	Shares	%	Shares	%
Asustek Investment Co., Ltd.	951,278	100.00	-	0	951,278	100.00
Asuspower Investment Co., Ltd.	932,845	100.00	-	0	932,845	100.00
Asus Investment Co., Ltd.	979,255	100.00	-	0	979,255	100.00
AMA Precision Inc.	33,500	100.00	-	0	33,500	100.00
Pegatron USA, Inc.	50	100.00	-	0	50	100.00
Pegatron Holland Holding B.V.	-	100.00	-	0	-	100.00
Pegatron Holding Ltd.	991,906	100.00	-	0	991,906	100.00
Unihan Holding Ltd.	170,110	100.00	-	0	170,110	100.00
AzureWave Technologies, Inc.	35,750	23.41	13,697	8.96	49,447	32.37
Casetek Holdings Limited (Cayman)	-	100.00	-	0	-	100.00
Pegatron Service Australia Pty, Ltd.	6,000	100.00	-	0	6,000	100.00
PT. Pegaunihan Technology Indonesia	40	99.9975	-	0.0025	40	100.00
Pegatron Vietnam Company Limited	-	100.00	-	0	-	100.00
Pegatron Technology Hai Phong Company Limited	-	100.00	-	0	-	100.00
Pegatron Technology India Private Limited	1,099,890	99.99	110	0.01	1,100,000	100.00
Pegatron Technology Texas Inc.	1	100.00	-	0	1	100.00

Pegatron Electronics Inc.	5	100.00	-	0	5	100.00
Pegapower Investment Co., Ltd.	100,000	100.00	-	0	100,000	100.00
Pegatron Investment Co., Ltd.	100,000	100.00	-	0	100,000	100.00

4. Capital and Shares

4.1 Capital and Shares

4.1.1 Type of Stock

As of 03/10/2023

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common Share	2,666,923,391	333,076,609	3,000,000,000	Listed

4.1.2 Share Capital

As of 03/10/2023

Month/ Year	Par Value (NTD)	Authorized Capital		Paid-in Capital		Remark		
		Shares (1,000)	Amount (NT\$1,000)	Shares (1,000)	Amount (NT\$1,000)	Sources of Capital	Capital Increased by Assets Other than Cash	Date of Approval and Document No.
03/2022	10	3,000,000	30,000,000	2,668,876	26,688,758	Cancelling employee restricted stocks of NT\$2,558 thousand	-	Note 1
05/2022	10	3,000,000	30,000,000	2,668,453	26,684,533	Cancelling employee restricted stocks of NT\$4,225 thousand	-	Note 2
09/2022	10	3,000,000	30,000,000	2,667,926	26,679,264	Cancelling employee restricted stocks of NT\$5,269 thousand	-	Note 3
12/2022	10	3,000,000	30,000,000	2,667,634	26,676,336	Cancelling employee restricted stocks of NT\$2,928 thousand	-	Note 4
02/2023	10	3,000,000	30,000,000	2,666,923	26,669,234	Cancelling employee restricted stocks of NT\$7,102 thousand	-	Note 5

Note 1: 03/01/2022 Jin So Son Tzi No. 11101030990

Note 2: 05/27/2022 Jin So Son Tzi No. 11101088130

Note 3: 09/05/2022 Jin So Son Tzi No. 11101167900

Note 4: 12/05/2022 Jin So Son Tzi No. 11101228850

Note 5: 02/21/2023 Jin So Son Tzi No. 11230028590

4.1.3 Information for Shelf Registration: None

4.1.4 Composition of Shareholders

Record Date : 07/06/2022; Units: share

Item	Government Agencies	Financial Institutions	Other Juridical Person	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	4	22	495	183,451	1,101	185,073
Shareholding (shares)	9	105,578,438	720,150,966	1,018,665,124	824,058,769	2,668,453,306
Percentage	0	3.96	26.99	38.17	30.88	100.00

4.1.5 Shareholding Distribution Status

Common Share (The par value for each share is NT\$10)

Record Date : 07/06/2022

Class of Shareholding (Unit : Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	51,285	13,471,676	0.50
1,000 ~ 5,000	107,926	223,697,388	8.38
5,001 ~ 10,000	14,406	112,473,415	4.21
10,001 ~ 15,000	4,042	51,618,491	1.93
15,001 ~ 20,000	2,323	43,010,691	1.61
20,001 ~ 30,000	1,886	48,046,288	1.80
30,001 ~ 40,000	851	30,440,748	1.14
40,001 ~ 50,000	542	25,237,554	0.95
50,001 ~ 100,000	884	63,705,242	2.39
100,001 ~ 200,000	372	51,872,995	1.94
200,001 ~ 400,000	201	56,203,454	2.11
400,001 ~ 600,000	88	43,976,949	1.65
600,001 ~ 800,000	47	32,798,854	1.23
800,001 ~ 1,000,000	28	24,863,891	0.93
over 1,000,001	192	1,847,035,670	69.23
Total	185,073	2,668,453,306	100.00

Preferred Share: The Company did not issue any preferred share.

4.1.6 List of Major Shareholder

Record Date : 07/06/2022

Shareholder's Name	Shareholding	
	Shares	Percentage
Asustek Computer Inc.	448,506,484	16.81
T.H. Tung	94,542,309	3.54
Yuanta/P-shares Taiwan Dividend Plus ETF	73,150,925	2.74
Jonney Shih	67,032,290	2.51
Ted Hsu	56,353,713	2.11
Silchester International Investors International Value Equity Trust	53,357,000	2.00
Government of Singapore	49,625,296	1.86
CTBC Bank in Custody for Pegatron Corporation	42,949,288	1.61
Morgan Stanley & Co. International Plc	42,348,323	1.59
Cathay United Bank in Custody for Expert Union Limited Investment account	38,505,000	1.44

4.1.7 Market Price, Net Worth, Earnings and Dividends Per Common Share

Unit: NT\$, except for weighted average shares and return on investment ratios

Item	2021	2022	01/01/2023-03/10/2023
Market Price per Share			
Highest Market Price	84.50	73.70	69.90
Lowest Market Price	63.50	54.70	63.50
Average Market Price	70.19	64.96	66.48
Net Worth per Share			
Before Distribution	62.42	68.41	-
After Distribution	57.42	Undistributed	-
Earnings per Share			
Weighted Average Shares (thousand shares)	2,666,276	2,667,906	-
Diluted Earnings Per Share	7.71	5.66	-
Dividends per Share			
Cash Dividends	5.0	Undistributed	-
Stock Dividend			
• Dividends from Retained Earnings	-	-	-
• Dividends from Capital Surplus	-	-	-
Accumulated Undistributed Dividends	-	-	-
Return on Investment			
Price / Earnings Ratio	9.10	11.48	-
Price / Dividend Ratio	14.04	Undistributed	-
Cash Dividend Yield Rate	7.12%	Undistributed	-

4.1.8 Dividend Policy and Execution Status

4.1.8.1 Dividend Policy Stipulated in the Company's Articles of Incorporation

The dividend policy in the Company's Articles of Incorporation is stated as below:

Article 28: When it is determined that the Company has earnings for a fiscal year, the earnings shall firstly be appropriated to profit-seeking enterprise tax payable, and make up the losses of previous years. Then, the Company shall provide 10% of the remaining earnings as the legal reserve if there is any remaining amount, unless such legal reserve has amounted to the paid-in capital, and then set aside the special reserve in accordance with the requirements under the laws and regulations or of the competent authorities.

The remaining and the accumulated undistributed earnings of previous years may then be distributed or kept after the board of directors has made proposal of earnings distribution, and the distributable dividend and bonus may be paid in issuing new shares after a resolution has been adopted by special resolution of shareholders' meeting.

According to Article 240, paragraphs 5 of Company Act, the distributable dividends and bonus in whole or in part or the legal reserve and capital reserved in whole or in part which are brought in Article 241, paragraphs 1 of Company Act may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors, and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

Article 28-1: The distribution of the dividends of the Company will be coordinated with the surplus of that year based on the principle of stabilization. Considering rapid changes occurring in the industry where the Company operates and potential funding needs to support long term business strategy, the Company established a balanced dividend policy. If the Company would set aside dividend under Article 28, the amount shall not be lower than 10% of distributable surplus of the fiscal year, and the cash dividend would be at least ten percent (10%) of the total dividend in the shareholders bonus to be distributed.

4.1.8.2 Proposed Dividend Distribution

The Board approved the proposal for 2022 dividend distribution at its meeting on March 14, 2023. The proposal will become effective according to the relevant regulations, upon the approval of shareholders at the Annual General Shareholders' Meeting on June 15, 2023.

Unit: NT\$

Items	Amount	
	Subtotal	Total
Beginning Retained Earnings		26,241,978,292
Add: Net Profit After Tax		15,096,179,729
Add: Gain on Re-measurement of Defined Benefits Plans		24,951,434
Add: Expiration of Restricted Stock to Employees		56,007,284
Add: Reversal of special reserve		13,395,189,508
Distributable Net Profit		54,814,306,247
Minus: 10% Legal Reserve		(1,517,713,845)
Minus: Cash Dividend		(10,667,425,564)
Unappropriated Retained Earnings		42,629,166,838

4.1.8.3. Explanation of Expected Significant Changes in Company's Dividend Policy: None

4.1.9 Impact to 2022 Business Performance and EPS resulting from Stock Dividend

Distribution: Not Applicable.

4.1.10 Compensation to Employees and Remuneration to Directors:

4.1.10.1 Compensation to employees and remuneration to directors stipulated in the Company's Articles of Incorporation

In Company's Articles of Incorporation provides that:

Article 26-1: When it is determined that the Company has profit for a fiscal year, the Company shall appropriate the employees' and directors' remuneration according to the following sequence. But, in the case that the Company still has retained losses, the Company should appropriate sufficient amount for making up the losses of previous year and then appropriate according to the following sequence:

1. At least 7% of the profit shall be allocated as the remuneration of employees, which may be paid in cash or in the form of shares, and qualified employees of the parent and subordinate companies, who meet qualification requirements, may be included. The qualification requirements shall be determined by the board of directors.
2. At most 7‰ of the profit shall be allocated as directors' remuneration.

In this article, the "profit" means the net profit before tax, employees' remuneration and directors' remuneration.

4.1.10.2 Accounting treatment applied to the difference between actual and estimated

compensation to employees and remuneration to directors.

Shall there be any difference between the actual amount of compensation and remuneration approved by Annual Shareholders' Meeting and that of the estimation, it will be deemed as the changes in accounting estimates and will be recognized in the profit and loss account of the distributing year.

4.1.10.3 Remuneration distribution to employees in 2022 resolved by the Board of Directors

a. Proposed remuneration to employees and remuneration to directors.

	Amount (NT\$)
Remuneration to Employees	1,365,000,000
Remuneration to Directors	135,000,000

b. Proposed stock based remuneration to employees as a percentage of total employee remuneration and of net income from standalone financial report:

No stock based remuneration was distributed in 2022.

4.1.10.4 Distribution of remuneration to employees and remuneration to directors in 2021 resolved by the Annual Shareholders Meeting on June 15, 2022

	Amount (NT\$)
Remuneration to Employees	1,605,000,000
Remuneration to Directors	159,000,000

Above cash bonus and compensation, being approved by the Board, has been expensed under the Company's 2021 income statements. There is no difference between the amounts approved in the shareholders' meeting and those of the estimation recognized in the financial statements.

4.1.11 Buyback of Common Stock: None.

4.2 Issuance of Corporate Bond:

As of 03/10/2023 ; Unit: NT\$

Type of Corporate Bonds	Domestic Unsecured Bond (106-1)	Domestic Unsecured Bond (106-2)	Domestic Unsecured Bond (108-1)
Issuance Date	2017/07/13	2018/01/10	2019/06/13
Denomination	NT\$1,000,000		
Offering Price	At Par		
Total Amount	NT\$7,000,000,000	NT\$8,000,000,000	NT\$8,500,000,000
Coupon	Tranche A: 0.91% p.a. Tranche B: 1.06% p.a. Tranche C: 1.20% p.a.	Tranche A: 0.78% p.a. Tranche B: 0.92% p.a. Tranche C: 1.08% p.a.	Tranche A: 0.85% p.a. Tranche B: 0.95% p.a.
Tenure & Maturity Date	Tranche A: 3 years Maturity: 2020/07/13 Tranche B: 5 years Maturity: 2022/07/13 Tranche C: 7 years Maturity: 2024/07/13	Tranche A: 3 years Maturity: 2021/01/10 Tranche B: 5 years Maturity: 2023/01/10 Tranche C: 7 years Maturity: 2025/01/10	Tranche A: 5 years Maturity: 2024/06/13 Tranche B: 7 years Maturity: 2026/06/13
Guarantor	None		
Trustee	Taipei Fubon Commercial Bank Co., Ltd		
Underwriter	Capital Securities Corp.	Yuanta Securities Co., Ltd	Yuanta Securities Co., Ltd
Legal Counsel	Hui-Chi Kuo		
Auditor	Kuo-Yang Tseng / Chi-Lung Yu		
Type of Corporate Bonds	Domestic Unsecured Bond (106-1)	Domestic Unsecured Bond (106-2)	Domestic Unsecured Bond (108-1)
Repayment	Bullet		
Outstanding	NT\$2,000,000,000	NT\$2,500,000,000	NT\$8,500,000,000
Redemption or Early Repayment Clause	None		
Covenants	None		
Credit Rating	twAA- (Taiwan Ratings Corporation, 02/14/2023)		
Other Rights of Bondholders 1. Amount of Converted or Exchanged Common Shares, GDRs or Other Securities 2. Conversion Right	1. Not applicable 2. None		
Dilution Effect and Other Adverse Effects on Existing Shareholders	None		
Custodian	None		

Type of Corporate Bonds	Domestic Unsecured Bond (109-1)	Domestic Unsecured Bond (109-2)	Domestic Unsecured Bond (110-1)
Issuance Date	2020/10/21	2021/01/08	2021/12/02
Denomination	NT\$1,000,000		
Offering Price	At Par		
Total Amount	NT\$5,000,000,000	NT\$3,500,000,000	NT\$8,900,000,000
Coupon	0.65% p.a.	Tranche A: 0.43% p.a. Tranche B: 0.58% p.a.	Tranche A: 0.56% p.a. Tranche B: 0.65% p.a.
Tenure & Maturity Date	5 years Maturity: 2025/10/21	Tranche A: 5 years Maturity: 2026/01/08 Tranche B: 7 years Maturity: 2028/01/08	Tranche A: 5 years Maturity: 2026/12/02 Tranche B: 7 years Maturity: 2028/12/02
Guarantor	None		
Trustee	Taipei Fubon Commercial Bank Co., Ltd		
Underwriter	Hua Nan Commercial Bank , Ltd.	Hua Nan Commercial Bank , Ltd.	Yuanta Securities Co., Ltd
Legal Counsel	Hui-Chi Kuo		
Auditor	Kuo-Yang Tseng / Chi-Lung Yu		
Type of Corporate Bonds	Domestic Unsecured Bond (109-1)	Domestic Unsecured Bond (109-2)	Domestic Unsecured Bond (110-1)
Repayment	Bullet		
Outstanding	NT\$5,000,000,000	NT\$3,500,000,000	NT\$8,900,000,000
Redemption or Early Repayment Clause	None		
Covenants	None		
Credit Rating	twAA- (Taiwan Ratings Corporation, 02/14/2023)		
Other Rights of Bondholders 1. Amount of Converted or Exchanged Common Shares, GDRs or Other Securities 2. Conversion Right	1. Not applicable 2. None		
Dilution Effect sand Other Adverse Effects on Existing Shareholders	None		
Custodian	None		

4.3 Preferred Shares (with stock option): None.

4.4 Issuance of Global Depository Receipts:

As of 03/10/2023

Date of Issuance		August 9, 2010	
Item			
Date of issuance (Process)		08/09/2010	
Location and Issuance and Trade		Luxemburg Stock Exchange	
Total Amount		Non applicable	
Unit Price (in NT\$ per GDS)		NT\$37.70	
Total Issuance		12,163,804	
Source of Common Stock Registration		One GDS stands to five common share of Pegatron	
Total Marketable Security Shares Recognized		Stands for 60,819,020 common shares of Pegatron	
Rights and Obligations of GDR Holders		Same as those of common share holders (See Deposit Agreement and Custody Agreement for Details)	
Trustee		Non applicable	
GDR Institute		Citibank N.A.	
Depository Institute		Citibank Taiwan Limited	
Outstanding GDSs (as of December 31, 2022)		225,107 GDRs	
Issuance and Expense Amortization throughout the Issuance Period		Annual listing fees and accountant fees were borne by Pegatron	
GDR Agreement and Depository Agreement		See Deposit Agreement and Custody Agreement for Details	
Market Price per unit (US\$)	2022	Max.	US\$12.90
		Min.	US\$8.70
		Average	US\$10.99
	As of March 10, 2023	Max.	US\$11.40
		Min.	US\$10.40
		Average	US\$10.91

4.5 Employee Stock Option: None.

4.6 Employee Restricted Stocks

4.6.1 Issuance of Employee Restricted Stocks

As of 02/28/2023

Type of Restricted Shares	First Grant of 2020	Second Grant of 2020
Approval Date by the Authority and total number of shares	2020/08/12 / 60,000,000	
Grant Date	2020/12/08	2021/06/11
Number of Employee Restricted Stock Granted	52,411,000	7,574,000
Number of Employee Restricted Stock still available for Issuance	0	
Price of Issuance	NT\$10	
Percentage of Employee Restricted Stocks to Outstanding Common Shares	1.97%	0.28%
Conditions for Exercise of Employee Restricted Stocks	<p>Company Performance Criteria: It shall conform with the Criteria of Earnings Per Share (“EPS”) and Return On Equity (“ROE”) below.</p> <ol style="list-style-type: none"> a. Earnings Per Share (“EPS”) : On the date RSAs are scheduled to be vested, the average EPS based on the financial statements of recent three years is higher than those of the peer group. b. Return On Equity(“ROE”) : On the date RSAs are scheduled to be vested, the average ROE based on the financial statements of recent three years is higher than those of the peer group. c. The Peer group set forth in the two preceding paragraphs includes HON HAI Precision Industry Co., Ltd., Quanta Computer Inc., Compal Electronics Inc., Wistron Corp. and Inventec Corporation. d. EPS set forth in the first paragraph refers to the basic earnings per share of the consolidated statements of comprehensive income of the consolidated financial statements audited by CPA. ROE set forth in the second paragraph refers to the comprehensive income divided by average shareholder’s equity, based on the consolidated financial statements or non-consolidated financial statements audited by CPA. When ROE calculated is higher than either one of the two performance criteria, RSAs will be vested. <p>Employee Performance Criteria :</p> <ol style="list-style-type: none"> a. Upon the first anniversary of receiving RSAs, employees can exercise 25% of RSAs, provided the employees fulfill the requirements specified in the annual appraisal of that year and have not violated any statutory laws and/or any of the following internal policies and regulations such as employment contract, none disclosure agreement, company code of conduct, behavior of business ethic and conduct. b. Upon the second anniversary of receiving RSAs, employees can exercise 25% of RSAs, provided the employees fulfill the requirements specified in the annual appraisal of that year and have not violated any statutory laws and/or any of the following internal policies and regulations such as employment contract, none disclosure agreement, company code of conduct, behavior of business ethic and conduct. c. Upon the third anniversary of receiving RSAs, employees can exercise 25% of RSAs, provided the employees fulfill the 	

Type of Restricted Shares	First Grant of 2020	Second Grant of 2020
	<p>requirements specified in the annual appraisal of that year and have not violated any statutory laws and/or any of the following internal policies and regulations such as employment contract, none disclosure agreement, company code of conduct, behavior of business ethic and conduct.</p> <p>d. Upon the fourth anniversary of receiving RSAs, employees can exercise the remaining 25% of RSAs, provided the employees fulfill the requirements specified in the annual appraisal of that year and have not violated any statutory laws and/or any of the following internal policies and regulations such as employment contract, none disclosure agreement, company code of conduct, behavior of business ethic and conduct.</p>	
Limitations to the Rights of Employee Restricted Stocks	<p>a. Before fulfilling the vesting conditions, the restricted shares under the custody shall not be sold, pledged, transferred, and gave as gifts to others or any other means of disposal.</p> <p>b. Voting rights: To be conducted by the Trust in accordance with the relevant laws and regulations.</p>	
Custody of Employee Restricted Stocks	A total of 24,174,750 shares delivered to the Trust	A total of 5,450,538 shares delivered to the Trust
Procedures for Non-Compliance of the Conditions	The Company can buy back and cancel all restricted stocks from any employee whom received restricted stocks but fail to comply with the conditions.	
Number of Employee Restricted Stocks Bought Back(Note 1)	3,310,953	274,712
Number of Employee Restricted Stocks Free from Custody	24,925,297	1,848,750
Number of Employee Restricted Stocks under Custody	24,174,750	5,450,538
Number of Employee Restricted Stocks under Custody to Outstanding Common Shares (%)	0.91%	0.20%
Impact on Shareholders' Equity	<p>A. Potential expense: The number of restricted stocks proposed at 2020 Annual General Shareholders' Meeting is 60,000,000 shares at NT\$10 as issuance price. The Company shall evaluate the fair value of the stocks on the issuance date and accrue relevant cost over the issuance period. The potential expense incurred is estimated at NT\$1,831,490 thousands. In accordance with the conditions for exercising restricted stocks set forth in the preceding paragraph, the annually expensed amount was NT\$256,305 thousands, NT\$973,188 thousands and NT\$614,728 thousands in 2020,2021 and 2022. The annually expensed amount is estimated at NT\$(35,823) thousands, NT\$19,363 thousands, and NT\$3,729 thousands in 2023, 2024 and 2025 respectively.</p> <p>B. Potential impact to dilution of earnings per share (EPS) and other factors that may affect shareholder's equity: Potential dilution of EPS based on the existing outstanding ordinary shares of 2,666,856,391 shares, is estimated at NT\$0.10, NT\$0.36, NT\$0.23, NT\$(0.01), \$0.01 and NT\$0 in 2020, 2021, 2022, 2023, 2024 and 2025 respectively. Since the potential impact to EPS is limited, we do not expect any material impact to shareholders' equity.</p>	

Note 1 : Public filings made regarding shares bought back from employees.

4.6.2 Information on Name of Managers and Top 10 Employees obtaining Employee Restricted Stocks

As of 02/28/2023; Unit: Shares; %, NT\$

Position	Title	Name	Number of Employee Restricted Shares	Number of Employee Restricted Stocks Outstanding Common Shares	Free from the Trust			Under the Trust						
					Number of Employee Restricted Stocks Free from Custody	Price of Issuance	Total Amount of Issuance	Number of Employee Restricted Stocks under Custody	Price of Issuance	Total Amount of Issuance	Number of Employee Restricted Stocks under Custody to Outstanding Common Shares (%)			
Management Team	CSO	T.H. Tung												
	Deputy CSO	Jason Cheng												
	Deputy Group CEO	S.J. Liao												
	President and Co-CEO	Kuang-Chih Cheng												
	President and Co-CEO	Kuo-Yen Teng												
	Senior Vice President	Te-Tzu Yao												
	Senior Vice President	H.T. Tung												
	Senior Vice President	Chung Yu Huang												
	Senior Vice President and Co-Chief Technology Officer	Pei-Chin Wang												
	Senior Vice President and Co-Chief Technology Officer	Yean-Jen Shue												
	Vice President and Chief Logistic Officer	Chiu-Tan Lin												
	Vice President	Tsung-Jen Ku Lai		10,900,000	0.41	5,105,000	10	51,050,000	0.19	5,705,000	10	57,050,000	0.22	
	Vice President	En-Bair Chang												
	Vice President	Tian-Bao Chang												
Vice President	Ming-Tung Hsu													
Vice President	Chih-Hsiung Chen													
Vice President	Hsi-Wen Lee													
Vice President and Chief Financial Officer	Shaing-Shaing Wu													
Vice President	Chen-Yu Feng													
Vice President	Ting-Pang Huang													
Vice President	Shyh-Heh Hwang (Note 1)													
Vice President	Yi-Yung Wu													
Corporate Governance Officer	Chieh-Tsung Chen													
Accounting Officer	Ju-Hui Hsieh													

Note 1: Resigned from his position.

Position	Title	Name	Number of Employee Restricted Shares	Number of Restricted Employee Shares to Outstanding Common Shares	Free from the Trust				Under the Trust			
					Number of Employee Restricted Stocks Free from Custody	Price of Issuance	Total Amount of Issuance	Number of Employee Restricted Stocks to Outstanding Common Shares (%)	Number of Employee Restricted Stocks under Custody	Price of Issuance	Total Amount of Issuance	Number of Employee Restricted Stocks under Custody to Outstanding Common Shares (%)
Employee	Associate Vice President	Wei-Kang Wang	3,686,000	0.14	1,670,250	10	16,702,500	0.06	2,015,750	10	20,157,500	0.08
	Associate Vice President	Yu-Heng Lu										
	Associate Vice President	Wei-Pang Lee										
	Associate Vice President	Yi-Hsin Lee										
	Associate Vice President	Ching-Ru Wu										
	Associate Vice President	Yen-Jen Lin										
	Associate Vice President	Kuo-Jung Hsu										
	Associate Vice President	Hsiang-Chieh Huang										
	Associate Vice President	Shing-Jung Kuo										
	Associate Vice President	Li-Ling Chao										
	Associate Vice President	I-Sheng Tsai										
	Associate Vice President	Che-Yen Lai										

Note: Employees who granted the same number of options are being listed.

4.7 Status of New Shares Issuance in connection with Mergers and Acquisitions:

Not Applicable.

4.8 Financing Plan and Implementation

Up to the last quarter before the printing of the financial statements, outstanding equity issuance or marketable security subscription or the completed equity issuance or subscribed marketable security without success: Not Applicable.

5. Overview of Business Operation

5.1 Business Activities

5.1.1 Business Scope

5.1.1.1 Operating Scope

The Company offers a wide range of electronics products in computing, communications and consumer electronics segments, including Notebook PCs, Desktop PCs, Motherboards, Server, Cable Modems, Set-top Boxes, Smartphones, Game Consoles, Tablets, IoT Devices, Wearable Devices, Smart Home Devices, Automotive Electronics, etc. The Company also engages in development, design and manufacturing of peripherals and components of the above-mentioned products. In addition to the well diversified product portfolio, the Company also places great emphasis on development of both software and hardware technologies to provide customers with total solutions and high value-added services.

5.1.1.2 Breakdown of Sales by Major Products

Unit: NT\$ thousands; %

Year Major Product	2021		2022	
	Amount	%	Amount	%
3C Products	1,184,260,120	93.89	1,248,715,728	94.77
Other	77,123,741	6.11	68,883,426	5.23
Total	1,261,383,861	100.00	1,317,599,154	100.00

5.1.1.3 Product Lines

Computing Product

- a. Notebook PCs
- b. DeskTop PCs
- c. Motherboards
- d. Server

Communication Product

- a. Cable modems
- b. Set-top boxes
- c. Smartphones
- d. Switches
- e. Router

Consumer Electronics and Other Product

- a. Tablets
- b. Game consoles
- c. Wearable devices
- d. Smart home devices

5.1.1.4 Product (Service) Development

- a. Developing “consumer” systems (Notebook PC / 2-in-1) with designs mainly using Intel Raptor Lake · AMD Ryzen 7xxx (Mendocino, Barcelo-R) series Etc. and next-generation platforms for different operating systems, while meeting market demands for customization and innovating gaming / creator / thin & light product lines with new features.
- b. Developing “commercial” & “educational” systems (Notebook PC / Chromebook) with designs mainly using Intel Raptor Lake / Alder Lake / Jasper Lake / next generation platforms, ARM platforms, etc.
- c. Develop a high-speed 10Gb Ethernet gateway and vehicle-to-vehicle communication controller for cars, equipped with dual 5G MIMO antennas and dual WiFi 6E networks, to serve as a central domain controller connecting various networks inside and outside the vehicle, and to provide internet services for autonomous vehicles. It supports functions such as eCall (emergency assistance), remote diagnosis and control of vehicle malfunctions, fleet management, and real-time driving information. The critical networks comply with ASIL B to ensure safe and reliable communication between electronic devices inside the car, making autonomous driving safer and more convenient. This new type of controller integrates high-speed digital imaging, ToF camera, and audio input, combined with in-car cameras, in-car array microphones, and in-car speakers, providing voice interaction for autonomous vehicles. The ToF (Time-of-Flight) camera protects passenger privacy.
- d. We have developed 11KW single-phase and 22KW three-phase AC charging piles, as well as 22KW~50KW wall-mounted bidirectional V2H DC charging piles with built-in wireless technologies such as Wi-Fi, NFC, and BT. These charging piles use an Arm SoC with an RTOS operating system and support the ISO15118 communication protocol, with built-in OCCP 1.6 cloud control interface. They support various charging protocols such as J1772, CCS1, CCS2, providing charging services for electric vehicles of different specifications. With our self-developed APP and algorithm, intelligent features such as power sharing can be easily configured to reduce the cost of power capacity expansion and additional power capacity installation. Multiple charging piles can be installed in the same field to provide charging services for multiple users. The OCCP 1.6 cloud control platform supports billing and charging systems, enabling remote management of charging piles.

- e. We plan to develop a 1.5KW to 3.0KW inverter, which converts the DC power supply (150VDC to 420VDC) from the large batteries used in BEV, HEV, and PHEV into 110Vac or 220Vac AC output. This will provide AC power for tools and small household appliances during outdoor activities such as camping, as well as during power outages while driving.
- f. Develop an intelligent cabin system for electric buses, with the on-board computer using the QNX automotive safety operating system and real-time operating system (RTOS). The system includes three display screens: the left screen provides a touch interface for driver operations, the middle screen displays driving information such as speed and ADAS, and the right screen displays blind spot images, panoramic images, and in-car images. The on-board computer receives signals from the vehicle's CAN system, integrating and displaying information from eight external systems to provide an integrated, safe, and convenient human-machine interface (HMI) for the driver. The eight external systems are: (1) Lane departure warning system, (2) Front collision warning system, (3) Panoramic display system, (4) Blind spot and wheel differential warning system, (5) Tire pressure monitoring system, (6) Driver identification and digital driving recorder, (7) Fatigue detection system, and (8) Alcohol lock.
- g. Developing a Centralized Unit (CU), Distributed Unit (DU), and User Plane Function (UPF) for 5G Open Radio Access Network (O-RAN), using Intel Ice-Lake-D platform, with 8-port 10G or 4-port 25G configurations, including network physical layer (L1) acceleration, baseboard management controller (BMC), network synchronization (GPS, PTP), and related functions.
- h. Work with several major silicon chipset and software partners to develop IEEE1588v2 and PTP protocol compatible switch and routing devices. This will help telecom operators to reduce CAPEX and OPEX expenses when they upgrade to new-generation network.
- i. Develop the latest generation of broadband DOCSIS 3.1 network technology, integrate MoCA, 2.5Gbps/10GBps Ethernet WAN ports, and use the latest technology WIFI-7 (802.11be) in the wireless network to support triple-band applications (2.4G/5G/6G), expand User Bandwidth application to improve Throughput for High-speed network transmission.
- j. Develop 10GPON enterprise-level optical fiber modem. The product combines PON and AP specifications, provides 10Gbps LAN port, and integrates the latest wireless technology WIFI-7 (802.11be) for WIFI tri-band applications (2.4G/5G/6G).

- k. Developing FWA 5G NSA/SA dual mode CPE, backwards compatible to 4G network. This product with 8 antenna supports 4x4MIMO and carrier aggregation, WIFI7 tri-band, 10Gbps ethernet, also equipped with VOLTE to provide better voice quality. The speed of 5G internet is 10~100 times faster than 4G internet, and the latency is also much lower. It is suitable for 4K resolution live sport game broadcast, 8K high resolution video streaming, AR, VR application and 5G telesurgery, telemedicine.
- l. Developing a 5G surround view 360-degree camera, support Real-time extended Reality Multimedia (RXRM) to expand multimedia applications in time, use 5G low-latency features to transmit high-definition 4K@30fps images in real time, built-in 4 radio microphones to create spatial sound effects, and support multiple independent devices can watch panoramic content at the same time. The body supports IP67 waterproof rating, which can be installed in harsh industrial environments, and has a built-in battery to carry drones for monitoring.
- m. Developed a new generation of Wi-Fi 7 tri-band (2.4G/5G/6G) 802.11be EHT wireless access point. It adopts the latest generation chipsets, which provides up to 40 Gbps wireless peak rate and 10G LAN/WAN Ethernet ports and supports VoIP functions simultaneously. The WIFI7 offers the new features as 320MHz channel bandwidth, Multi-Link-Capabilities and 4K QAM modulation. The targeted use cases for this device allow users to enjoy high speed, low latency, and MLO for the most demanding applications in Augmented Reality (AR), full-immersion Virtual Reality (VR), gaming, and more.
- n. Developing newest Qualcomm SXR2230 as VR platform with see-through, Eye-tracking, Hand tracking features. The panel resolution has higher resolution and built-in Wi-Fi 7.
- o. Developing lighter, thicker 6-DoF VR viewer with Pancake solution, cabling with NB or cell phone to review the VR or 360 video. It builds speaker and microphone and adjustable diopter, wide IPD for most of users.
- p. Developing server products mainly using Intel Eagle Stream/Next Gen. of Eagle Stream, Intel Raptor Lake-E, Intel Ice Lake-D, AMD EPYC SP5 GENOA, AMD EPYC SP6 SIENA, Ampere Altra Max/Next Gen. of Ampere, etc. to provide customized design to meet various customer demands.
- q. Developing server products mainly using Intel next generation XEON SP/ XEON E, AMD EPYC SP5/SP6 (Genoa), Ampere AltraMax ,Etc.
- r. Upgrade the OS of Qualcomm QCM4490 platform ruggedized LTE phone to

Android 13.

- s. Leading in the development of Qualcomm SDX75 platform based 5G mobile hotspots, getting GCF/PTCRB conformance certification .
- t. Co-Developing Qualcomm SM7125 platform based Android IOT wearable devices..
- u. Developing E2E 5G RAN BWP (bandwidth part) switching feature in terms of ORAN DU/CU and UE.
- v. Developing LTE/Wi-Fi/BT/NFC/UWB software on Android Wearable OS watch using Qualcomm SW5100 platform.
- w. Use dual 5G NR modules (Quectel) and dual WIFI 6E modules (Quectel) to integrate and develop a vehicle-mounted host with communication functions.
- x. LEV (Light Electric Vehicle) power battery development.
- y. Use dynamic visual sensing technology to develop human body posture estimation. According to human body movements, light intensity changes in various parts, analyze the coordinates of key points of the human body, and then define the body segments of each part. In the future, it can be applied in home care, driving monitoring, human Machine interactive entertainment, while protecting the privacy rights of users.
- z. Construct the model training process, use unsupervised, semi-supervised, knowledge distillation and other deep learning technologies to develop Tiny AI with optimized AI computing power. The cost can be reduced by more than 10 times, the speed can be increased by more than 10 times, and it can be applied to different fields in the future. For example, DVS-car, DVS-Pose, AIoT home human-computer interaction.
- aa. Continuously developing Cloud Native No Code/Low Code AI platforms, expanding generative AI and multimodal foundation models, accelerating model deployment and enhancing the scope and scale of AI applications.
- bb. Establish a digital twin platform that enables users to collaborate in development, conduct remote synchronization and monitoring of equipment, and replay events. Through Cyber Physical System and simulation, conduct parameter optimization and speed up development and manufacturing progress.
- cc. Develop a remote 360-degree video conferencing system in the post-pandemic era using a high-performance image processing SoC to form a 360-degree horizontal field of view/6K high-definition image with 4-lens camera stitched, integrated with

NLP AI edge computing technology, to provide real-time image stitching and 3-meter distance human body recognition. By using high performance audio DSP technology, combined with a directional microphone array, the accuracy for the speakers' direction of arrival (DOA) is up to 5 degrees.

- dd. Develop AI TWS earphones and hearing aid (HA) technology based on Bluetooth 5.3 LE Audio. For the TWS earbuds, it will provide independent volume adjustment technology for both left and right side to enhance human voice frequency response, and allow users to directly adjust settings through the app. For the HA, it will provide a complete hearing-impaired solution through frequency compression, transposition, warping and adaptive algorithm.
- ee. Develop medical wearable rings for measuring the heart rate variability (HRV), respiratory rate, blood oxygen saturation (SpO₂), body temperature, exercise, and sleep monitoring. Using the high-density interconnector (HDI) PCB design and high efficiency miniaturized battery and power management technology, it can be as common as any ring and standby for up to five days.
- ff. Develop a PIR detection Fresnel lens with ultra-wide-angle and high-resolution capabilities, which can be applied to smart home security human body detection devices. In addition to having both wide-angle and high-resolution capabilities and using TracePro macro to speed up the simulation design, and develop corresponding performance verification and problem debugging.
- gg. Development of key technologies required for LEO ground terminal in Ku band, circular polarized operation and TX/RX combined phased array antenna design.
- hh. Developing new techniques and new applications on head-mounted devices with composite materials and biological sensors for health detection on electromyography (EMG) and photoplethysmography (PPG)
- ii. Application of AI in energy-saving research on air-cooled cooling for 2U servers : Development of deep reinforcement learning AI for fan control systems to separately control the operation of air-cooled individual components. This technology is applied to air-cooled servers in large data cabinets, replacing the traditional control methods that operate simultaneously, achieving a high-efficiency computing system and an environmentally friendly air-cooled cooling product. This can be used in various product types to make the company's products more competitive.
- jj. Second-generation automotive liquid cooling plate development: The capability of heat dissipation is higher than the current mass-produced ECU and IGBT liquid

cooling plates that used in the automotive industry nowadays. Focusing on dissipating heat from accurate automatic driving calculations and higher charge-discharge efficiency, we evaluate that heat dissipation capability will increase 20%~30% comparing to the existing products.

- kk. The single-phase immersion liquid cooling system with pPUE 1.025 rating, which uses innovative optimized system heat dissipation architecture and configuration, and has undergone development in electromechanical integration to achieve precise and stable remote control. The goal of the product is to help customers achieve energy savings and meet the world trend of energy conservation and carbon reduction to a green and sustainable data center.
- ll. The two-phase boiling immersion liquid cooling server system (1U 7KW) is achieved through the development of two critical technologies - boiling and condensation, which use the structure generates the vapor to achieve high heat conduction, and design rapid condensation devices for high-power heat exchange in servers. The design of this liquid cooling system aims to address the increasing demand for high-power CPUs and GPUs on the path of production development.
- mm. Utilizing the latest dynamic version sensor (DVS) technology and expecting to apply to driver monitoring system firstly. It may detect driver's distraction and fatigue via tracking the movement of eyes and head pose in the condition of privacy protection, to enhance driving safety.
- nn. Researching and utilizing the high precision ranging with ultra-wideband (UWB) technology, which may be possibly apply to different application such as gesture recognition, and approach unlock/ walk away lock.

5.1.2 Industry Overview

5.1.2.1 Progress and Development of the Industry

a. Computing Industry

According to statistics published by IDC, overall PC shipments (including laptops, desktops and workstations) declined by 14.9% in 2022 compared to the previous year, mainly due to continued sluggish growth in the overall economy, weakened consumer confidence and increased uncertainty in spending across the IT industry. In the short term, the overall demand in the PC market will still be affected by negative factors such as inflation, the uncertain economic outlook for the U.S. and China, the war between Russia and Ukraine and inventory problems that have yet to be fully resolved. However, IDC expects that end-user demand will return to

growth in 2024, mainly because there will be a wave of renewed demand for PC products purchased during the COVID-19 pandemic and the transition to Windows 11 will bring a wave of new demand for commercial PCs. In addition, the U.S. and Japanese education markets will soon see a spike in demand for PC replacements, so it is expected that in the years following the return to growth, the annual PC shipments will be higher than the pre-epidemic level. IDC estimates that PC shipments will continue to decline by 5.5% year-over-year in 2023 and that the CAGR for PCs will be -2.4% from 2021 to 2026.

On server-related products, although the overall server industry performed better than expected in 2022, it was still affected by shortages in the supply chain, the COVID-19 pandemic and the war between Russia and Ukraine and is expected to continue until at least mid-2023. In our observations of the industry, enterprises will gradually adopt cloud-based infrastructure devices and “as-a-service delivery models” for local server deployment need, and in the future, the growth momentum will also be derived from edge computing, cloud, digital services, software-defined infrastructure (SDI), etc. IDC estimates that global server spending will increase by 6.04% YoY in 2023 and that the CAGR for global server spending from 2021 to 2026 will be 8.3%.

b. Communication Industry

According to statistics compiled by IDC, worldwide smartphone shipments in 2022 were approximately 1.240 billion units, down by 9.1% from 1.360 billion units the previous year, mainly due to inflation in the major economies, geopolitical conflicts and a weaker overall economic environment affecting end-user demand. However, the overall average selling price (ASP) grew by 6.4% YoY to US\$413, thanks to the launch of higher-end models and more 5G phones replacing 4G phones. The industry has also taken notice of a growing preference for flagship models with longer lifespans and more storage space. In terms of regional sales, the Asia Pacific continues to be the largest market for smartphones, mainly due to its larger economies, faster replacement rate and availability of lower-priced models, with IDC estimating that its market share will reach 50.7% in 2026, with China accounting for 20.9% of the total sales. IDC estimates that 1.390 billion smartphones will be shipped in 2026, with a CAGR of approximately 0.5% from 2021 to 2026.

With the ever-greater penetration of LTE/5G networks and private networks increasing year by year, 5G networks cover one billion users in over 70 countries worldwide by the end of 2022. China, South Korea, Japan, North America and the

EMEA countries are some of the leading regional countries in 5G network deployment, with South Korea taking the top spot with the highest 5G penetration rate. Market analysts believe that in terms of long-term development trends, the adoption rate of 5G and the ability to deliver new applications to the industry will be key to how 5G is deployed and how profitable it will be in the future. IDC estimates that global dedicated LTE/5G network infrastructure revenue will grow from US\$1.796 billion to US\$8.274 billion from 2021 to 2026, with a CAGR of approximately 43.3%.

c. Consumer Electronics Industry

The Company's consumer electronics products are mainly tablet, game consoles and IoT related products. According to IDC's statistics, the total tablet shipment in 2022 was about 159 million units, a decrease of about 5.5% compared to 2021, mainly attributed to the strong demand driven by the COVID-19 pandemic in the previous two years, which provided a high sales base for the tablet market, followed by the general economic recession, which slowed down consumer and commercial demand. IDC estimates that overall shipments will grow at a CAGR of approximately -2.5% from 2021 to 2026.

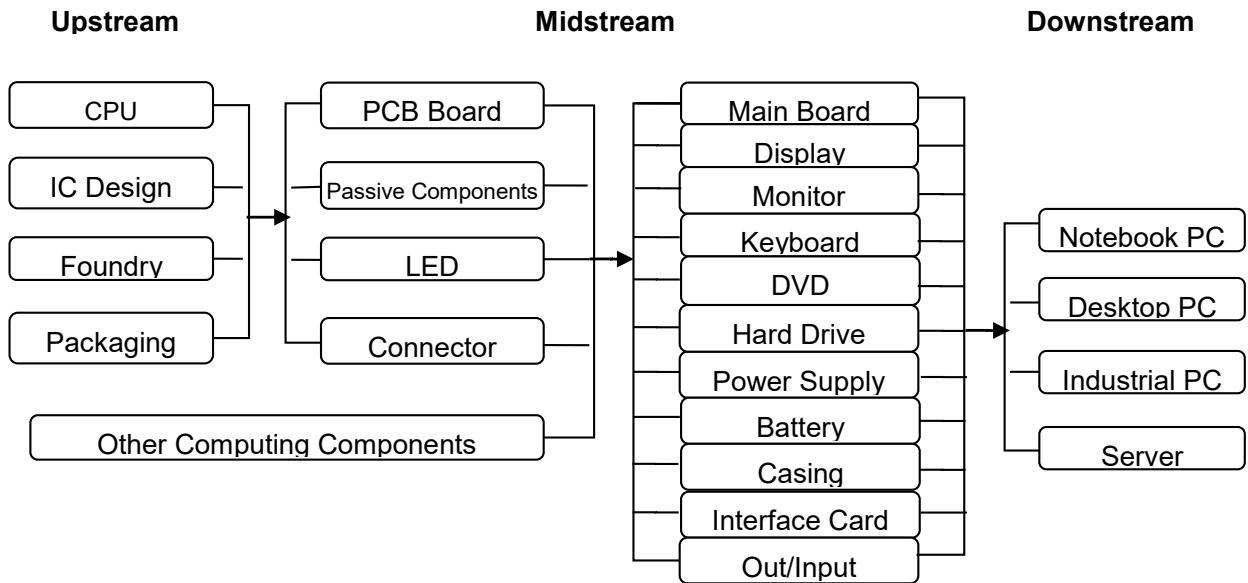
According to IDC data, the previous 18.1% growth rate in 2021 can be attributed not only to a spike in demand during the pandemic, but also coincided with the launch of new products by Sony and Microsoft in late 2020, which boosted sales. In 2022, the total number of game consoles shipped reached 40.53 million units, indicating a 5.2% YoY decline, mainly due to the shortage of components, logistical challenges, high inflation and economic recession. The negative factors are expected to continue into 2023. The market expects Nintendo to release the next-generation Switch in the fourth quarter of 2024, and its overall game console shipments will resume to positive growth. IDC estimates that overall shipments will grow at a CAGR of approximately -0.5% from 2021 to 2026.

According to IDC statistical data, global Internet of Things (IoT) spending reached US\$767 billion in 2022, an 11.1% increase from the previous year. The number of smart home devices shipped worldwide reached about 870 million units in 2022. In the medium to long term, the market is expected to grow at a 4.6% YoY in 2023, as end-users gradually focus on the convenience, cost and energy savings that smart home devices can bring. The overall market is expected to grow steadily as Internet penetration and disposable income in developing countries increase. IDC estimates that global smart home device shipments will grow at a CAGR of approximately 8.6%

from 2022 to 2027 and that overall global IoT spending will grow at a CAGR of approximately 10.7% from 2021 to 2026.

Furthermore, the global EV market is expected to grow steadily in the next few years, despite the impact of the pandemic, weak end-user demand, supply chain disruptions and chip shortages that have dampened overall sales. However, as countries continue to promote carbon emissions reduction policies and implement purchase subsidies, the global EV market is still expected to grow in the next few years. In the medium to long term, the market expects that the introduction rate of advanced driver assistance systems (ADAS) and self-driving convenience features by global automakers will be determined by cost, regulations and competitive industry development, and that North America will remain the leading region in production and testing at all stages of self-driving autonomous vehicles. IDC estimates that overall shipments will grow at a CAGR of approximately 14.8% from 2021 to 2026.

5.1.2.2 Correlation of the Upper-stream, Mid-stream and Down-stream of the Industry



After decades of development of the computing industry in Taiwan, the relationships among upstream, midstream and downstream sectors have become highly correlated. While it is evident that bigger suppliers are expanding over the years, it has been difficult for smaller suppliers to survive in the industry.

5.1.2.3 Trends of Product Development

With completed network infrastructure, consumers are paying more attention to the function of mobility and looking for products lighter in weight and slimmer in size with longer battery life & faster connectivity speed. As IoT industry and 5G technology are matured and advanced, supply chains also integrate development and product design of IoT, AI, and 5G into mobile device, networking, smart home, AIoT, automotive electronics, vehicle-to-everything (V2X) and metaverse, etc. It is expected to stimulate another wave of growth in computing, consumer and communication segments.

Laptops and tablets have seen a significant wave of growth over the past three years, driven by a spike in demand due to the pandemic. In the post-pandemic era, demand for consumer electronics is slowing down, but 5G network penetration and infrastructure coverage continues to accelerate.

The high speed and low latency characteristics of 5G networks and mmWave technology will further promote the diversification of applications, such as innovative wearable devices and further expanded to smart cities and smart manufacturing. The technology is expected to enhance user experience through the integration of network technology and consumer electronic products. In addition, the open and standardized interface of 5G O-RAN not only allows the standardization and interoperability of components manufactured by radio equipment suppliers, but also expands the application of mobile communications and provides more diverse product and service solutions. In addition, the rise of Generative AI, combined with cloud and high performance computing (HPC), is expected to drive another wave of server demand growth.

Driven by the global policy trends towards reducing carbon emissions and strengthening environmental protection, the global market for electric vehicles is growing. Among them, hybrid vehicles (HEV) are the mainstay of sales volume because drivers do not need to change driving patterns completely. However, with the global policy promotion of energy saving and carbon reduction, pure electric vehicles (BEV) have gradually become more prominent and are expected to surpass HEV in terms of market share in the future. 5G technology is also gradually applied to self-driving cars and V2X-related functions. It is expected that the stability of network connectivity will continue to improve the safety and interactivity of EVs, further stimulating end market demand.

5.1.2.4 Market Competition

The ongoing consolidation of computing, communications, and consumer electronics markets has formed ODM ecosystem with large scale players gaining most of the market share. However, in recent years, mainland China manufacturers have gradually

stepped into the downstream ODM industry from upstream components, breaking the dominance of Taiwanese companies. Therefore, how assembly ODMs can provide customers with complete turnkey solutions, create a competitive niche, and increase the added value of their products by developing software and hardware, industrial design and vertical integration capabilities will be the key factor to retaining or increasing orders from major international brands to sustain continued revenue growth. In addition, the COVID-19 pandemic continues to impact the global financial market and supply chain, which is exacerbated by inflation, logistics bottlenecks, energy crises and geopolitical conflicts have also brought uncertainty to the global industry and market. As long as OEM players can respond quickly, strengthen operations and supply chain management, and adjust their production capacity according to customer demand, while leveraging their expertise in assembly management to achieve proper allocation of resources and production costs control, this will be another key capability to maintain competitive advantage. The Company currently adopts an ODM / EMS model for three major product segments (computing, communication and consumer electronics). In addition to assisting our brand customers to enhance the efficiency of production, we need to reduce costs at the same time while our customer expanding global distribution channels. In addition to these capabilities, design and manufacturing and hardware and software integration services will become the key success factors for acquiring customers.

5.1.3 Research and Development

5.1.3.1 Research and Development Expense in Recent Year

Unit: NT\$ thousands; %

Items	2021	2022
R&D Expense (A)	15,628,406	16,013,923
Net Revenue (B)	1,261,383,861	1,317,599,154
(A)/(B) %	1.24	1.22

5.1.3.2 Research and Development Accomplishments in the Recent Year

Year	Achievement in Research and Development
2022	<ol style="list-style-type: none"> Keep developing the consumer, commercial and thin & light laptop in 2022, with Intel's Raptor Lake-P platform and 5G connection, Alder Lake-P with OLED panel and EVO certified platform and AI application features. Developed a high-speed tri-mode 4G wireless communication and vehicle Ethernet gateway, providing connected car services such as eCall (emergency assistance phone), remote diagnosis and control, fleet management, and real-time driving information. It also serves as a hub to connect electronic controllers from various domains in the car's internal network, ensuring secure and reliable communication

	<p>between electronic devices inside the car, making driving safer.</p> <ol style="list-style-type: none"> 3. Developed a new architecture outdoor IP camera, with dual wireless interfaces (sub-GHz & Wi-Fi), fulfilling technical features of both low power consumption and high transmission bandwidth. Equipped with tapping screw enclosures with O-ring design, allows easy disassembly and IP proofing. 4. Developed vehicle GPS and warning systems, based on LoRa 900MHz frequency network, applying to vehicle systems with warning devices to achieve vehicle positioning and warning. With LTE modules, it can reduce blind spots. When vehicles are stopped and turned off, the GPS and warning devices are in standby and can turn on when needed. For example, when an object is approaching, the system can connect to video cameras to record and notify the owner remotely if the car is damaged. 5. Developed WiFi-6E dual-band and tri-band (2.4G/5G/6G), 802.11ax high-speed wireless network sharing devices. These antennas are designed using dual-band and tri-band structures with high isolation capabilities to provide high-speed, secured, and reliable wireless network connections. 6. Developing the next generation of IP phones with PoE, NFC, Wi-Fi, BT functions, adopting new Broadcom OMEGA SoC, and equipped with circular or strip multi-color LEDs to show the status of the IP phone. 7. Developed 25G SFP28 optical transceiver using BIDI design and can be applied from DU to RRU to meet 5G markets. Successfully developed a QOSA Fiber optical modem compatible of both XGS PON and GPON. With our new developed products, users can flexibly match telecom provider's wiring solutions without changing transceivers. Also providing 1 port 10Gbps LAN, 2 port VOIP, tri-band Wi-Fi (2.4G/5GL/5GH), Zigbee, and Z-wave applications. 8. Developed a miniaturized Plug-and-Play 5G dual Power Delivery USB dongle which is for surveillance cameras 、Robotics 、automated guided vehicle 、long distance unattended station 、XR 、AR 、VR and MR device. 9. Developing a video bar conference system in Aspeed ATS1230 SOC, it contains auto framing and speaker tracking AI system that enables an user friendly smart video conferencing environment. 10. Developing an IP66 rated industrial camera in Aspeed ATS1230 + 1220 SOC with POE design and includes both mic and buzzer built-in. Its target application is set on production floor and allows user to have access to 360 degree surveillance needs remotely. 11. Developing ruggedized tablet of Intel 12th Alder Lake platform running Windows 10/11 Professional operating system with integrated barcode scanner and Wi-Fi 6E, as well as 5G connectivity. IP65 & C1D2 rating. 12. Developing semi-rugged commercial Android tablet with a built-in barcode scanner on Qualcomm QC4490 platform capable of Wi-Fi 6 and 5G Sub-6 wireless communication in IP65 rating. 13. Develop 2U server that support dual Intel 4th Gen processor with computing/storage balance performance, and support GPU accelerated computing.
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14. Develop 1U2N server that support AMD EPYC dual processor with high core count for high performance computing.
15. 5G mobile hotspot based on Qualcomm SDX65 platform, obeys 3GPP Rel-16 spec to achieve the maximum 10Gbps throughput by varying Sub6 SA/NSA, mmWave NSA combination. It has passed GCF and PTCRB conformance certification and has gotten approval for AT&T and Telstra as well.
16. Developing 14/15-inch commercial NB with Intel Alder Lake-P platform running Windows 10/11 Professional operating system with Wi-Fi 6E and both WWAN 5G/4G connectivity.
17. A car alarm tracker with LoRa, BT 5.0 technology and GPS. The device can be easily plug into ODB port in a car. When someone breaks into the car and steals it, this device can notify the user's mobile phone to warn the owner of the theft through LoRa technology.
18. New technology as 802.11ac and BT5.0 in MP3 product, through 802.11ac, you can achieve faster audio-visual streaming services and Internet browsing experience, and use BT5.0 to experience higher-quality music listening experience.
19. Use three LTE modules (Quectel) and dual WIFI 6E modules (Murata) to integrate and develop a vehicle-mounted host with communication functions.
20. Developed and tuned the audio system on the latest Qualcomm VR platform SXR2130, which introduced Fluence noise reduction technology. The system uses WSA8815 smart amplifier, a tiny speaker with low-frequency response, and effectively Integrated design to improve sound performance. The product has won the German Red Dot Design Award, iF Design Award.
21. The world's first integrated design of GPS and 4G antenna for electric bicycle wireless smart network moving detection and anti-theft module. The isolation can meet the specifications in a very small antenna space and apply new antenna design patents on Taiwan and US.
22. Development of the ORU antenna for 5G system, optimal feed structure of internal antenna, using slit excitation and maximize the L-shaped radiation surface to achieve the optimal current distribution. The measurement results show that the two antennas gain better than -2dBi in application range of 15~165 degrees, this RU can complete field use verification.
23. Development of wearable device antennas with miniaturized metal case, adopts a 3D grounding structure and apply US patent. Find the best signal grounding point for dual antennas and use aperture tuner and impedance tuner to switch different operating frequency to achieve full-band coverage.
24. Research and development power battery (14S3P, 743Wh capacity) which can be used on AMR (Autonomous Mobile Robot) or E-bike product. It contains BMS hardware design and BMS related firmware algorithm.
25. Develop AI non-visual recognition network, use deep learning to train millimeter-wave radar signals, detect the position of the driver's head, and can be applied to driver motoring system (DMS).
26. Develop indoor Visual Simultaneous Localization and Mapping

	<p>(VSLAM) technology, optimize the stability and versatility of the algorithm, and achieve tasks such as multi-turn round-trip navigation, narrow door navigation, and large-scale map navigation.</p> <p>27. Develop pure vision autopilot SLAM and AI software on the open source autopilot platform, construct AVP (Autonomous Valet Parking) scenarios, optimize the navigation algorithm for one-way lane cruising, avoid stationary/moving obstacles, and park to the target parking space to improve Automatic parking efficiency.</p> <p>28. Developing big data and deep learning computing platforms to provide real-time data collection, data processing, data management, deep learning model training, online deployment, model performance tracking related toolset and services; to speed up development of artificial intelligence related applications.</p> <p>29. Developing Qualcomm SD660 platform based Android 13 ruggedized LTE tablet.</p> <p>30. Developed an AC/DC electric vehicle supply equipment (EVSE) that has built-in Wi-Fi, NFC, BT and WWAN technologies, using NXP i.MX1050 as the platform with FreeRTOS operating system. Developed charging agreements including CCS1/2, CHAdeMO, and GB to charge various electric vehicles. The entire series of Pegatron's electric vehicle supply equipment supported the Open Charge Point Protocol (OCPP), and implemented functions such as backstage system management, remote real-time monitoring of charging stations, and Open Smart Charge Protocol (OSCP) system integration, etc., which assisted Charge Point Operator (CPO) to establish a faster charging operation ecological chain.</p> <p>31. Designed and manufactured rugged and high-performance mobile computers along with accessories for industry, vehicle and construction, and even military operation using QCS mobile communication solutions. It can be used in extreme environments, no matter indoors, outdoors, sub-zero temperatures, in trucks or high temperatures such as direct exposure to sunlight.</p> <p>32. Used Realtek RTD series scaler display SoC, integrated with Pegatron's patented technologies including color management algorithm, automatic backlight stability algorithm, HDR optimization algorithm, etc., to provide stylus display with the highest specifications and quality for computer graphics professionals.</p> <p>33. Developed an advanced driver assistance system (ADAS) that integrates a vehicle surrounding view system, providing functions including lane keeping assist (LKA), adaptive cruise control (ACC), autonomous emergency braking (AEB), and active park assist (APA).</p> <p>34. Developed an automotive telematics with redundancy system, integrated with communication and data collection technologies including WPAN, WLAN, WWAN, in-vehicle communication, etc. It is used extensively in advanced driving assistant services like traffic accident calls, emergency calls, burglarproof tracking, positioning and navigation, and vehicle diagnosis.</p> <p>35. Development of millimeter wave radar module applied to E-bike. Bike rearview radar device includes a taillight and mmWave radar is designed to increase the visibility in the dark and detect approaching vehicles.</p> <p>36. Developing a metallic back cover, narrow bezel and high efficiency</p>
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heat dissipating tablet equipped with WiFi-7 (high speed transmission), UWB (low power consumption and precise positioning) and NFC (safety and confidentiality).

37. Developing new technics and new applications on fabric materials with build-in electrical elements for versatile light effects.
38. Developing the mirror reflection techniques on automatic optical inspection devices to measure the Z-direction dimensions such as hook height in mechanical enclosures.
39. 1U high heat dissipation liquid cooling server system for 450W*2: Developing a high-efficiency liquid cooling plate to solve the heat dissipation needs of high-power 1U servers due to insufficient space, meet the diversity of the company's server product line and support technical service for customers.
40. 48U Server Rack Level Liquid Cooling High Heat Dissipation System Fan door for 450W*2N*48U: Developing a closed-loop liquid cooling system for server rack, design a rack fan door as a high-efficiency heat exchanger for independent cooling structure, and cooperate with the developed high-efficiency liquid cooling plate to meet the structural requirements of edge computing, and meet the customer support of different server application categories. (Internet, Telecom Etc.)
41. Innovative two phase liquid cooling cold plate (1KW): Using eco-friendly two-phase liquid-cooling materials in the structure of heat dissipation for high-power heat sources. With the research and development achievements, it has surpassed the current industry servers. Meanwhile , it has not only completed the preparations for next-generation higher-performance computing product requirements but also meet the global environmental regulations.
42. First innovative Single-phase liquid cooling plate for automotive(500W): Develop the new manufacturing process and high-efficiency heat transferring water-cooling plate device for vehicles, With the advantages of cost reduction through new manufacturing process and excellent internal heat exchanging structure technology, it can give the company a more competitive advantage in automotive products and can apply to industrial computer related products.

5.1.4 Long Term and Short Term Business Development Plans

5.1.4.1 Short Term Business Development Plan

- a. To increase market competitiveness, maintain operation sustainability and pursue higher annual revenue growth by lean operation management and effective manufacturing process.
- b. To improve the efficiency of logistic management by reducing logistic cost and shortening product delivery time.
- c. Based on the product mix to approach different markets with different strategies. For mainstream products, the aim is to increase value-added services and versatility of the products with industrial design and new technologies, so as to become the market leader by developing leading products with innovative technology and expertise in the market. As for low cost products, the Company endeavors to provide products with lower manufacturing cost to fulfill consumers' needs.
- d. To strengthen the relationship with existing customers, promote benefits of vertical integration within group and provide total solutions to customers.

5.1.4.2 Long Term Business Development Plan

The Company intends to enhance product mix and strengthen the factors that drive revenue growth. The development plan includes the following strategies:

- a. Customer Service Strategy
 - To strengthen the customer relationship and provide services in product planning, research and development, and manufacturing.
 - To complete the deployment of global sales network and provide comprehensive after sales services to customers.
- b. Manufacturing Strategy
 - To continuously promote the LSS project and improve the quality and efficiency at all level
 - To enhance vertical as well as horizontal integration and streamline group resources in related components, products, and services.
 - To expand manufacturing footprint globally and fulfill customers' requirements by offering various multiple manufacturing locations.
 - To continuously invest in automation equipment to reduce the reliance on labor and improve product quality
- c. Product Development Strategy
 - To focus on talent development especially in R&D and industrial design sectors and to enhance the Company's R&D capabilities.
 - To proactively develop material and technologies that are environmentally friendly and that comply with green product and other relevant environmental protection regulations

5.2 Market and Sales Overview

5.2.1 Market Analysis

5.2.1.1 Sales (Service) Regions

Unit: NT\$ thousands; %

		2021		2022	
		Amount	%	Amount	%
Domestic		113,058,791	8.97	107,338,655	8.15
Export	Asia	69,423,153	5.50	68,529,015	5.20
	Europe	569,649,443	45.16	582,090,708	44.18
	America	460,397,495	36.50	486,737,798	36.94
	Others	48,854,979	3.87	72,902,978	5.53
	Subtotal	1,148,325,070	91.03	1,210,260,499	91.85
Total		1,261,383,861	100.00	1,317,599,154	100.00

5.2.1.2 Market Share

According to market research, notebook PC ODM/EMS companies in Taiwan accounted for 144 million units of notebook PCs in 2022, around 77% of total global shipment volume. This included 55.98 million units from Quanta, 37.00 million units from Compal, 17.00 million units from Wistron, 12.85 million units from Inventec and 8 million units from Pegatron. Notebook PCs manufactured by Pegatron accounted for 5.56% of worldwide volume.

5.2.1.3 Market Demand, Supply and Growth

In order to expand market shares, customers depend more on suppliers to shorten time to market for computing, consumer electronics and communication products, and meanwhile suppliers are also developing and offering more service categories. Currently, more international brand customers outsource products to ODM/EMS companies, whom, apart from manufacturing, can also provide extensive services for logistics and after sale services. With capabilities in cost control, advantages in manufacturing skills, production flexibility, and experience in logistics, innovative research, marketing and management, ODM/EMS companies in Taiwan have the competitive edge in the industry. In addition, with highly vertical integrated capabilities, efficient product design and production flexibilities, ODM/EMS companies in Taiwan can provide services to customers that differ from other EMS and OEM companies located elsewhere.

In the post-pandemic era, the demand for computing products has slowed down and the shipment has become more challenging due to the weakening global economy. However, Pegatron will continue to strive for high value-added products and adjust

production capacity to stabilize shipment performance. In terms of consumer electronics, we expect the momentum of our game console customers to be maintained and with the release of new devices by our smart home device customers, our overall revenue should enter a stable growth trajectory. Among communication segment, broadband products are expected to benefit from the application of new technologies and the replacement of some models. Smartphones have the potential to accelerate growth in terms of unit sales performance as the adoption of 5G technology continues to increase and specifications continue to evolve. However, in view of the overall industry, with the ongoing war between Russia and Ukraine, persistent inflation, and the general economic instability, it is still necessary to continue to closely observe the changes in purchasing power in the end market.

5.2.1.4 Competitive Advantages

a. Experienced R&D Team

In addition to R&D Center within the Company, there are also designated research and development engineers in each product category. As of the date of this annual report, total research and development engineers reached 7,845. The leading research and development engineers in each product development have more than 15 years of experience in the relevant fields.

b. Comprehensive Manufacturing Locations

Suzhou, Shanghai, Kunshan and Chongqing in China, Juarez in Mexico, Ostrava in the Czech Republic, Indonesia, Vietnam, India and Taoyuan and Xindian in Taiwan to fulfill the needs of global customers at different regions.

c. Diversified Product Portfolio and Customer Based

The Company emphasizes on design capabilities, manufacturing excellence and service quality, and our major customers are well known global brand companies in the computing, communication and consumer electronics markets. In addition to our diversified product portfolio, the Company also has in-depth knowledge of the products to provide services to various types of customers.

d. Global Logistics Capabilities

The Company has manufacturing sites and service & repair stations across Europe, North America, Australia and Asia. One of the most important advantages of Pegatron is the effective management of global logistics based on the long-term experience providing prompt services across different time zones to meet customers' needs.

e. Professional Management Team

The management team consists of highly regarded senior professionals in the industry with more than 20 years of experience in the founding and managing of

Asustek. One of the essential factors to the Company's sound development is the unspoken consensus and successful collaboration among the members of the management team after the long-term and stable working relationship.

f. Innovation Capabilities

With outstanding design capabilities and effective manufacturing capacity, the Company is able to design products based on customers' requirements and shorten products' time to market. The Company has in-depth study of special material and is able to offer various selections of material with a cost effective options. The industrial design team, after years of experience, has won numerous international awards. It is evident that the capability of producing innovative designs is one of the core competitive advantages of the Company.

g. Comprehensive Vertical Integration

We are dedicated in the development of vertical integration. With our capabilities and know-how in working with a wide range of materials, from traditional metal stamping and plastic injection to newer light metal technologies, we are able to fulfill our customers' diverse needs and product design requirements and enhance our ability to offer competitive one-stop-shopping solutions. Our focus on vertical integration will continue to translate into larger cost advantages and shorter time-to-market to help us win new manufacturing mandates from major OEM/brand customers.

5.2.1.5 Advantages, Disadvantages and its Responsive Strategies

Advantages

a. Strong marketing attraction for fully the developed electronics industry in Taiwan

The computing industry in Taiwan experienced numerous transformations and has fully developed over time. With the evenly developed industry and excellent collaboration among each supply chain, the computing industry in Taiwan is a strong marketing attraction and has become the global procurement center for computer, consumer electronic and communication products.

b. Matured electronics components industry and stable supply of key components in Taiwan

In the recent years, key components, such as chipset and PCB and other electronic products have become more competitive at the global level. Comprehensive development of the component industry is one of the key factors for the prosperity of the electronics industry in Taiwan.

c. Integration of software and hardware systems help create growth momentum in the electronics industry

In addition to the excellent capability in hardware design, the Company strives to provide integrated solutions to customers by continuously investing in research and development of key technologies in hardware and software design as well as its applicable operating systems. With the capabilities in software and hardware integration, the Company is able to tap into this trend and turn the opportunities into a growth momentum.

d. Excellent capabilities in research & development and innovative industrial design

The Company has an excellent research and development team, whom is fully dedicated to product development and innovative industrial design. As a result, the Company is able to launch new models before its peer companies. In addition to the corporate perspective technology office, there are also designated R&D units within each business unit, which helps shorten production cycle and keep the Company a step ahead of its peer companies in this competitive environment.

e. Comprehensive after sales service network

The Company provides consistent after sales services and quality assurance to global customers via service & repair stations across Europe, America, Australia and Asia.

Disadvantages

a. Declined gross margin due to severe pricing competition

The competition in the computing industry is intense due to the low entry barrier that attracts a large number of competitors. Furthermore, with the products becoming more matured over time, product supply has been higher than its demand. Product differentiation has also gradually diminished, which may also lead to a decline of gross margin.

b. Profit margin impact by fluctuation of foreign exchange rates

Most of the Company's products are exported and is highly exposed to the fluctuation of foreign exchange rates which may have direct impact to the Company's profit margin.

c. Increase of manufacturing costs by potential labor shortage and higher acquisition cost of land

The Company has increased the usage of automation for majority of products in an effort to reduce the reliance on labors. However, certain manufacturing processes are still conducted manually. As the issues of labor shortage gradually surfaced over recent years, labor compensation has increased dramatically, which increases the manufacturing cost and affects the Company's competitiveness in the global market.

Responsive Strategies

- a. Enhance research and development capability and manufacture high value-added products.
- b. Enforce cost control and inventory management, and maximize production efficiency by increasing automation.
- c. Maximize the hedging effect by balancing the position in foreign and local currencies.
- d. Invest in automation equipment to reduce the reliance on labor and improve product quality.
- e. Allocate labors across manufacturing sites appropriately and minimize the impact of labor shortage.
- f. Adjust global manufacturing footprint, reduce impact from trade dispute and improve overall production efficiency.

5.2.2 Application of Major Products

a. Computing Products

Notebook PCs, desktop PCs and other information electronic products that are mainly used for word processing, information management, typesetting, industrial design, presentation, statistical analysis, multimedia application, etc.

b. Communication Products

Communication products can be used for individual communication, internet communication, wire and wireless internet access.

c. Consumer Electronics Products

Products that can be used for entertainment and smart home connectivity, such as tablets, game consoles, smart home security systems, etc.

d. Vehicle Products

Products that can be used for traditional vehicle & electric vehicle, such as infotainment, Telematics Control Unit, Car Computer, ECU & wall charger, etc.

5.2.3 Supply of Major Material

Major Raw Materials	Source of Supply	Supply Situation
Chipset	X Company 、 R Company	Stable
Display	X Company 、 J Company	Stable
System Module	X Company 、 Q Company	Stable
Mechanical Parts	X Company 、 T Company	Stable
CPU	J Company 、 Z Company	Stable

Note: Partial major materials are purchased by major customers and resell to the Company for manufacturing and system assembly. Therefore, partial source of supply is from major customers.

5.2.4 Major Customers with over 10% Net Sales and Suppliers with over 10% Net Purchases of the Last Two Fiscal Years

5.2.4.1 Major Suppliers of the Last Two Fiscal Years

Unit: NT\$ thousands

Item	2021				2022			
	Company Name	Amount	%	Relation with Issuer	Company Name	Amount	%	Relation with Issuer
1	X Company (Note1)	511,825,195	45.47	None	X Company (Note1)	573,675,184	47.45	None
2	J Company (Note 1)	131,757,964	11.70	None	J Company (Note 1)	147,255,890	12.18	None
3	Z Company (Note 1)	76,872,548	6.83	Shareholder	Z Company (Note 1)	69,573,811	5.75	Shareholder
	Others	405,207,941	36.00	-	Others	418,424,677	34.62	-
	Net Total Purchases	1,125,663,648	100.00	-	Net Total Purchases	1,208,929,562	100.00	-

Note 1: In 2021 and 2022, the Company purchased (raw) material via major customers.

Note 2: Increase and decrease of the amount was due to business demand.

5.2.4.2 Major Customers of the Last Two Fiscal Years

Unit: NT\$ thousands

Item	2021				2022			
	Company Name	Amount	%	Relation with Issuer	Company Name	Amount	%	Relation with Issuer
1	A Company	693,898,568	55.01	None	A Company	704,253,324	53.45	None
2	B Company	211,258,433	16.75	None	B Company	222,995,207	16.92	None
	Others	356,226,860	28.24	-	Others	390,350,623	29.63	-
	Net Total Sales	1,261,383,861	100.00	-	Net Total Sales	1,317,599,154	100.00	-

Note: Increase and decrease of the amount was due to business demand.

5.2.5 Production/Sales Quantities and Value over the Past Two Years

Unit: thousands; NT\$ thousands

Output Year	2021			2022		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
Major Products (or by departments)						
3C Products	14,337	10,348	15,982,145	6,448	4,645	13,124,407
Others	-	-	25,302,634	-	-	28,238,928
Total	14,337	10,348	41,284,779	6,448	4,645	41,363,335

Note: Based on Pegatron Corporation only. For information of other listed subsidiaries, please refer to their annual reports.

5.2.6 Sales Quantities and Value of the Last Two Years

Unit: thousands; NT\$ thousands

Shipments & Sales Year	2021				2022			
	Domestic		Export		Domestic		Export	
Major Products	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
3C Products	10,009	96,860,096	150,477	1,011,649,962	7,141	90,246,594	142,321	1,051,751,402
Others	-	1,095,467	-	58,527,577	-	1,353,999	-	89,034,073
Total	10,009	97,955,563	150,477	1,070,177,539	7,141	91,600,593	142,321	1,140,785,475

Note: Based on Pegatron Corporation only. For information of other listed subsidiaries, please refer to their annual reports.

5.3 Status of Employees

Status of employees over the past two years and up to the date of the report

Year		2021	2022	As of 03/10/2023
Number of Employees	Others	4,846	5,064	4,985
	R&D	3,812	3,743	3,725
	Total	8,658	8,807	8,710
Average Age		37.3	37.9	38.1
Average Years of Service		7.2	7.5	7.7
Education	Ph.D.	0.24%	0.28%	0.30%
	Masters	33.03%	31.27%	31.38%
	Bachelor's Degree	55.34%	55.56%	55.54%
	Senior High School	10.38%	11.66%	11.53%
	Below Senior High School	1.01%	1.23%	1.25%

Note: Based on Pegatron Corporation only. For information of other listed subsidiaries, please refer to their annual report.

5.4 Expenditure on Environmental Protection

Total amount of loss (including penalty and violation of environmental laws and regulations) paid for environmental pollution and stated any responsive actions and potential expenditure

The most recent year ended on the publication date of the annual report, the Company does not incur any loss or receive any significant penalty for environmental pollution. (Significant penalty means the penalty amount of that case is over NT 1,000,000.) Environmental aspects are identified and managed under an environmental management system. The management system is certified according to the international standard ISO14001 (Environmental Management System). There are designated personnel within the company who are in charge of environmental protection which is in compliance with the legal requirements. Waste handling and disposal, wastewater management, environmental measurement and chemicals management have been conducted and controlled according to management procedures. Besides, we entrust the 3rd parties to measure the concentration of the emissions and discharges to eliminate environmental pollution and ensure the compliance with relevant legal regulations. In order to meet the international regulations and customer requirements, the company implements IECQ QC 080000 (Hazardous Substances Process Management System) to ensure the compliance of its products. Suppliers are requested to sign statements, provide material testing reports and guarantee that their products do not contain any environmental hazardous substance. Our major expenditure on environmental protection includes the costs of pollution control, waste disposal, environmental monitoring, inspections of hazardous chemicals on products, environmental management system certification, hiring of dedicated professionals, environmental trainings and the relevant activities, etc.

5.5 Employee Relations

5.5.1 Employee's Welfare and Benefit

a. Employee welfare and benefit

Employee welfare and benefit are provided by both the Company and Pegatron Employee Welfare Committee. Corporate benefit program offered to employees include group insurance, travel insurance on business trips, meal subsidies, year-end bonus, performance bonus, etc., while benefit from Pegatron Employee Welfare Committee includes social clubs, family outlining, company group outlining, bonuses for three major festivals and different subsidies such as marriage, funeral, scholarship, etc. The details of welfare and benefit will be announced through announcement, company website, and email.

b. Training program

We place great emphasis on career planning and talent development for employees by

encouraging employees to attend internal and external training programs. Internal training programs include courses for core competency and professional competency development to enhance employees' capabilities, while external training programs include seminars or conferences organized by external parties that provide excellent training opportunities for employees. We have around 140,000 training hours in 2022. The average training hour is above 22 hours per employee.

Resources of Learning	Description
New employee orientation	<ul style="list-style-type: none"> Corporate introduction, corporate culture, and online orientation programs, HSF, and Occupational Safety & Health Programs are included to help new employees know about Pegatron and adapt to the new work environment In order to help new employee be familiar with the environment and the internal procedures quickly, each new employee may have one mentor
Core competency training	We plan training programs of each level's employees which are based on competencies.
Management training	We plan management training programs such as new manager orientation which is based on roles and responsibilities of supervisors.
Professional competency training	Each unit plans professional competency training programs which are based on needs of professional knowledge and skills.
Train the trainer training	In order to pass down the internal knowledge, train the trainer training is held regularly. And both of e-learning and classroom training's instructor are included.
Pega e-library	Offers employees over one thousand books to borrow and read.

c. Retirement system

Pegatron's retirement policy is in accordance with the provisions in the Labor Standards Law and Labor Pension Act of the Republic of China.

d. Employee rights

The Company always emphasizes employee benefits as well as harmonious labor relations, and we highly value employees' opinions and feedbacks, which can be submitted via employee mailbox, conferences and emails. Employees can fully express their opinions, raising any labor issues to promote and maintain a positive labor relationship.

e. Employees code of conduct

Pursuing sustainable corporate development and embracing integrity is our highest guiding principle, and the Company has established Business Ethic Guidelines. Based on the Business Ethic Guideline, employees are required to strictly follow the moral standards and advocate honesty, integrity and confidentiality to protect the rights of the Company and shareholders and enhance the Company's competitiveness.

5.5.2 Any current or potential loss resulting from labor disputes and prevention actions for the past year and as of the date of this annual report.

There have not been any material losses resulting from major labor disputes for the past year and as of the date of this annual report.

5.6 Management of Information Security

a. Corporate Information Security Governance Organization

To fulfill the demands for our customers and achieve corporate sustainability, Pegatron Corporation established information security organization to unify the making and execution of policies along with risk assessment, internal audit and regulatory compliance. The planning and execution of information security operations with the implementation of information security policies include the following:

- Review issues relate to information security
- Interdepartmental coordination and integrations.
- Ensure that goals and policies of information security meet the strategy of organization.
- Maintenance and management of information security.
- Emergency incidents response.
- Audit of information security.

b. Information Security Policy

Pegatron Corporation has issued information security policies to regulate and clarify the process of operations.

The policy includes below domain:

Information security organization and responsibilities, Personnel safety and management, Information assets management, Physical and environmental security management, Communication and Operations Management, Network security management, System access control, System development and maintenance, Business continue management, Internal audit.

c. Corporation information security managements and improvements.

To effectively implement information security managements, we have passed the ISO/IEC 27001:2013 certification in May 2019. Based on the PDCA cycle, we regularly review operations, assess the risk, conduct Business Continuity Planning drill and internal audit, etc.

d. Specific management solutions.

High-Availability: We have built additional server room; its infrastructures are also based on the concept of High-Availability to prevent single point of failure. Aside from physical facilities, the structure of its core networks and external connections are also based on the

same concept of High-Availability.

Network Security:

- Implement NGFW, IPS and mail security portal to prevent cyber attack and malicious mail.
- Implement network segmentation and enhance access control to optimize network flow and prevent Lateral Movements.

Endpoint Security

- Using inventory management system to effectively seize the status of assets.
- Install anti-virus software to engage real-time protection, regular scanning and updating virus pattern.
- Restrict software installation and the usage of portable storage devices.

Data Security:

- Introduce DRM mechanism for protection and access control to protect confidential documents.
- Introduce encryption mechanism for data in-transit.

Security Awareness:

- Employees received information security training.
- Conduct Phishing mail drill regularly.

e. Major information security incidents:

There have been no major information security incidents in recent years and till this document was printed.

5.7 Important Contracts

As of 03/10/2023

Agreement	Counterparty	Period	Major Contents	Restrictions
Appointment Agreement	ABeam Consulting Ltd	03/28/2008 ~ to date	SAP system development and migration	Should ABeam not complete the work specified in the contract, the Company is entitled to cancel the contract and request for punitive damage as well as other compensation, provided ABeam is solely responsible for not completing the work as scheduled.
Software Purchase Agreement	NEC Taiwan Ltd	03/07/2012 ~ to date	Purchase of SAP software	None
License Agreement	SAP Taiwan Co., Ltd.	03/07/2012 ~ to date	License of SAP software	None
Lease Agreement	TUNG WEI CONSTRUCTION CO., LTD	10/16/2020 ~ 12/31/2025	Lease the building from TUNG WEI as the factory.	None
Lease Agreement	Koo Foundation Sun Yat-Sen Cancer Center	01/01/2020~ 12/31/2027	Lease the building from Koo Foundation as the office	None
Lease Agreement	TRIOCEAN INDUSTRIAL CORPORATION CO., LTD.	09/16/2021~ 10/15/2026	Lease the building from TRIOCEAN INDUSTRIAL as the factory	None
Lease Agreement	GENERAL ZIPPER MACHINERY CO., LTD.	09/01/2022~ 12/31/2027	Lease the building from GENERAL ZIPPER MACHINERY as the factory	None
Lease Agreement	CMP Development Limited	01/16/2022~ 05/31/2027	Lease the building from CMP Development as the office	None
Software Purchase Agreement	Acer e-Enabling Service Business Inc.	12/01/2022 ~ 12/30/2025	Purchase of Microsoft operating system and the related software	None
License Agreement	Microsoft Ireland Operations Limited.	12/01/2022 ~ 11/30/2025	License of Microsoft Office system and the related software	None
Investment Agreement	China Renewable Energy Fund GP Pte. Ltd., Deutsche Asset Management (Hong Kong) Limited, and ARA Initial Limited	6/29/2018	Participate in China Renewable Energy Fund investment	None
Investment Agreement	Gaintech Co. Limited	3/16/2022	Purchase shares of Airoha Technology Corp from Gaintech Co. Limited	None
Lease Agreement	Suzhou DTW Warehouse Co., Ltd.	01/01/2022~ 12/31/2022	Lease the hub for product storage	None
Settlement Agreement	AIG SPECIALTY INSURANCE COMPANY et al.	03/21/2022	Reach a settlement with AIG SPECIALTY INSURANCE COMPANY et al.	None

Note: Based on Pegatron Corporation only. For information of other listed subsidiaries, please refer to their annual report.

6. Financial Information

6.1 Five-Year Financial Summary

6.1.1 Condensed Consolidated Balance Sheet

Unit: NT\$ thousands

Year		Five-Year Financial Summary (Note)				
		2018	2019	2020	2021	2022
Current assets		482,805,097	475,833,911	582,130,864	564,850,826	502,487,782
Funds & Investments		246,423	256,093	351,450	25,615,113	31,435,250
Property, plant and equipment		87,605,762	80,248,760	83,385,274	69,736,530	79,689,609
Intangible assets		1,475,872	1,297,891	386,975	208,186	225,014
Other assets		12,217,461	12,883,138	18,092,046	16,359,708	22,385,132
Total assets		584,350,615	570,519,793	684,346,609	676,770,363	636,222,787
Current liabilities	Before Distribution	370,401,314	345,586,659	444,312,180	428,588,053	365,435,996
	After Distribution	379,542,893	357,335,222	456,295,111	441,931,356	Undistributed
Non-current liabilities		27,502,518	31,687,621	41,093,907	53,915,433	56,218,528
Total liabilities	Before Distribution	397,903,832	377,274,280	485,406,087	482,503,486	421,654,524
	After Distribution	407,045,411	389,022,843	497,389,018	495,846,789	Undistributed
Equity		150,028,838	157,665,062	162,594,581	166,604,545	182,488,565
Share capital		26,123,773	26,110,919	26,628,737	26,691,316	26,676,337
Capital surplus		80,676,330	81,052,101	83,008,347	83,321,308	83,352,004
Retained earnings	Before Distribution	51,627,273	61,799,379	69,970,357	78,226,029	80,059,864
	After Distribution	42,485,694	50,050,816	57,987,426	64,882,726	Undistributed
Other equity interest		(8,393,564)	(11,294,337)	(17,012,860)	(21,631,550)	(7,592,537)
Treasury stock		(4,974)	(3,000)	-	(2,558)	(7,103)
Non-controlling interests		36,417,945	35,580,451	36,345,941	27,662,332	32,079,698
Total Equity	Before Distribution	186,446,783	193,245,513	198,940,522	194,266,877	214,568,263
	After Distribution	177,305,204	181,496,950	186,957,591	180,923,574	Undistributed

Note: Above financial information has been audited by CPA.

6.1.2 Condensed Consolidated Statement of Comprehensive Income

Unit: NT\$ thousands

Item \ Year	Five-Year Financial Summary (Note)				
	2018	2019	2020	2021	2022
Operating revenues	1,340,002,031	1,366,287,326	1,399,332,906	1,261,383,861	1,317,599,154
Gross profit	40,768,545	45,105,358	49,604,249	46,801,457	57,283,420
Results from operating activities	11,930,623	16,906,266	19,062,736	17,305,669	25,384,772
Non-operating income and expenses	3,125,644	8,561,639	10,380,547	11,297,387	2,813,757
Profit before tax	15,056,267	25,467,905	29,443,283	28,603,056	28,198,529
Profit (loss) from continuing operations	11,116,099	18,284,108	22,419,552	25,504,308	21,406,075
Profit (loss) from discontinued operations	-	-	-	(477,214)	(243,116)
Profit (loss)	11,116,099	18,284,108	22,419,552	25,027,094	21,162,959
Other comprehensive income (after tax)	1,776,451	(4,023,062)	(4,814,250)	(3,267,163)	13,783,676
Comprehensive income	12,892,550	14,261,046	17,605,302	21,759,931	34,946,635
Profit (loss), attributable to owners of parent	11,114,866	19,317,741	20,207,598	20,545,643	15,096,180
Profit (loss), attributable to non-controlling interests	1,233	(1,033,633)	2,211,954	4,481,451	6,066,779
Comprehensive income, attributable to owners of parent	13,096,757	15,889,966	15,462,872	17,354,177	28,516,320
Comprehensive income, attributable to non-controlling interests	(204,207)	(1,628,920)	2,142,430	4,405,754	6,430,315
Basic earnings per share	4.25	7.40	7.73	7.71	5.66

Note: Above financial information has been audited by CPA.

6.1.3 Condensed Individual Balance Sheet

Unit: NT\$ thousands

Year Item		Five-Year Financial Summary (Note)				
		2018	2019	20120	2021	2022
Current assets		560,145,033	576,874,914	509,195,078	565,204,693	568,371,268
Funds & Investments		129,941,116	138,654,566	147,643,776	179,558,218	201,342,799
Property, plant and equipment		7,384,642	8,123,507	10,182,540	10,529,131	9,816,894
Intangible assets		293,045	143,655	92,409	118,522	115,105
Other assets		1,546,820	1,910,403	4,859,180	1,326,277	1,367,762
Total assets		699,310,656	725,707,045	671,972,983	756,736,841	781,013,828
Current liabilities	Before Distribution	534,208,466	547,410,312	481,384,680	551,975,918	563,943,584
	After Distribution	543,350,045	559,158,875	493,367,611	565,319,221	Undistributed
Non-current liabilities		15,073,352	20,631,671	27,993,722	38,156,378	34,581,679
Total liabilities	Before Distribution	549,281,818	568,041,983	509,378,402	590,132,296	598,525,263
	After Distribution	558,423,397	579,790,546	521,361,333	603,475,599	Undistributed
Equity		NA	NA	NA	NA	NA
Share capital		26,123,773	26,110,919	26,628,737	26,691,316	26,676,337
Capital surplus		80,676,330	81,052,101	83,008,347	83,321,308	83,352,004
Retained earnings	Before Distribution	51,627,273	61,799,379	69,970,357	78,226,029	80,059,864
	After Distribution	42,485,694	50,050,816	57,987,426	64,882,726	Undistributed
Other equity interest		(8,393,564)	(11,294,337)	(17,012,860)	(21,631,550)	(7,592,537)
Treasury stock		(4,974)	(3,000)	-	(2,558)	(7,103)
Non-controlling interests		NA	NA	NA	NA	NA
Total Equity	Before Distribution	150,028,838	157,665,062	162,594,581	166,604,545	182,488,565
	After Distribution	140,887,259	145,916,499	150,611,650	153,261,242	Undistributed

Note: Above financial information has been audited by CPA.

6.1.4 Condensed Individual Statement of Comprehensive Income

Unit: NT\$ thousands

Year Item	Five-Year Financial Summary (Note1)				
	2018	2019	2020	2021	2022
Operating revenues	1,234,333,298	1,264,832,885	1,246,781,505	1,168,133,102	1,232,386,068
Gross profit (Note 2)	17,785,437	24,130,535	18,045,943	15,262,138	28,949,608
Results from operating activities	5,163,823	11,715,347	4,537,702	2,373,347	15,235,324
Non-operating income and expenses	6,579,206	9,788,099	16,890,111	18,690,347	2,676,356
Profit before tax	11,743,029	21,503,446	21,427,813	21,063,694	17,911,680
Profit (loss) from continuing operations	11,114,866	19,317,741	20,207,598	20,545,643	15,096,180
Profit (loss) from discontinued operations	-	-	-	-	-
Profit (loss)	11,114,866	19,317,741	20,207,598	20,545,643	15,096,180
Other comprehensive income (after tax)	1,981,891	(3,427,775)	(4,744,726)	(3,191,466)	13,420,140
Comprehensive income	13,096,757	15,889,966	15,462,872	17,354,177	28,516,320
Profit (loss), attributable to owners of parent	NA	NA	NA	NA	NA
Profit (loss), attributable to non-controlling interests	NA	NA	NA	NA	NA
Comprehensive income, attributable to owners of parent	NA	NA	NA	NA	NA
Comprehensive income, attributable to non-controlling interests	NA	NA	NA	NA	NA
Basic earnings per share	4.25	7.40	7.73	7.71	5.66

Note 1: Above financial information has been audited by CPA.

Note 2: Gross profit included realized (unrealized) profits from affiliated companies.

6.1.5 Auditing by CPA from 2018 to 2022

Year	CPA Firm	CPA's Name	Auditing Opinion
2018	KPMG	Kuo-Yang Tseng & Chi-Lung Yu	Unqualified
2019	KPMG	Kuo-Yang Tseng & Chi-Lung Yu	Unqualified
2020	KPMG	Kuo-Yang Tseng & Chi-Lung Yu	Unqualified
2021	KPMG	Kuo-Yang Tseng & Chi-Lung Yu	Unqualified
2022	KPMG	Kuo-Yang Tseng & Chi-Lung Yu	Unqualified

6.2 Five-Year Financial Analysis

6.2.1 Consolidated Financial Analysis

Year (Note1) Item (Note 2)		Five-Year Financial Analysis				
		2018	2019	2020	2021	2022
Capital structure (%)	Debt ratio	68.09	66.13	70.92	71.29	66.27
	Ratio of long-term capital to property, plant and equipment	240.79	274.47	281.19	346.08	325.22
Solvency	Current ratio (%)	130.35	137.69	131.01	131.79	137.50
	Quick ratio (%)	83.82	105.36	91.57	96.17	81.32
	Times interest earned (Times)	6.80	8.98	17.71	30.76	15.58
Operating ability	Accounts receivable turnover (Times)	7.62	6.69	6.47	5.32	6.35
	Average collection period	47.90	54.56	56.41	68.61	57.48
	Inventory turnover (Times)	8.55	9.25	9.48	7.46	6.66
	Accounts payable turnover (Times)	6.26	5.92	5.68	4.63	5.48
	Average days in sales	42.69	39.46	38.50	48.92	54.80
	Property, plant, and equipment turnover (Times)	15.30	17.03	16.78	18.08	16.53
	Total assets turnover (Times)	2.29	2.39	2.04	1.86	2.07
Profitability	Return on total assets (%)	2.46	3.61	3.79	3.86	3.49
	Return on stockholders' equity (%)	6.07	9.63	11.43	12.97	10.47
	Pretax profit to paid-in capital (%)	57.63	97.54	110.56	107.16	105.70
	Net profit margin (%)	0.83	1.34	1.60	2.02	1.62
	Basic earnings per share (\$)	4.25	7.40	7.73	7.71	5.66
Cash flow	Cash flow ratio (%)	(Note 3)	22.42	(Note 3)	14.82	5.22
	Cash flow adequacy ratio (%)	58.65	97.96	58.34	50.64	74.44
	Cash reinvestment ratio (%)	(Note 3)	21.58	(Note 3)	15.25	0.94
Leverage	Operating leverage	2.38	2.10	1.96	1.79	1.58
	Financial leverage	1.28	1.23	1.10	1.06	1.08

Analysis of financial ratio change in the last two years.

1. Times interest earned: The ratio decreased in 2022 due to the increase in interest expense.
2. Basic earnings per share: The ratio decreased in 2022 due to the decrease in net income.
3. Cash flow ratio: The ratio decreased in 2022 due to the decrease in net cash inflow from operating activity.
4. Cash flow adequacy ratio: The ratio increased in 2022 due to the increase in net cash flow from operating activity in the past 5 years.
5. Cash reinvestment ratio: The ratio decreased in 2022 due to the decrease in net cash inflow from operating activity.

Note 1: Financial report of each year has been audited by CPA firm.

Note 2: Equations:

1. Capital Structure

(1) Debt ratio = Total liability / Total assets

(2) Ratio of long-term capital to property, plant and equipment = (Net shareholders' equity + Long-term liability) / Net property, plant and equipment

2. Solvency

(1) Current ratio: Current assets / current liability

(2) Quick ratio = (Current assets – Inventory – Prepaid expense) / current liability

- (3) Times interest earned = Net income before tax and interest expense / Interest expense of the year
3. Operating ability
- (1) Account receivable turnover (including accounts receivable and notes receivable derived from business operations) = Net sales / Average accounts receivable (including accounts receivable and notes receivable derived from business operation)
- (2) Days sales in accounts receivable = 365 / Account receivable turnover
- (3) Inventory turnover = Cost of goods sold / Average inventory amount
- (4) Account payable turnover (including accounts payable and notes payable derived from business operation) = Cost of goods sold / Average accounts payable (including accounts payable and notes payable derived from business operation)
- (5) Average days in sales = 365 / Inventory turnover
- (6) Fixed assets turnover = Net sales / Net fixed assets
- (7) Total assets turnover = Net sales / Total assets
4. Profitability
- (1) Return on assets = (Net income (loss) + interest expense x (1-tax rate)) / Average total assets
- (2) Return on shareholders' equity = Net income (loss) / Net average shareholders' equity
- (3) Return to issued capital stock = Net income before tax / Issued capital stock
- (4) Profit ratio = Net income (loss) / Net sales
- (5) Basic earnings per share = (Net income – preferred stock dividend) / Weighted average stock shares issued
5. Cash flow
- (1) Cash flow ratio = Net cash flow from operating activity / Current liability
- (2) Cash flow adequacy ratio = Net cash flow from operating activity in the past 5 years / (Capital expenditure + Inventory interest + Cash dividend) in the past 5 years
- (3) Cash + reinvestment ratio = (Net cash flow from operating activity – Cash dividend) / (Fixed assets + Long term investment + Other assets + Working capital)
6. Balance
- (1) Degree of operating leverage = (Net operating income – Variable operating cost and expense) / Operating income(note6)
- (2) Degree of financial leverage = Operating income / (Operating income – interest expense)
- Note 3: The analysis of negative cash flow from operating activities is meaningless.

6.2.2 Individual Financial Analysis

Year (Note1)		Five-Year Financial Analysis				
		2018	2019	2020	2021	2022
Item (Note 2)						
Capital structure (%)	Debt ratio	78.55	78.27	75.80	77.98	76.63
	Ratio of long-term capital to property, plant and equipment	2,234.58	2,192.96	1,868.08	1,940.30	2,203.55
Solvency	Current ratio (%)	104.86	105.38	105.77	102.39	100.78
	Quick ratio (%)	95.45	99.60	98.18	95.04	91.93
	Times interest earned (Times)	8.20	13.48	26.42	38.18	18.86
Operating ability	Accounts receivable turnover (Times)	7.96	6.88	6.68	5.61	6.19
	Average collection period	45.85	53.05	54.64	65.06	58.96
	Inventory turnover (Times)	27.88	29.97	35.95	29.67	26.12
	Accounts payable turnover (Times)	3.25	2.72	2.89	2.74	2.64
	Average days in sales	13.09	12.18	10.15	12.30	13.97
	Property, plant, and equipment turnover (Times)	167.15	155.70	122.44	110.94	125.53
	Total assets turnover (Times)	1.77	1.74	1.85	1.54	1.57
Profitability	Return on total assets (%)	2.06	2.90	2.98	2.93	2.06
	Return on stockholders' equity (%)	7.51	12.56	12.61	12.48	8.64
	Pretax Profit to paid-in capital (%)	44.95	82.35	80.46	78.91	67.14
	Net profit margin (%)	0.90	1.53	1.62	1.75	1.22
	Basic earnings per share (\$)	4.25	7.40	7.73	7.71	5.66
Cash flow	Cash flow ratio (%)	(Note 3)	7.31	(Note 3)	5.13	0.77
	Cash flow adequacy ratio (%)	40.46	75.34	49.64	13.41	20.16
	Cash reinvestment ratio (%)	(Note 3)	17.21	(Note 3)	7.95	(Note 3)
Leverage	Operating leverage	1.14	1.08	1.21	1.52	1.08
	Financial leverage	1.46	1.17	1.22	1.31	1.07

Analysis of financial ratio change in the last two years.

1. Times interest earned ratio: The ratio decreased in 2022 due to the increase in interest expense.
2. Return on total assets: The ratio decreased in 2022 due to the decrease in net income.
3. Return on stockholders' equity: The ratio decreased in 2022 due to the decrease in net income.
4. Net profit margin: The ratio decreased in 2022 due to the decrease in net income.
5. Basic earnings per share: The ratio decreased in 2022 due to the decrease in net income.
6. Cash flow ratio: The ratio decreased in 2022 due to the decrease in net cash inflow from operating activity.
7. Cash flow adequacy ratio: The ratio increased in 2022 due to the increase in net cash flow from operating activity in the past 5 years.
8. Cash reinvestment ratio: The ratio decreased in 2022 due to the decrease in net cash inflow from operating activity.
9. Operating leverage: The ratio decreased in 2022 due to the increase in operating income.

Note 1: Financial report of each year has been audited by CPA firm.

Note 2: Equations:

1. Capital Structure

(1) Debt ratio = Total liability / Total assets

(2) Ratio of long-term capital to property, plant and equipment = (Net shareholders' equity + Long-term liability) / Net property, plant and equipment

2. Solvency

(1) Current ratio: Current assets / current liability

(2) Quick ratio = (Current assets – Inventory – Prepaid expense) / current liability

(3) Times interest earned = Net income before tax and interest expense / Interest expense of the year

3. Operating ability

(1) Account receivable turnover (including accounts receivable and notes receivable derived from business operations) = Net sales / Average accounts receivable (including accounts receivable and notes receivable derived from business operation)

- (2) Days sales in accounts receivable = $365 / \text{Account receivable turnover}$
 - (3) Inventory turnover = $\text{Cost of goods sold} / \text{Average inventory amount}$
 - (4) Account payable turnover (including accounts payable and notes payable derived from business operation) = $\text{Cost of goods sold} / \text{Average accounts payable (including accounts payable and notes payable derived from business operation)}$
 - (5) Average days in sales = $365 / \text{Inventory turnover}$
 - (6) Fixed assets turnover = $\text{Net sales} / \text{Net fixed assets}$
 - (7) Total assets turnover = $\text{Net sales} / \text{Total assets}$
 - 4. Profitability
 - (1) Return on assets = $(\text{Net income (loss)} + \text{interest expense} \times (1 - \text{tax rate})) / \text{Average total assets}$
 - (2) Return on shareholders' equity = $\text{Net income (loss)} / \text{Net average shareholders' equity}$
 - (3) Return to issued capital stock = $\text{Net income before tax} / \text{Issued capital stock}$
 - (4) Profit ratio = $\text{Net income (loss)} / \text{Net sales}$
 - (5) Basic earnings per share = $(\text{Net income} - \text{preferred stock dividend}) / \text{Weighted average stock shares issued}$
 - 5. Cash flow
 - (1) Cash flow ratio = $\text{Net cash flow from operating activity} / \text{Current liability}$
 - (2) Cash flow adequacy ratio = $\text{Net cash flow from operating activity in the past 5 years} / (\text{Capital expenditure} + \text{Inventory interest} + \text{Cash dividend in the past 5 years})$
 - (3) Cash + reinvestment ratio = $(\text{Net cash flow from operating activity} - \text{Cash dividend}) / (\text{Fixed assets} + \text{Long term investment} + \text{Other assets} + \text{Working capital})$
 - 6. Balance
 - (1) Degree of operating leverage = $(\text{Net operating income} - \text{Variable operating cost and expense}) / \text{Operating income (note 6)}$
 - (2) Degree of financial leverage = $\text{Operating income} / (\text{Operating income} - \text{interest expense})$
- Note 3: The analysis of negative cash flow from operating activities is meaningless.

6.3 Audit Committee's Report in the Most Recent Year

Pegatron Corporation

Audit Committee's Review Report

Date: March 14, 2023

The Board of Directors has prepared the Pegatron Corporation's ("the Company") 2022 Business Report, financial statements, and proposal for earning distribution. The CPA firm of KPMG was retained to audit the Company's financial statements and has issued an audit report relating to the financial statements. The above Business Report, financial statements, and earning distribution proposal have been examined and determined to be correct and accurate by the Audit Committee members of Pegatron Corporation. According to Article 14-4 of Securities and Exchange Act and relevant requirement of the Company Law, we hereby submit this report.

Pegatron Corporation

Chairman of the Audit Committee: C. Lin

6.4 Consolidated Financial Statements of the Parent Company and Subsidiary in the Most Recent Year:

Please refer to Attachment I.

6.5 Non-Consolidated Financial Statements of the Most Recent Year:

Please refer to Attachment II.

6.6 Financial Difficulties Encountered By the Company and the Related Party in the Most Recent Year and Up to the Date of the Annual Report: None.

7. Review of Financial Position, Management Performance and Risk Management

7.1 Analysis of Financial Status – Consolidated

Unit: NT\$ thousands; %

Item \ Year	2022	2021	Difference	
			Amount	%
Current Assets	502,487,782	564,850,826	(62,363,044)	(11.04%)
Funds & Investments	31,435,250	25,615,113	5,820,137	22.72%
Property, plant and equipment	85,899,728	76,006,422	9,893,306	13.02%
Intangible Assets	225,014	208,186	16,828	8.08%
Other Assets	16,175,013	10,089,816	6,085,197	60.31%
Total Assets	636,222,787	676,770,363	(40,547,576)	(5.99%)
Current Liabilities	365,435,996	428,588,053	(63,152,057)	(14.73%)
Long-term Liabilities	44,602,419	47,080,017	(2,477,598)	(5.26%)
Other Liabilities	11,616,109	6,835,416	4,780,693	69.94%
Total Liabilities	421,654,524	482,503,486	(60,848,962)	(12.61%)
Capital stock	26,676,337	26,691,316	(14,979)	(0.06%)
Capital surplus	83,352,004	83,321,308	30,696	0.04%
Retained Earnings	80,059,864	78,226,029	1,833,835	2.34%
Other Adjustments	24,480,058	6,028,224	18,451,834	306.09%
Total Stockholders' Equity	214,568,263	194,266,877	20,301,386	10.45%
Analysis of changes in financial ratios:				
1. Funds & Investments: The increase is due to increase in investment in subsidiaries.				
2. Other Assets: The increase is due to increase in advance payment for equipment.				
3. Other Liabilities: The increase is due to the increase of non-current contract liabilities and other non-current liabilities.				
4. Other Adjustments: The increase is due to the increase of other equity interest.				

- **Effect of change on financial condition:**

No significant changes on the Company's financial condition.

- **Future response actions:** Not applicable.

7.2 Analysis of Operating Results - Consolidated

Unit: NT\$ thousands; %

Item	Year		Difference	
	2022	2021	Amount	%
Net Sales	1,317,599,154	1,261,383,861	56,215,293	4.46%
Cost of Sales	1,260,315,734	1,214,582,404	45,733,330	3.77%
Gross Profit	57,283,420	46,801,457	10,481,963	22.40%
Operating Expense	31,898,648	29,495,788	2,402,860	8.15%
Results from operating activities	25,384,772	17,305,669	8,079,103	46.68%
Non-operating Income and Expenses	2,813,757	11,297,387	(8,483,630)	(75.09%)
Profit Before Tax	28,198,529	28,603,056	(404,527)	(1.41%)
Income Tax Expense	6,792,454	3,098,748	3,693,706	119.20%
Loss on discontinued operations	(243,116)	(477,214)	234,098	(49.06%)
Profit for the year	21,162,959	25,027,094	(3,864,135)	(15.44%)
Other Comprehensive Income(loss)	13,783,676	(3,267,163)	17,050,839	(521.89%)
Total Comprehensive Income	34,946,635	21,759,931	13,186,704	60.60%

Analysis of changes in financial ratios:

1. Gross Profit: The increase is due to the increase of sales.
2. Results from operating activities: The increase is due to the increase of sales.
3. Non-operating Income and Expenses: The decrease is due to the decrease of other gains and losses.
4. Income Tax: The increase is due to the increase of profit before tax.
5. Loss on discontinued operations: The decrease is due to the closure of department.
6. Other comprehensive income: The increase is due to the increase of exchange differences on translation of foreign statements.
7. Total comprehensive income: The increase is due to the increase of other comprehensive income.

7.3 Analysis of Cash Flow

7.3.1 Cash Flow Analysis for the Current Year – Consolidated

Unit: NT\$ thousands; %

Item \ Year	2021	2022	Difference	
			Amount	%
Cash flows from operating activities	63,543,734	19,091,954	(44,451,780)	69.95
Cash flows from investing activities	(45,170,488)	(25,703,921)	19,466,567	43.10
Cash flows from financing activities	(30,826,168)	(29,952,809)	873,359	2.83

Analysis of changes in financial ratios:

1. Cash flows from operating activities: The decrease in cash flow was due to increased inventories from strategic purchasing as compared to the previous year.
2. Cash flows from investing activities: The increase was due to no disposal of subsidiaries as compared to the previous year.
3. Cash flows from financing activities: The increase was due to decreased in repayments of long-term loans as compared to the previous year.

7.3.2 Remedy for Cash Deficit and Liquidity Analysis:

In light of positive cash flows, remedial actions are not required.

7.3.3 Cash Flow Analysis for the Coming Year: Not applicable.

7.4 Major Capital Expenditure Items: None.

7.5 Investment Policy in the Last year, Main Causes for Profits or Losses, Improvement Plans and the Investment Plans for the Coming Year

The Company's long-term investment accounted for under equity method is mostly for strategic investment. In 2022, the investment income under equity method reached NT\$3,680,616 thousand dollars, which represents a decline compared with the previous year, mainly due to Mainland China's lockdown policy and foreign exchange rate fluctuation. Going forward, the Company will continue focusing on strategic investment and carefully assessing the financial risks and investment returns in order to maximize the value for the Company.

7.6 Analysis of Risk Management

7.6.1 Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation of Corporate Finance, and Future Response Measures

(1) Interest Rate

The Company's interest rate risks mainly arise from the short-term loans made from banks and the short-term capital management for working capital needs. In order to reduce the risks of interest rates, especially relating to bank loans, the Company contacts banks on the regular basis, studies the trend of interest rate and negotiates for the best interest rate for the Company. As for short-term capital management,

the Company mainly invests in financial instruments of fixed deposit, which not only secures the capital but also reduces associated risks.

(2) Foreign Exchange Rate

The Company adopts a prudent approach towards foreign exchange strategy. Since the Company's sales and purchases are denominated mainly in US dollars, the risks are naturally hedged. However, significant changes in foreign exchange rate may cause adverse impact to the financial conditions of the Company (i.e. the depreciation of USD), the responsive measures to potential foreign exchange risk are taken as follows:

- a. Collecting market information for analysis and risk evaluation, contacting banks on a regular basis to be fully aware of the trend of foreign exchange rate, and adjusting financial positions in foreign currency when necessary.
- b. Securing reasonable profits by taking foreign exchange into consideration when providing quotations for sales.

(3) Inflation

According to the statistics released by the Directorate-General of Budget, Accounting and Statistics, Executive Yuan, the consumer price index and wholesale price index increased by 2.95% and 12.43% respectively in 2022, as the result of both Import Price Index (IPI) and Export Price Index (EPI) rose simultaneously, which did not have significant impact on the Company's financial conditions in 2022. The Company observes the changes of market price at all times and adjusts selling price or inventory levels when necessary.

7.6.2 Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-Risk, High-Leverage Investment, Loaning or Endorsement Guarantees and Derivatives Transactions

(1) High-Risk, High-Leverage Investment

In 2022 and as of the date of this annual report, the Company has not conducted any high-risk and/or high-leverage investment.

(2) Loaning or Endorsement Guarantees

The Company conducts loaning or endorsement guarantees according to the internal policy "Procedures for Loaning of Funds and Making of Endorsements / Guarantees". Procedures and risk evaluation are conducted in accordance with this policy.

(3) Derivatives Transactions

The Company did not conduct any derivative transactions in 2022. Shall such needs arise due to business operation, the transaction will be processed in accordance with the Company's internal policy "Procedures for the Acquisition and Disposal of Assets". The derivative transactions conducted by the Company's subsidiaries are for hedging

purpose. For non-hedging transactions, subsidiaries will handle cautiously.

7.6.3 Future Research & Development Projects and Corresponding Budget

The Company focuses on the development of products that are integrated with high added value based on the Company's product roadmap. Going forward, it is estimated that around NT\$11.7 billion will be spent on product research and development and pursuing leading position in core business by controlling factors such as talent, capital, technology, etc.

7.6.4 Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales

The Company complies with regulations associating with corporate governance, company law, security law and other important sources of regulations. In addition, the Company also monitors material changes in governing regulations and laws and be fully aware of the changes in the markets. In 2022 and as of the date of this annual report, there were no such risks to the Company.

7.6.5 Effects of and Response to Changes in Technology (including Risk of Information Security) and in Industry Relating to Corporate Finance and Sales

The Company pays attention to the changes in technologies and in industry at all time so as to be fully aware of the market trend and evaluate any potential impact on the operations of the Company. No material changes of technologies have brought any adverse impact to the financial conditions of the Company.

The Company established an information security management organization to identify and control information security risks to protect information assets from various security threats. Currently, the risks identified are under control and no material impact to business operation.

The Company establishes Information Security organization and implements management cycle. High value assets have been identified by risk assessment method and are put under control measurements to avoid security threats to ensure the operation of company. After assessments, all risks are deemed under control and have no impact to major operations.

7.6.6 The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures

Since the date of incorporation, the Company has been having a positive corporate image and complying with relevant laws and regulations. In 2022 and as of the date of this annual report, there were no such risks for the Company.

7.6.7 Expected Benefits and Risks Relating to and Response to Merger and Acquisition Plans

In 2022 and as of the date of this annual report, the Company did not have any plans for mergers and acquisitions and there were no such risks for the Company.

7.6.8 Expected Benefits and Risks Relating to and Response to Factory Expansion Plans

The Company takes factors such as global economy, industry outlook, market demand and customers' order forecast into consideration when planning factory and capacity expansion. In 2022 and as of the date of this annual report, the benefits of expansion plan meet the Company's expectation.

7.6.9 Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration

The Company's core business is design, manufacturing and services of 3C products, and according to the industry practice, the Company tends to purchase raw material and sell the finished goods to the same party.

a. Source of Purchase

Per ODM/EMS industry practice, major customers, in order to control product quality and reduce cost of key components, will request the Company to purchase key components from specific supplier(s) and sell back to the customer after assembly. Therefore, purchase of material and sales of finished goods are concentrated to specific customer(s). The Company maintains more than two qualified raw material suppliers to ensure supply flexibility and pricing advantages so as to achieve cost reduction. In conclusion, The Company does not have risks associating with excessive concentration of supply.

b. Sales of Products

The Company continues engaging new customers, enhancing technologies and improving manufacturing process. In addition to existing customers, the Company endeavors to expand customer portfolio, develop new products to meet the versatile market demands and reduce concentration risks.

7.6.10 Effects of Risks Relating to and Response to Large Share Transfer or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholding of over 10%

The value of Pegatron shareholders' investment may be reduced by possible future sales of Pegatron shares by the major shareholders.

As of the date of this annual report, Asustek Computer Inc. owns around 16.81% of

Pegatron total outstanding shares. Asustek has reiterated its intention to gradually and orderly reduce its equity interest in Pegatron. Pegatron will work closely with Asustek to complete their contemplated disposals of Pegatron shares in a way that would minimize the negative impact on the price of Pegatron shares and other shareholders.

7.6.11 Effects of Risks Relating to and Response to Changes in Control over the Company

By the end of 2009, the Company was owned 100% by Asustek and the shareholding reduced dramatically after the spin-off plan in 2010. The operation of the Company has become more transparent after the spin-off and acceptable by customers, which is considered a positive factor in business development. In addition, the Company has formed a management team to manage the Company's operation and does not have risks associating with the changes in control over the Company.

7.6.12 Litigation or Non-litigation Matters

In 2022 and as of the date of this annual report, the Company did not engage in litigation or non-litigation matters that had significant impacts on shareholders' right or security prices. For litigation or non-litigation matter for major shareholder with 10% or more holding (as of the date of this annual report, Asustek Computer Inc. is the only shareholder with more than 10% of shareholding), please refer to the major shareholder's annual report.

7.7 Other Major Risks

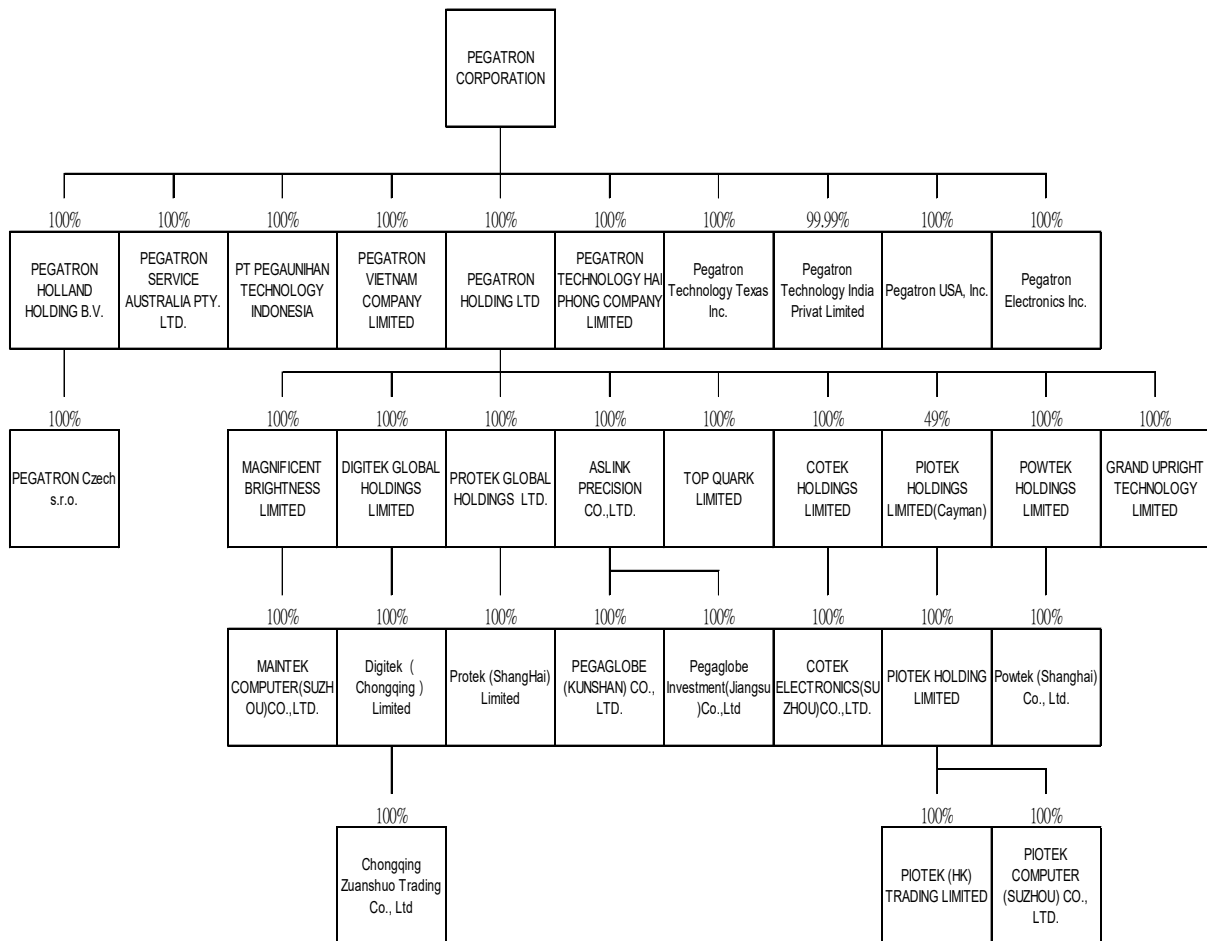
In 2022 and as of the date of this annual report, the Company did not have any other major risks.

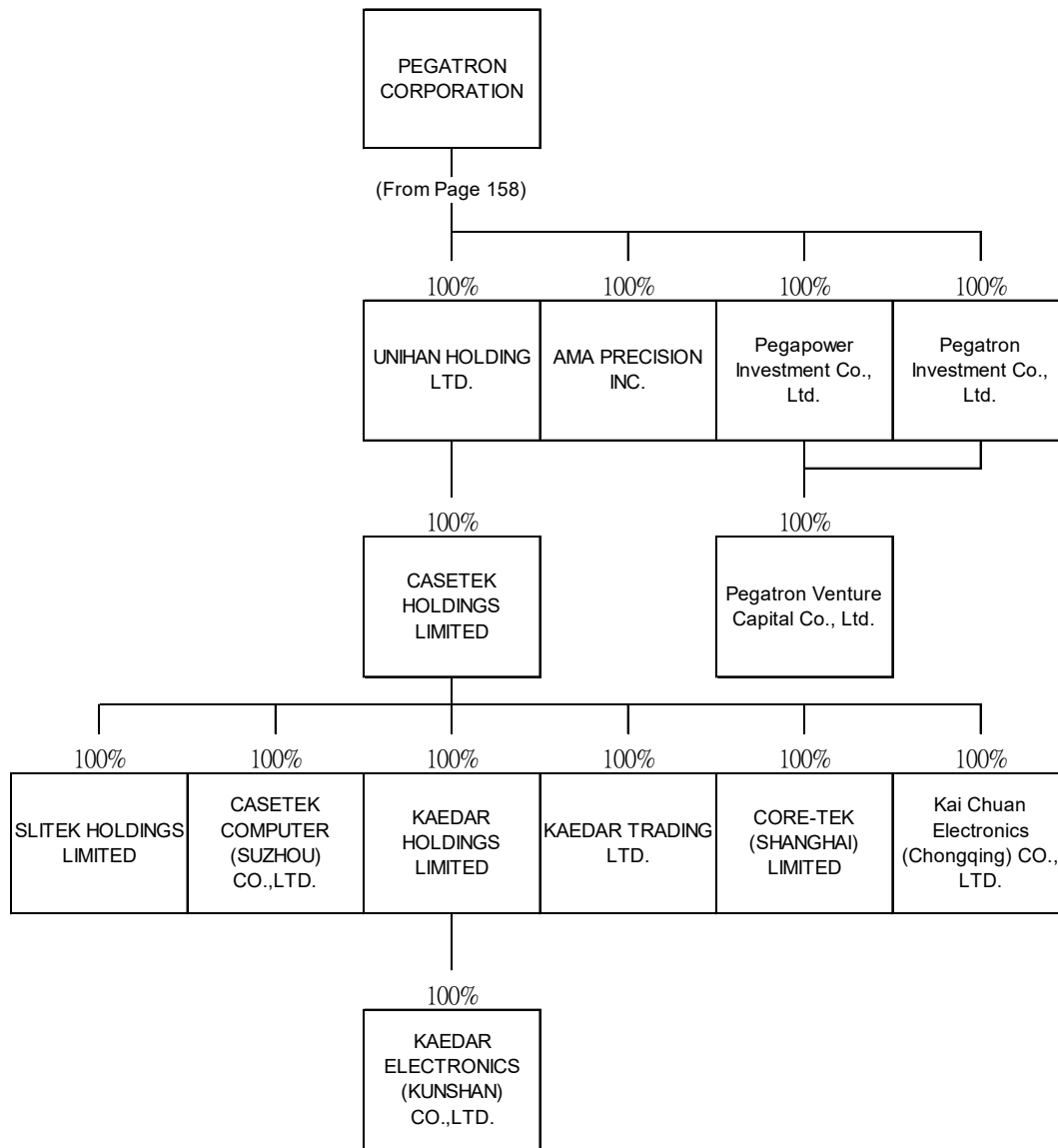
8. Other Special Notes

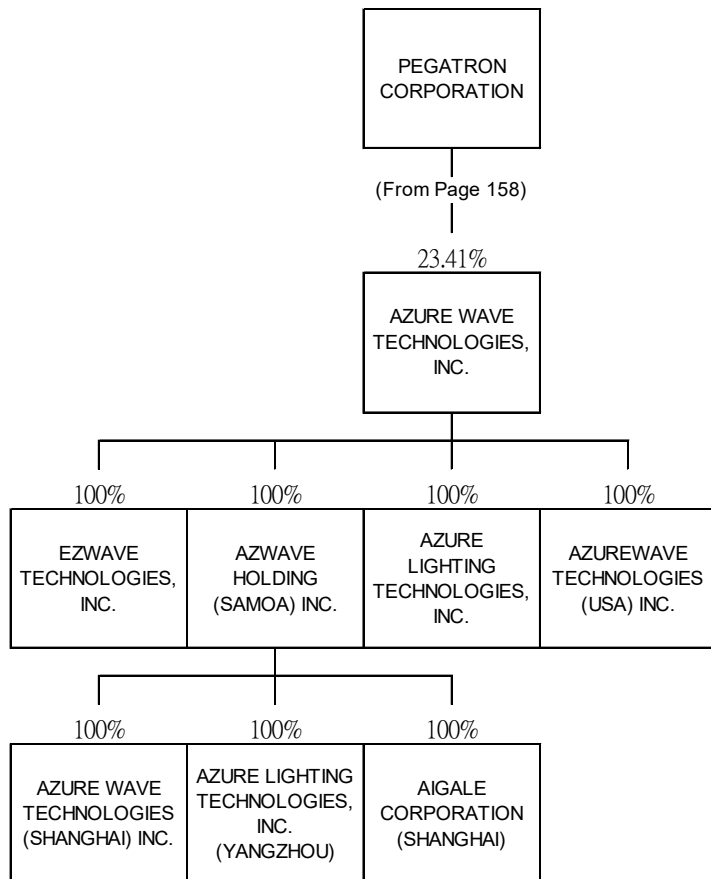
8.1 Summary of Affiliated Companies

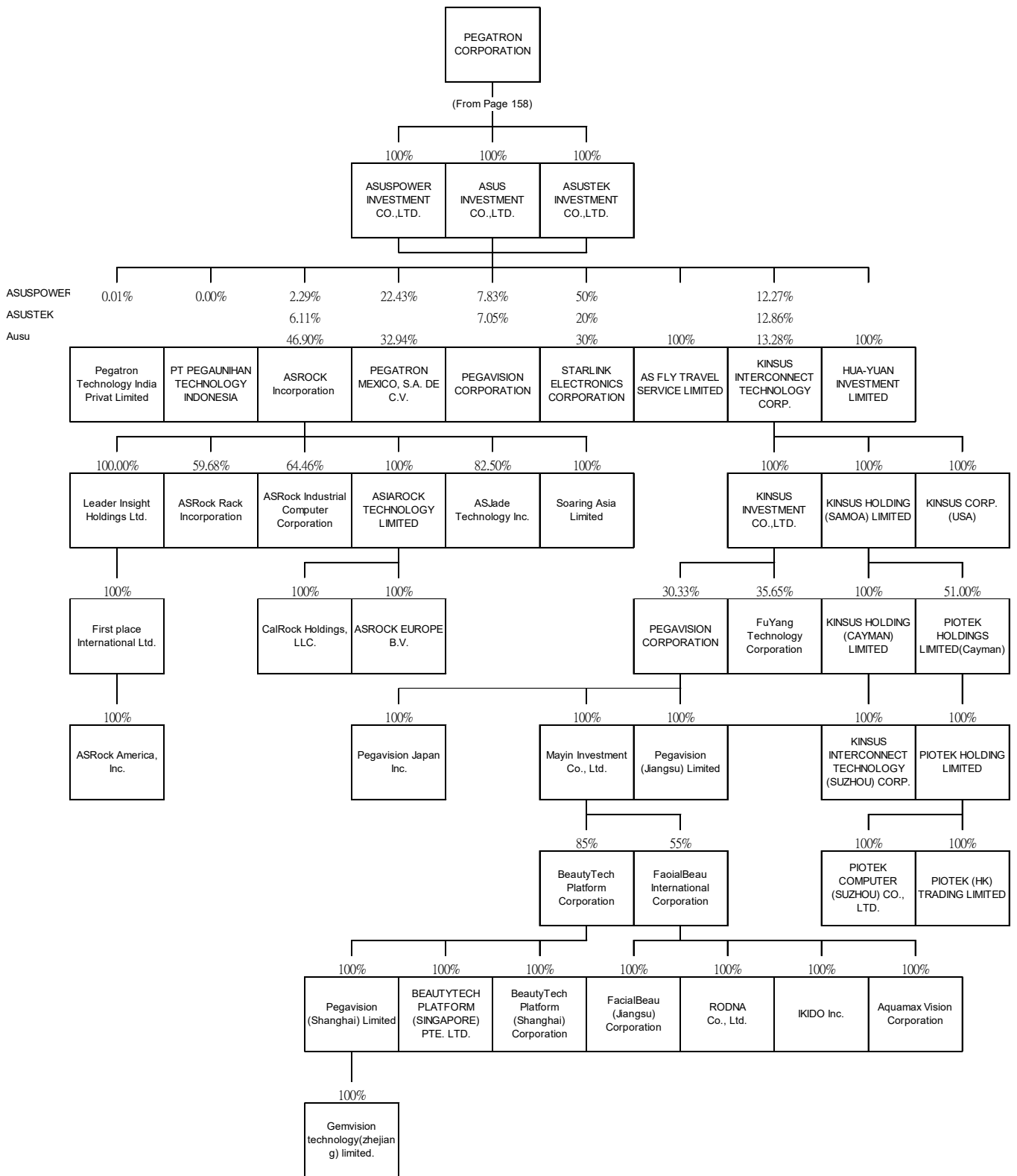
8.1.1 Affiliated Companies Chart

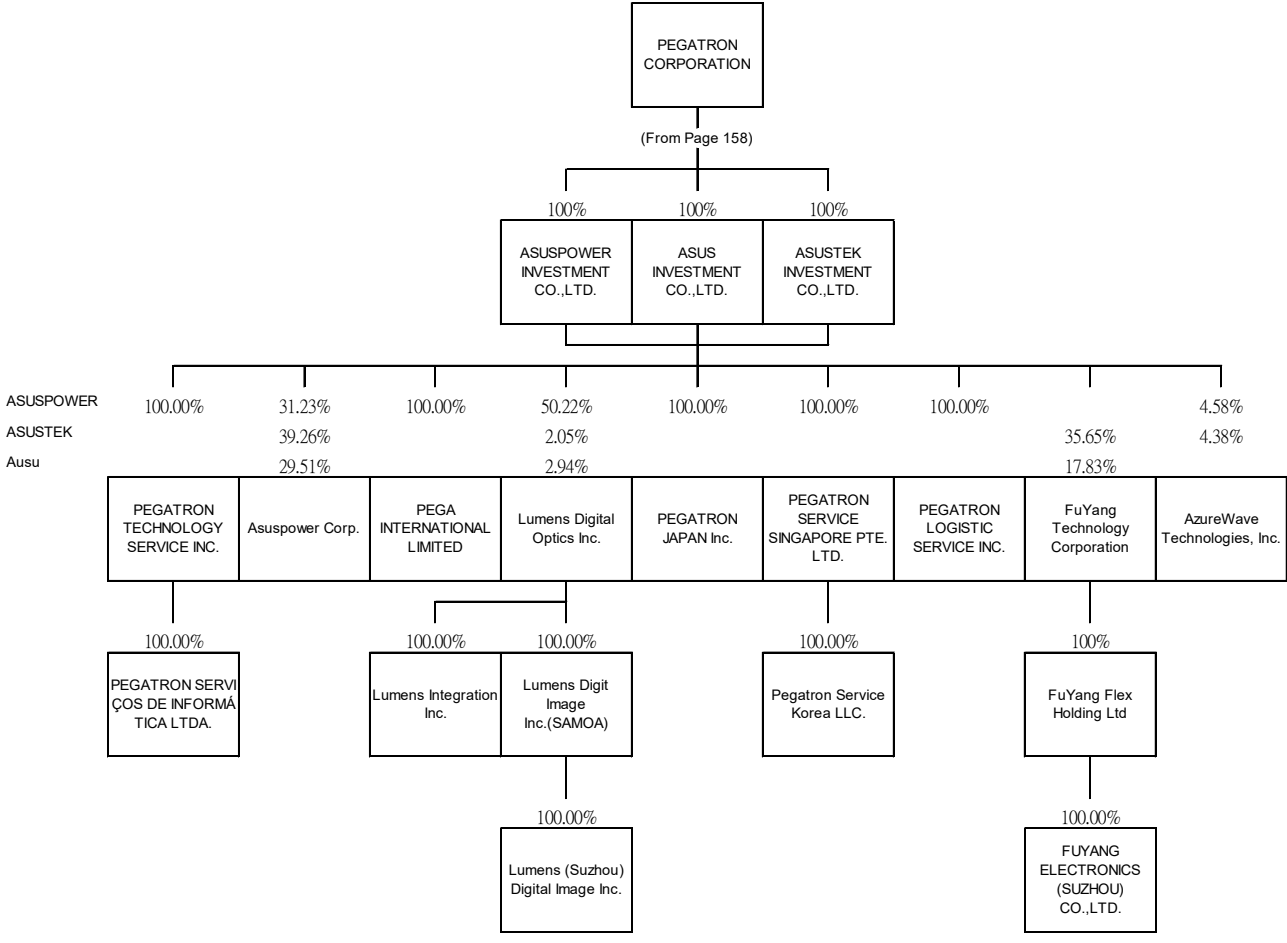
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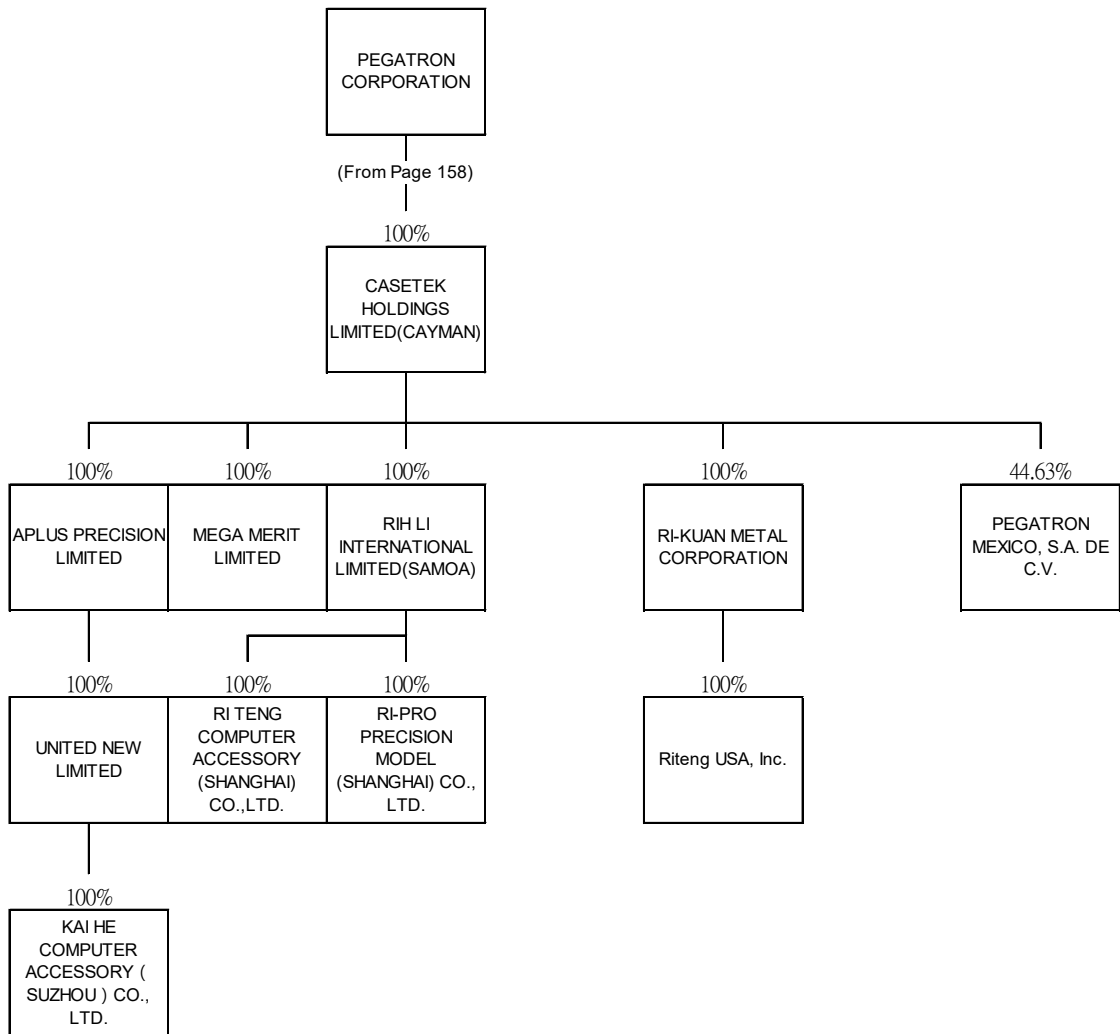












8.1.2 Business Scope of Pegatron and Its Affiliated Companies

Pegatron's affiliates support the Company's core business in providing design, manufacturing and services (DMS) of computing, consumer electronics and communication products. Some of Pegatron's affiliated companies are focused on investing in related companies in the industry. Pegatron and its affiliates provide mutual support in technology, capacity and services to maximize synergy within the group, enabling Pegatron to provide its customers with the most complete and comprehensive services.

8.2 Private Placement Securities in the Most Recent year: None.

8.3 The Shares of the Company Held or Disposed of by the Subsidiaries in the Most Recent year: None.

8.4 Any Other Special Notes to be specify: None.

8.5 Any Events in 2022 and as of the Date of this Annual Report that had Significant Impacts on Shareholders' Right or Security Prices as Stated in Item 2 Paragraph 2 of Article 36 of Securities and Exchange Law of Taiwan: None.

Attachment I

(English Translation of Financial Report Originally Issued in Chinese)

PEGATRON CORPORATION AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

(With Independent Accountants' Audit Report Thereon)

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

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)

		December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
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	<u>182,488,565</u>	<u>29</u>	<u>166,604,545</u>	<u>25</u>
36xx	Non-controlling interests (Notes 6(i), (j) and (v))	<u>32,079,698</u>	<u>5</u>	<u>27,662,332</u>	<u>4</u>
	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	<u>4,639,662</u>	-	<u>2,424,468</u>	-
	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)	<u>1,260,315,734</u>	<u>96</u>	<u>1,214,582,404</u>	<u>96</u>
	Gross profit from operations	<u>57,283,420</u>	<u>4</u>	<u>46,801,457</u>	<u>4</u>
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	<u>16,013,923</u>	<u>1</u>	<u>15,628,406</u>	<u>1</u>
	Total operating expenses	<u>31,898,648</u>	<u>2</u>	<u>29,495,788</u>	<u>3</u>
	Net operating income	<u>25,384,772</u>	<u>2</u>	<u>17,305,669</u>	<u>1</u>
	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))	<u>4,281,306</u>	<u>-</u>	<u>1,546,319</u>	<u>-</u>
	Total non-operating income and expenses	<u>2,813,757</u>	<u>-</u>	<u>11,297,387</u>	<u>1</u>
	Profit before tax	28,198,529	2	28,603,056	2
7950	Less: Tax expenses (Note 6(u))	<u>6,792,454</u>	<u>-</u>	<u>3,098,748</u>	<u>-</u>
8000	Profit from continuing operations	<u>21,406,075</u>	<u>2</u>	<u>25,504,308</u>	<u>2</u>
8100	Loss from discontinued operations, net of tax (Note 12)	<u>(243,116)</u>	<u>-</u>	<u>(477,214)</u>	<u>-</u>
	Profit for the year	<u>21,162,959</u>	<u>2</u>	<u>25,027,094</u>	<u>2</u>
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))	<u>3,327</u>	<u>-</u>	<u>(456)</u>	<u>-</u>
	Total components of other comprehensive (loss) income that will not be reclassified to profit or loss	<u>(307,188)</u>	<u>-</u>	<u>535,752</u>	<u>-</u>
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))	<u>10,502</u>	<u>-</u>	<u>(19,721)</u>	<u>-</u>
	Total components of other comprehensive income (loss) that will be reclassified to profit or loss	<u>14,090,864</u>	<u>-</u>	<u>(3,802,915)</u>	<u>-</u>
8300	Other comprehensive income (loss) for the period, net of tax	<u>13,783,676</u>	<u>-</u>	<u>(3,267,163)</u>	<u>-</u>
8500	Total comprehensive income for the period	<u>\$ 34,946,635</u>	<u>2</u>	<u>21,759,931</u>	<u>2</u>
	Profit attributable to:				
8610	Owners of the parent company	\$ 15,096,180	2	20,545,643	2
8620	Non-controlling interests	<u>6,066,779</u>	<u>-</u>	<u>4,481,451</u>	<u>-</u>
		<u>\$ 21,162,959</u>	<u>2</u>	<u>25,027,094</u>	<u>2</u>
	Comprehensive income attributable to:				
8710	Owners of the parent company	\$ 28,516,320	2	17,354,177	2
8720	Non-controlling interests	<u>6,430,315</u>	<u>-</u>	<u>4,405,754</u>	<u>-</u>
		<u>\$ 34,946,635</u>	<u>2</u>	<u>21,759,931</u>	<u>2</u>
	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	<u>\$ 5.66</u>		<u>7.71</u>	
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	<u>\$ 5.60</u>		<u>7.62</u>	

See accompanying notes to financial statements.

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

Consolidated Statements of Changes in Equity

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of the parent company										
	Retained earnings					Total other equity interest					
	Unappropriated retained earnings					Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income					
Share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Deferred compensation arising from issuance of restricted stock	Treasury stock	Total equity attributable to owners of the parent company	Non-controlling interests	Total equity
Balance on January 1, 2021	83,008,347	13,706,083	11,286,050	44,978,224	69,970,357	(15,808,892)	(57,309)	(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)	-	-	-	-	-	-	-
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)	-	-	(1,991,358)	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)	-	-	-	-
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	-	925,187	-	925,187
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(15,136,341)	27,662,332	(15,136,341)
Balance at December 31, 2021	26,694,316	83,321,308	15,698,039	46,661,789	78,226,029	(21,363,627)	444,778	(2,558)	166,604,545	6,066,779	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)	-	13,420,140	363,536	13,783,676
Total comprehensive income (loss) for the period	-	-	-	15,121,131	15,121,131	13,759,997	(364,808)	-	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	-	-	-	-	-	-	-	-	-	-	-
Expiration of restricted shares of stock issued to employees	(14,979)	12,950	-	-	-	-	-	-	12,950	(12,950)	-
Compensation cost arising from restricted shares of stock	-	19,524	-	56,007	56,007	-	-	(4,545)	56,007	-	56,007
Changes in non-controlling interests	-	(151,742)	-	-	-	-	643,824	-	492,082	-	492,082
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(1,999,999)	(1,999,999)
Balance on December 31, 2022	83,552,004	17,721,898	20,918,849	41,419,117	80,059,864	(7,603,630)	79,970	(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.

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:

<u>Standards or Interpretations</u>	<u>Content of amendment</u>	<u>Effective date per IASB</u>
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 %	

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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

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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

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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 %	

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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 %	
THE COMPANY	PEGATRON ELECTRONICS INC. (PEL)	Sales center in North America	100.00 %	100.00 %	

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PEGATRON CORPORATION AND SUBSIDIARIES
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Investor	Subsidiary	Nature of business	Shareholding ratio		Notes
			December 31, 2022	December 31, 2021	
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.

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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 pre-emptive 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.

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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 planned 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.

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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.

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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.

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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.

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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.

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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.

(1) 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.

(Continued)

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.

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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 established 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.

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Notes to the Consolidated Financial Statements

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	December 31, 2022	December 31, 2021
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

	December 31, 2022	December 31, 2021
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.

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(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	<u>368,287</u>	<u>46,224</u>
Total	<u>\$ 1,403,646</u>	<u>1,492,875</u>

(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.

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(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>

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	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)	\$ <u>8,293,725</u>	USD <u>420,000</u>	USD <u>270,000</u>	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.

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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.

Note1: 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.

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(f) Inventories

	December 31, 2022	December 31, 2021
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	91,807,309	65,277,642
	\$ 199,441,528	148,061,197

The components of cost of goods sold were as follows:

	For the years ended December 31					
	2022			2021		
	Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
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	4,855	-	4,855	29,583	-	29,583
	\$ 1,260,315,734	971,327	1,261,287,061	1,214,582,404	2,564,410	1,217,146,814

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:

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

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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:

Name of Associates	Nature of Relationship with the Group	Main operating location/ Registered Country of the Company	Proportion of shareholding and voting rights	
			December 31, 2022	December 31, 2021
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	<u>\$ 56,033,125</u>	<u>46,019,350</u>
	For the years ended December 31, 2022	For the eleven months ended December 31, 2021
Operating revenue	<u>\$ 327,854,052</u>	<u>224,654,064</u>
Gain from continuing operations	\$ 8,866,140	3,562,928
Other comprehensive income	139,034	(13,193)
Comprehensive income attributable to shareholders	<u>\$ 9,005,174</u>	<u>3,549,735</u>
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	<u>\$ 27,107,247</u>	<u>22,272,009</u>

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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	2021
Attributable to the Group:		
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)

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Accounts payable and other payables	(24,117,848)
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	<u>(109,342)</u>
Carrying amount of net assets	\$ <u><u>17,242,088</u></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	<u>(18,443,774)</u>	<u>(11,414,351)</u>
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>

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	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)	<u>102,874</u>	<u>(24,269)</u>
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	<u>56,000</u>	<u>(11,798)</u>
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	<u>(60,195)</u>	<u>(91,506)</u>
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)	<u>427,240</u>	<u>(111,731)</u>
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>

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	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	<u>\$ 1,374,140</u>	<u>(549,158)</u>
Dividends to non-controlling interest	<u>\$ 734,195</u>	<u>459,835</u>

(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	<u>1,832,185</u>
Capital surplus differences between the consideration and the carrying amounts the subsidiaries acquired	<u>\$ (159,173)</u>

(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	<u>\$ 12,099,104</u>	<u>55,266,759</u>	<u>52,705,931</u>	<u>1,343,727</u>	<u>38,236,146</u>	<u>8,661,817</u>	<u>168,313,484</u>
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	<u>\$ 11,856,650</u>	<u>51,500,156</u>	<u>53,338,900</u>	<u>1,313,354</u>	<u>34,999,356</u>	<u>3,058,362</u>	<u>156,066,778</u>

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	<u>Land</u>	<u>Buildings</u>	<u>Machinery equipment</u>	<u>Instrument equipment</u>	<u>Other facilities</u>	<u>Construction in progress</u>	<u>Total</u>
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:

	<u>For the years ended December 31</u>	
	<u>2022</u>	<u>2021</u>
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.

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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>

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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	5,862
Balance on December 31, 2022	<u>\$ 59,328</u>
Balance on January 1, 2021	\$ 57,994
Reclassification to property, plant and equipment	(2,890)
Effect of movement in exchange rates	(1,638)
Balance on December 31, 2021	<u>\$ 53,466</u>
Depreciation and impairment loss :	
Balance on January 1, 2022	\$ 20,033
Depreciation for the year	3,112
Effect of movement in exchange rates	2,198
Balance on December 31, 2022	<u>\$ 25,343</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	(630)
Balance on December 31, 2021	<u>\$ 20,033</u>
Carrying value :	
Balance on December 31, 2022	<u>\$ 33,985</u>
Balance on January 1, 2021	<u>\$ 39,416</u>
Balance on December 31, 2021	<u>\$ 33,433</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	\$ -	-
Direct operating expenses arising from investment property that generate rental income	<u>\$ 3,112</u>	<u>3,034</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.

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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>

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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%

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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:

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
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.

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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.

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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.

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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.

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

<u>Item</u>	<u>1st unsecured ordinary bonds issued in 2020</u>
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 2020</u>
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:

<u>Item</u>	<u>1st unsecured ordinary bonds issued in 2021</u>
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.

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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	(210,644)	(192,394)
Net defined benefit liabilities	\$ 26,289	111,751
	December 31, 2022	December 31, 2021
Short-term employee benefits liabilities	\$ 416,786	367,414
Cash-settled share-based payment liabilities	207,035	158,988
Total employee benefit liabilities	\$ 623,821	526,402

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
	\$ (6,256)	17,101
Operating costs	\$ (10,036)	8,726
Operating expenses	3,780	8,375
	\$ (6,256)	17,101

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	\$ 36,802	97,749

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.

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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:

	For the years ended December 31	
	2022	2021
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	(166,283)	(1,118,602)
Income tax expense from continuing operation	\$ 6,792,454	3,098,748
Income tax from discontinued operation	-	-
	\$ 6,792,454	3,098,748

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

	For the years ended December 31	
	2022	2021
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:

	For the years ended December 31	
	2022	2021
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)
Overseas dividends received	10,859	194,571
Prior years income tax adjustment	(149,945)	17,062
Surtax on undistributed earnings	325,328	91,385
Others	(512,599)	(501,884)
	\$ 6,792,454	3,098,748

(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).

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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:

Years of Approval	Company Name
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:

(In thousands of shares)	Ordinary Shares	
	For the years ended December 31	
	2022	2021
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	2,667,634	2,669,132

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.

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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 Depository 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.

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

	For the years ended December 31	
	2022	2021
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:

	Equity-settled share-based payment Restricted stock to employee Issued in 2020
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

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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.

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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.

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(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

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- 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

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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)

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

	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)
<u>May 29, 2020</u>				
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.

	For the year ended December 31, 2022	
	Outstanding number of options (In thousand units)	Weighted average exercise price (dollars)
<u>June 30, 2022</u>		
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	<u>2,300</u>	19.45
Exerisable as of December 31	<u>-</u>	

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)

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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.

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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	1,430	10	2,200	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.

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July 8, 2022	For the years 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	2,100	22
Exercised during the period	-	-
Outstanding as of December 31	<u>2,100</u>	16.15
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	\$ 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
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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	1,517	78.6	1,613

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	\$ 13,036	4,719

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(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.

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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)

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(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.

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(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 service	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

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(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>

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(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	\$ 14,090,864	(3,802,915)

(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	\$ 16,299

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	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.

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(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.

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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 :

<u>Equity price on reporting date</u>	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)
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:

Financial assets at fair value through profit or loss	December 31, 2022				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets mandatorily measured at fair value through profit or loss	\$ 11,195,278	9,610,705	-	1,584,573	11,195,278

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	December 31, 2022				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income					
Stock of listed companies	\$ 672,778	672,778	-	-	672,778
Stock of unlisted companies	161,247	-	-	161,247	161,247
Stock of overseas listed companies	201,334	201,334	-	-	201,334
Stock of overseas unlisted companies	<u>368,287</u>	<u>-</u>	<u>-</u>	<u>368,287</u>	<u>368,287</u>
Subtotal	<u>\$ 1,403,646</u>	<u>874,112</u>	<u>-</u>	<u>529,534</u>	<u>1,403,646</u>
Financial assets at amortized cost					
Cash and cash equivalents	\$ 84,577,382	-	-	-	-
Notes and accounts receivable	190,247,179	-	-	-	-
Other receivables	1,329,144	-	-	-	-
Other financial assets	<u>12,387,354</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>\$ 288,541,059</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities at amortized cost					
Bank loans	\$ 96,588,349	-	-	-	-
Non-interest bearing liabilities	240,715,180	-	-	-	-
Lease liabilities	2,888,601	-	-	-	-
Unsecured ordinary corporate bonds	<u>34,876,992</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>\$ 375,069,122</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
December 31, 2021					
	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	\$ 13,259,525	<u>12,543,767</u>	<u>-</u>	<u>715,758</u>	<u>13,259,525</u>
Financial assets at fair value through other comprehensive income					
Stock of listed companies	\$ 1,015,796	1,015,796	-	-	1,015,796
Stock of unlisted companies	147,786	-	-	147,786	147,786
Stock of overseas listed companies	241,285	241,285	-	-	241,285
Stock of overseas unlisted companies	46,224	-	-	46,224	46,224
Private fund	<u>41,784</u>	<u>-</u>	<u>-</u>	<u>41,784</u>	<u>41,784</u>
Subtotal	<u>\$ 1,492,875</u>	<u>1,257,081</u>	<u>-</u>	<u>235,794</u>	<u>1,492,875</u>
Financial assets at amortized cost					
Cash and cash equivalents	\$ 111,024,086	-	-	-	-
Notes and accounts receivable	249,533,457	-	-	-	-
Other receivables	9,628,610	-	-	-	-
Other financial assets	<u>30,723,520</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>\$ 400,909,673</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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	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	<u>36,869,595</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
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.

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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>

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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%) 	The estimated fair value would increase (decrease) if: <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%) 	The estimated fair value would increase (decrease) if: <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	·Net Asset Value	Not applicable

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<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.

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(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.

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(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
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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.

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PEGATRON CORPORATION AND SUBSIDIARIES
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(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>

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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	\$ <u>456,354</u>	<u>3,421,182</u>

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	\$ -	<u>8,258,365</u>
Range of interest rate	1%	<u>0.92%~1.00%</u>
Interest income	<u>\$ 50,328</u>	<u>130,141</u>

(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

	<u>For the years ended December 31</u>	
	<u>2022</u>	<u>2021</u>
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 :

<u>Assets pledged as security</u>	<u>Liabilities secured by pledge</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
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

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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)

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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 %

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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	601,478	686,057	-	(1,287,535)	-
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	335,299	461,592	91,703	(888,594)	-
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>

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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

No.	Creditor	Borrower	General ledger account	Is related party	Maximum outstanding balance during the year ended December 31, 2022	Balance at December 31, 2022	Actual amount drawn	Interest rate	Nature of loan (Note 1)	Amount of transactions with the borrower	Collateral		Allowance for doubtful accounts	Reason for short-term financing	Limit on loans granted to a single party	Ceiling on total loans granted (Note 2)
											Item	Value				
1	MAINTEK	GOTEK SUZOU	Other Receivables	Y	3,120,540	1,838,875	1,838,875	0.59%-2.593%	2	-	-	-	Financing	\$	3,120,540	
2	ASUSPOWER	PEGATRON	Other Receivables	Y	5,161,540	1,843,050	1,843,050	0.00%	2	-	-	-	Financing	6,577,714	5,161,540	
2	ASUSPOWER	ASUS INVESTMENT	Other Receivables	Y	1,274,776	625,709	625,709	0.00%	2	-	-	-	Financing	1,973,314	1,274,776	
2	ASUSPOWER	ASUSPOWER INVESTMENT	Other Receivables	Y	1,197,983	522,198	522,198	0.00%	2	-	-	-	Financing	1,973,314	1,197,983	
3	ASUSPOWER	PVN	Other Receivables	Y	1,535,875	1,535,875	1,535,875	0.00%	2	-	-	-	Financing	6,577,714	1,535,875	
3	CASETEK	PEGATRON	Other Receivables	Y	1,984,351	-	-	0.00%	2	-	-	-	Financing	4,671,852	1,984,351	
4	KTL	PEGATRON	Other Receivables	Y	537,256	-	-	0.00%	2	-	-	-	Financing	490,171	537,256	
5	DIGITEK CHONGQING	KACHUAN	Other Receivables	Y	307,175	307,175	307,175	0.83%	2	-	-	-	Financing	7,146,644	307,175	
6	Pegatron Investment	ASUSPOWER INVESTMENT	Other Receivables	Y	390,000	390,000	390,000	0.85%	2	-	-	-	Financing	398,443	390,000	
7	Pegatron Investment	ASUSPOWER INVESTMENT	Other Receivables	Y	200,000	200,000	200,000	0.85%	2	-	-	-	Financing	398,443	200,000	
8	RI TENG	ASUS INVESTMENT	Other Receivables	Y	190,000	190,000	190,000	0.85%	2	-	-	-	Financing	398,443	190,000	
8	RI TENG	RI SHAN	Short-Term Accounts Receivable	Y	3,748,942	-	-	1.00%	2	-	-	-	Business operation	1,160,475	3,748,942	
8	RI TENG	RI PRO	Short-Term Accounts Receivable	Y	132,316	132,316	132,316	1.00%	2	-	-	-	Business operation	2,320,950	132,316	
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	4,410,520	
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	1,764,208	
9	RH LIU	RI SHAN	Short-Term Accounts Receivable	Y	5,068,388	-	-	1.00%	2	-	-	-	Business operation	20,450,159	5,068,388	
10	CASETEK CAYMAN	PEGATRON	Short-Term Accounts Receivable	Y	7,065,025	7,065,025	7,065,025	0.00%	2	-	-	-	Business operation	44,532,173	7,065,025	
11	Aowave	Alpige	Other Receivables	Y	30,718	30,718	-	0.00%	2	-	-	-	Cash flow adequacy	819,710	30,718	

Note 1: Reference for the Nature of loan column

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

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

Note 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(RITEK) policy for loans granted, the ceiling on total loans granted to all parties is 40% of our(RITEK) 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 (RITEK) net assets.

According to our(RITEK) policy for loans granted, the ceiling on total loans granted to all parties is 40% of our(RITEK) 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 (RITEK) net assets.

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

According to our(CASETEK CAYMAN) policy for loans granted, the ceiling on total loans granted to all parties is 60% of our(CASETEK CAYMAN) 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 40% of our net assets.

According to our(Aowave) policy for loans granted to single party

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.

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

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

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

According to our(Aowave) policy for loans granted to 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)

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 guarantee amount as of December 31, 2022	Outstanding endorsement/ guarantee amount at December 31, 2022 (Note 3) (Note 4)	Actual amount drawn down	Amount of endorsements / guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/	Ceiling on total amount of endorsements/ guarantees provided (Note 2)	Provision of endorsements/ guarantees by parent company to subsidiary	Expressed in thousands of NTD Provision of endorsements/ guarantees by 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% of 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'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.

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				
	Category	Item			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	Footnote
"	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	As of December 31, 2022			Footnote	
	Category	Item	Number of shares			Book value	Ownership	Fair value		Footnote
	Fund	AMED	-	-	financial asset measured at fair value through profit or loss-Non current	172,127	NA	172,127		
"	Stock	BATOM CO., LTD.	-	3,000,000	financial asset measured at fair value through profit or loss-Non current	141,269	9.51%	141,269		
ASUS INVESTMENT	Stock	SPEED TECH CORPORATION	-	8,000,000	financial asset measured at fair value through profit or loss-Current	386,400	4.69%	386,400		
"	Stock	TAIWAN UNION TECHNOLOGY CORPORATION	-	277,000	financial asset measured at fair value through profit or loss-Current	14,238	0.10%	14,238		
"	Stock	TONG HSING ELECTRONIC INDUSTRIES, LTD.	-	40,500	financial asset measured at fair value through profit or loss-Current	7,736	0.03%	7,736		
"	Stock	Lightel Technologies Inc.	-	2,000,000	financial asset measured at fair value through other comprehensive income-Non current	64,384	7.66%	64,384		
"	Stock	PT Sat Nusapersada Tbk	-	531,434,100	financial asset measured at fair value through other comprehensive income-Non current	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	-	33,268	financial asset measured at fair value through profit or loss-Non current	22,096	0.80%	22,096		
"	Stock	Reed Semiconductor	-	819,616	financial asset measured at fair value through profit or loss-Non current	35,993	2.07%	35,993		
ASUSTEK INVESTMENT	Stock	BATOM CO., LTD.	-	1,084,000	financial asset measured at fair value through profit or loss-Non current	51,045	3.44%	51,045		
KINSUS	Fund	Mega Diamond Money Market Fund	-	21,355,432	financial asset measured at fair value through profit or loss-Current	272,192	NA	272,192		
"	Fund	Jih Sun Money Market Fund	-	17,776,549	financial asset measured at fair value through profit or loss-Current	267,907	NA	267,907		
KINSUS INVESTMENT	Fund	Taishin Ta-Chong Money Market Fund	-	829,070	financial asset measured at fair value through profit or loss-Current	11,964	NA	11,964		
"	Stock	Ethos Original Co., Ltd.	-	5,000,000	financial asset measured at fair value through other comprehensive income-Non current	50,000	7.49%	50,000		
"	Stock	Li Chang Finery Inc.	-	32,653	financial asset measured at fair value through other comprehensive income-Non current	1,000	1.01%	1,000		
Mayin	Fund	Mega Diamond Money Market Fund	-	392,329	financial asset measured at fair value through profit or loss-Current	5,001	NA	5,001		
PEGA VISION	Fund	Yuanta Wan Tai Money Market Fund	-	17,190,427	financial asset measured at fair value through profit or loss-Current	264,208	NA	264,208		
"	Fund	Yuanta De-Li Money Market Fund	-	18,482,095	financial asset measured at fair value through profit or loss-Current	306,237	NA	306,237		
BeautyTech	Fund	Yuanta Wan Tai Money Market Fund	-	2,733,974	financial asset measured at fair value through profit or loss-Current	42,020	NA	42,020		
"	Fund	Yuanta De-Li Money Market Fund	-	2,958,590	financial asset measured at fair value through profit or loss-Current	49,022	NA	49,022		

Notes to the Consolidated Financial Statements

Securities held by	Marketable securities			Relationship	General ledger account	As of December 31, 2022			Footnote		
	Category	Item	Fund			Number of shares	Book value	Ownership		Fair value	
Lumens		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	Eihos 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
RL-KUAN	Stock	Eihos 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 TWD\$300 million or 20% of the capital stock December 31, 2022

Investor	Marketable securities			Balance as at January 1, 2022			Addition			Disposal			Balance as of December 31, 2022				
	Category	Item	General Ledger account	Equity investments under equity method	Counterparty	Relationship with the investor	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Book Value	Gain (loss) on disposal	Number of shares	Amount (Note 1)	
																	Stock
PEGATRON	Stock	Pegatron Investment					-	-	-	100,000,000	\$	-	-	100,000,000	\$	996,108	
PEGATRON	Stock	Pegatron Investment	*				-	-	1,000,000	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	
Pegatron 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 (including machinery equipment and clean room)	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	Owner	If the counter-party is a related party, disclose the previous transfer information			Amount	References for determining price	Purpose of acquisition and current condition	Others
								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	Yansley 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 Batuninda 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

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	
PEGATRON	ASIA ROCK	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%)	Note 4	120 days on delivery	-	164,780	0.03%
PEGATRON	AzureWave	Note 2	Purchase	198,392	0.02%	Note 4	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%	Note 4	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	Purchase	(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%	Note 4	Open Account 60 Days	-	(74,532)	(0.02%)
PEGATRON	PTX	Note 2	Sale	(7,505,823)	(0.61%)	Note 4	Open Account 60 Days	-	2,820,902	0.56%
PTI	PEGATRON	Note 1	Purchase	12,918,571	96.10%	Note 4	Open Account 60 Days	-	(23,511,116)	(94.86%)
PCZ	PEGATRON	Note 1	Purchase	889,866	63.21%	Note 4	120 days on delivery	-	(164,780)	(71.78%)
RI DA	PEGATRON	Note 1	Sale	(369,112)	N/A	Note 4	Open Account 60 Days	-	74,532	N/A
PTX	PEGATRON	Note 1	Purchase	7,505,823	97.33%	Note 4	Open Account 60 Days	-	(2,820,902)	(99.34%)
POWTEK SHANGHAI	COTEK SUZHOU	Note 3	Purchase	19,464,616	99.91%	Note 4	Open Account 60 Days	-	(9,033,660)	(100.00%)
POWTEK SHANGHAI	PEGAGLOBE KUNSHAN	Note 3	Sale	(70,724,090)	(18.34%)	Note 4	Open Account 60 Days	-	31,185,056	24.87%
POWTEK SHANGHAI	PEGAGLOBE KUNSHAN	Note 3	Purchase	906,082	0.24%	Note 4	Open Account 60 Days	-	(694,310)	(0.47%)
POWTEK SHANGHAI	COTEK SUZHOU	Note 3	Purchase	420,531	0.11%	Note 4	Open Account 60 Days	-	(147,966)	(0.10%)
PEGAGLOBE KUNSHAN	PEGATRON	Note 1	Sale	(88,853,848)	(23.94%)	Note 4	Open Account 60 Days	-	118,727,109	98.45%
PEGAGLOBE KUNSHAN	PROTEK SHANGHAI	Note 3	Sale	(906,082)	(0.24%)	Note 4	Open Account 60 Days	-	694,310	0.58%
PEGAGLOBE KUNSHAN	PROTEK SHANGHAI	Note 3	Purchase	70,724,090	19.98%	Note 4	Open Account 60 Days	-	(31,185,056)	(25.23%)
PEGAGLOBE KUNSHAN	COTEK SUZHOU	Note 3	Purchase	156,673	0.04%	Note 4	Open Account 60 Days	-	(24,542)	(0.02%)
MAINTEK SUZHOU	COTEK SUZHOU	Note 3	Purchase	656,202	0.22%	Note 4	Open Account 60 Days	-	(74,085)	(0.13%)
MAINTEK SUZHOU	COTEK SUZHOU	Note 3	Sale	(18,686,517)	(5.91%)	Note 4	Open Account 60 Days	-	7,167,943	17.29%
MAINTEK SUZHOU	CASETEK SUZHOU	Note 3	Purchase	3,546,550	1.18%	Note 4	Open Account 60 Days	-	(349,825)	(0.61%)
MAINTEK SUZHOU	PEGATRON	Note 1	Sale	(14,486,004)	(41.74%)	Note 4	Open Account 60 Days	-	-	- %
MAINTEK SUZHOU	PEGATRON	Note 1	Purchase	12,908,922	67.99%	Note 4	Open Account 60 Days	-	(22,078,619)	(95.51%)
COTEK SUZHOU	MAINTEK SUZHOU	Note 3	Sale	(656,202)	(2.21%)	Note 4	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		Footnote
			Purchases (sales)	Amount	Percentage of total	Credit term	Unit price	Credit term	Balance	
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	-	-	(108,039)	(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			Differences in transaction terms compared to third party			Notes/accounts receivable		Footnote
			Purchases (sales)	Amount	Percentage of total (sales)	Credit term	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	(867,566)	(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	ASIAROCK	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	ASIAROCK	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	ASIAROCK	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	ASIAROCK	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%	
ASIAROCK	PEGATRON	Note 1	Purchase	484,345	4.87%	Open Account 90 Days	No other comparable vendors	No other comparable vendors	(112,304)	(3.55%)	
ASIAROCK	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%	
ASIAROCK	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%	
ASIAROCK	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%	
ASIAROCK	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%)	

Note 1 : Parent company

Note 2 : Subsidiary measured by equity method.

Note 3 : Affiliate

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

Notes to the Consolidated Financial Statements

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

Notes to the Consolidated Financial Statements

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2022	Turnover rate	Overdue Receivables		Amount collected subsequent to the balance sheet date	Expressed in thousands of NTD
					Amount	Action taken		
RI TENG	RI PRO	Affiliate	\$ 132,316	N/A	Note 1	\$ -	-	\$ -
	PROTEK SHANGHAI	Affiliate	4,410,520	N/A	Note 1	-	-	-
	PEGAGLOBE KUNSHAN	Affiliate	1,764,208	N/A	Note 1	-	-	-
ASROCK	ASRock America	Subsidiary measured by equity method	2,011,561	3.03	Times	-	-	-
	ASIAROCK	Subsidiary measured by equity method	176,151	1.66	Times	-	-	107,489
	ASROCK	Parent Company	1,031,901	13.25	Times	-	-	-
	ASRock Rack	Affiliate	393,806	5.97	Times	-	-	-
	ASRock Industrial	Affiliate	247,181	5.79	Times	-	-	39,376
	ASRock America	Affiliate	105,035	2.57	Times	-	-	-
ASRock Rack	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				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
				Balance as at December 31, 2022	Balance as at December 31, 2022	Number of shares	Ownership	Balance as at December 31, 2022	Balance as at December 31, 2022	Number of shares	Ownership				
PEGATRON	ASUSPOWER INVESTMENT	Taipei	Investing activities	\$ 13,033,429	\$ 13,033,429	932,844,700	100.00%	\$ 11,804,906	\$ 986,587	\$ 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	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	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)	(5,718,858)	(5,718,858)				
	PUSA	CA, USA	Sales and repair service center in North America	16,085	16,085	50,000	100.00%	18,712	(339)	(339)	(339)				
	PHH	Wijchen, NETHERLANDS	Investing activities	1,278,287	1,278,287	-	100.00%	3,339,681	222,049	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	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	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	480,799	480,173				
	CASETEK CAYMAN PAU	Cayman Islands Australia	Investing activities	14,717,122	14,717,122	1	100.00%	44,532,173	5,979,271	5,979,271	5,979,271				
			Sales and repair service center in Australia	139,088	139,088	6,000,000	100.00%	247,475	38,276	38,276	38,276				
			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	392,200	470,409				
			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	8,374	9,579				
			Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts	429,459	429,459	-	100.00%	229,267	(15,122)	(15,122)	(16,051)				
			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)	(1,148,900)	(1,143,022)				
			Sales center in North America	144,033	27,813	500	100.00%	284,492	166,890	166,890	166,890				
			Sales center in North America	1,498,950	278,125	5,000	100.00%	1,551,506	13,988	13,988	13,988				
			Investing activities	1,000,000	-	100,000,000	100.00%	996,108	(3,892)	(3,892)	(3,892)				
			Investing activities	1,000,000	-	100,000,000	100.00%	996,108	(3,892)	(3,892)	(3,892)				
			Investing activities	500,000	-	50,000,000	50.00%	494,884	(10,231)	(10,231)	Not required to disclose				
			Investing activities	500,000	-	50,000,000	50.00%	494,884	(10,231)	(10,231)	Not required to disclose				
			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	11,425	Not required to disclose				
			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	6,976,792	Not required to disclose				
			Selling motherboards, related product development and design	82,626	82,626	2,791,000	2.29%	185,953	1,078,380	1,078,380	Not required to disclose				
			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	295,122	Not required to disclose				
			Developing, manufacturing and selling computer data projectors and related peripherals	508,932	508,932	10,043,490	50.22%	1,118,898	174,676	174,676	Not required to disclose				
			Manufacture medical appliances	70,721	70,721	5,480,121	7.83%	503,208	1,543,185	1,543,185	Not required to disclose				
			Investing and trading activities	3,752,682	3,752,682	109,000,000	31.23%	2,054,220	23,652	23,652	Not required to disclose				

Expressed in thousands of NTD

Notes to the Consolidated Financial Statements

Expressed in thousands of NTD

Shares held as at December 31, 2022

Investor	Investee	Location	Nature of business	Initial investment amount		Shares held as at December 31, 2022			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
				Balance as at December 31, 2022	Balance as at December 31, 2022	Number of shares	Ownership					
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%	707,656	(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		
	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		
ASUS INVESTMENT	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		
	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		
ASUSTEK INVESTMENT	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		
	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		
	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		

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Investor	Investee	Location	Nature of business	Initial investment amount		Shares held as at December 31, 2022		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
				Balance as at December 31, 2022	Balance as at December 31, 2022	Number of shares						
PEGA HOLDING	ASLINK	Cayman Islands	Investing and trading activities	\$ 6,917,787	\$ 6,917,787	229,711,968	\$	100.00%	18,027,333	(847,973)	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%	2,888,049	250,874	Not required to disclose	
	TOP OUARTK	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	
	POTEK 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 USA	CA, USA	Designing subcontracts, 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 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	
	POTEK CAYMAN	Cayman Islands	Investing activities	2,896,937	2,896,937	95,755,000		51.00%	(43,557)	(246,690)	Not required to disclose	
	POTEK	Virgin Islands	Investing activities	4,295,560	4,295,560	139,840,790		100.00%	(85,395)	(246,690)	Not required to disclose	
	POTEK H.K.	HongKong	Trading activities	799	799	200,000		100.00%	66,411	(3,572)	Not required to disclose	
	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	
	BeautyTech	Taoyuan	Selling medical appliances and cosmetics	107,500	40,000	8,500,000		85.00%	221,349	114,108	Not required to disclose	
	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	
	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 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 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	
	ASIA ROCK	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	
	ASLade	Taipei	Information software service	216,563	103,125	17,325,000		82.50%	172,490	(52,876)	Not required to disclose	
ASIA ROCK	Soaring	HongKong	Trading activities	592	592	150,000		100.00%	592	1	Not required to disclose	
	NETHERLANDS	Nijmegen, CA, USA	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	
	CaRock	CA, USA	Office building leasing	61,435	61,435	2,000,000		100.00%	64,978	(1,131)	Not required to disclose	
	Orweb	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	
	Firstplace	Virgin Islands	Investing and holding activities	62,971	62,971	2,050,000		100.00%	59,617	(52,186)	Not required to disclose	
	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	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	
	PTSI	Samoa	Investing activities	7,679	7,679	250,000		100.00%	31,579	6,285	Not required to disclose	
	UNIHAN	Brazil	Maintenance service	19,966	19,966	-		100.00%	6,650	(857)	Not required to disclose	
	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	
CASETEK	SLIITEK	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	

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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			
AzureWave	Azwave	Samoa	Investing activities	\$ 2,173,438	\$ 2,173,438	70,177,000	100.00%	\$ -	2,049,276	Not required to disclose	
	EZWAVE	New Taipei City	Information products service	5,015	5,015	500,000	100.00%	(714)	(23,824)	Not required to disclose	
	AzureWave Shanghai	New Taipei City	Designing, manufacturing and trading computer products	25,000	25,000	2,000,000	100.00%	3,924	36,330	Not required to disclose	
CASETEK CAYMAN	Azurewave USA	CA, USA	Market development activities	19,820	19,820	650,000	100.00%	1,048	1,048	Not required to disclose	
	RHLI	Samoa	Investing activities	23,546,072	23,546,072	581,331,000	100.00%	4,245,896	34,300,346	Not required to disclose	
	RL-KUAN	Taipei	Selling iron and aluminum products	309,683	309,683	30,000,000	100.00%	114,920	719,499	Not required to disclose	
	APLUS	Cayman Islands	Investing and trading activities	987,710	987,710	38,300,000	100.00%	26,886	898,255	Not required to disclose	
	MEGA	Samoa	Trading activities	30,718	30,718	1,000,000	100.00%	1,593	57,046	Not required to disclose	
APLUS RL-KUAN ASUSPOWER	PMX	Chihuahua, Mexico	Manufacture of consumer electronics and electronics parts	1,535,875	-	-	44.63%	(22,125)	1,527,436	Not required to disclose	
	UNITED	Samoa	Investing and trading activities	1,176,480	1,176,480	38,300,000	100.00%	26,886	898,255	Not required to disclose	
	RTENG	CA, USA	Market survey	7,065	7,065	230,000	100.00%	(648)	7,384	Not required to disclose	
	Dynaflex	Cayman Islands	Investing activities	257,245	-	6,429	12.86%	32,107	249,955	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.

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

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

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan as of January 1, 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 (Note 2, 3)	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 3)	Manufacture, develop and research and sale of power supplier, new electronic component, computer case, and computer system. Repair of laptop, notebook and related product	7,021,713 USD 228,250,000	Through setting up company in the third area, the Company then invest in the investee in Mainland China.	\$ 5,530,854 USD 176,800,000	\$ - -	\$ 5,530,854 USD 176,800,000	(51,099,377) (USD 3,635,614)	100%	(51,099,377) (USD 3,635,614)	\$ 52,075,511 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 cellphones, medium and large sized computer, portable computer, printing machine and electrical component, and providing after-sales service	9,460,990 USD 308,000,000	Through setting up company in the third area, the Company then invest 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 invest in the investee in Mainland China.	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)	-	
COTEC 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 invest in the investee in Mainland China.	2,119,508 USD 69,000,001	-	2,119,508 USD 69,000,001	249,123 USD 8,369,756	100%	249,123 USD 8,369,756	221,5651 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 invest 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 invest 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 invest 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 test equipment, large and medium-sized electronic computers, portable microcomputers, high-ends servers, large-capacity optical, disk 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 invest 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)	171,135,835 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 invest 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 invest 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	577,556 USD 17,500,000	Through setting up company in the third area, the Company then invest in the investee in Mainland China.	753,797 USD 24,507,092	-	753,797 USD 24,507,092	56,534 USD 1,899,018	100%	56,534 USD 1,899,018	617,193 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 invest 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 self-manufactured products	307,175 USD 10,000,000	Through setting up company in the third area, the Company then invest 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 7,733,739	-	

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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 (Note 2, (2))	Book value of investments in Mainland China as of December 31, 2022	Accumulated amount of investment income carried 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 invest in the investee in Mainland China.	536,861 USD 1,200,000	\$ -	\$ -	536,861 USD 1,200,000	(820,307) USD 682,287	20%	(84,061) USD 136,453	(84,314) 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 invest 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 invest 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 invest in the investee in Mainland China.	185,096 USD 6,025,762	-	-	185,096 USD 6,025,762	-	-	-	-	-
Shzhou Esate (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 invest 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 invest 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 invest in the investee in Mainland China.	19,444 USD 633,000	-	-	19,444 USD 633,000	-	-	-	-	-
Heilongjiang Hongtie (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 invest in the investee in Mainland China.	13,602 USD 442,800	-	-	13,602 USD 442,800	-	-	-	-	-
Sizhou Lianshuo (Note 6)	Manufacture of plugs	214,545 USD 6,984,441	Through setting up company in the third area, the Company then invest 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 invest in the investee in Mainland China.	602,063 USD 19,600,000	-	-	602,063 USD 19,600,000	-	-	-	-	-
Imbang (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 invest 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 invest 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 invest 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 invest 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	7,756,500 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 invest 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

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 (Note 2, (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						
Luxshare (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	\$271,072,477 USD 882,469,186	-	

Expressed in thousands of NTD

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 Commission of the Ministry of Economic Affairs (MOEA) (Note 15, 18 and 20)	Accumulated amount of remittance from Taiwan to Mainland China / Amount remitted back to Taiwan for the year ended December 31, 2022	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 4)
63,607,648 USD 2,070,729,979.74	Investment Commission of the Ministry of Economic Affairs (MOEA) (Note 15, 18 and 20) 68,183,276 USD 2,219,688,304.74	63,607,648 USD 2,070,729,979.74	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 included and audited by mainland area in which has cooperative relationship with accounting firm in R.O.C.

2. Financial statements included and audited by mainland area in which has cooperative relationship with accounting firm in R.O.C.

3. Others: The financial statements of investee 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 earnings of (USD51,790,000).

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

Note 7 : POTEK SUZHOU'S paid-in capital includes capital increase by retained earnings of USD27,000,000. The ownership percentage includes shares held by other subsidiaries.

Note 8 : The Group has disposed of shares of Inoked 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 Heliangjiang Hongjie. As of December 31, 2022, the funds have not been remitted.

Note 12 : Hongsheng 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-Pack. As of December 31, 2022, the funds have not been remitted.

Note 15 : Due to the reinvestment of this 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 USD17,212,39.04 between the accumulated amounts of remittance from Taiwan to Mainland China as of December 31, 2022, the funds have not been remitted.

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

Note 18 : The merger of CASITEK 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, AAK 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)	General ledger account	Transaction		Percentage of consolidated total operating revenues or total assets
					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				Percentage of consolidated total operating revenues or total assets
			Relationship (Note 1)	General ledger account	Amount	Transaction terms (Note 2)	
19	ASIA ROCK	ASROCK	2	Accounts Receivables	\$ 1,031,901	-	0.16%
19	ASIA ROCK	ASRock Industrial	3	Sales	1,004,059	-	0.08%
19	ASIA ROCK	ASRock Industrial	3	Accounts Receivables	247,181	-	0.04%
19	ASIA ROCK	ASRock Rack	3	Sales	1,481,506	-	0.11%
19	ASIA ROCK	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.

Attachment II

(English Translation of Financial Report Originally Issued in Chinese)

PEGATRON CORPORATION

NON-CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

(With Independent Accountants' Audit Report Thereon)

Independent Auditors' Report

To the Board of Directors of Pegatron Corporation:

Opinion

We have audited the financial statements of Pegatron Corporation (“the Company”), which comprise the statement of financial position as of December 31, 2022 and 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to Other Matter paragraph), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the 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 Financial Statements section of our report. We are independent of the Company 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 financial statements for the year ended December 31, 2022 of Pegatron Corporation. Those matters have been addressed in our audit opinion on the said 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(n) of the notes to financial statements.

(a) Key audit matters:

The timing for recognition of revenue and the transfer of control 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 Company 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 financial reports for the years ended December 31, 2022 and 2021 of Pegatron Corporation.

(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 revenues.
- Performing cut-off test for revenues during the periods before and after the balance sheet date.

2. Inventory valuation

Please refer to notes 4(g), 5 and 6(f) of the notes to 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 the products change fast and the industry in which the Company 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 measurement adopted by the Company is reasonable.

Other Matter

We did not audit the financial statements of certain investees, which represented investments in other entities accounted for using the equity method of the Company. 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 investees, is based solely on the reports of other auditors. The investments in those investees accounted for using the equity method constituting 5.94% and 5.21% of total assets at December 31, 2022 and 2021, respectively, and the related share of profit of subsidiaries, associates and joint ventures accounted for using the equity method constituting 43.97% and 24.04% of total profit before tax for the years then ended respectively.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing Pegatron Corporation'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 Company 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 Pegatron Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 financial statements, whether due to fraud or error, design and performed audit procedures responsive to those risks, and obtained 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 Pegatron Corporation'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 Pegatron Corporation'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 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 Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the 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 financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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 parent company only financial statements are intended only to present the financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such parent company only financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' audit report and the accompanying parent company only 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 parent company only financial statements, the Chinese version shall prevail.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

PEGATRON CORPORATION

Balance Sheets

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2022		December 31, 2021		
	Amount	%	Amount	%	
Assets					
Current assets:					
1100	Cash and cash equivalents (Note 6(a))	\$ 13,716,368	2	22,587,554	3
1110	Current financial assets at fair value through profit or loss (Note 6(b))	568,065	-	566,105	-
1170	Notes and accounts receivable, net (Notes 6(d) and (u))	165,851,319	21	231,788,533	31
1180	Accounts receivable due from related parties, net (Notes 6(d) and 7)	338,114,133	43	246,808,995	33
1200	Other receivables, net (Notes 6(e) and 7)	77,252	-	460,024	-
130X	Inventories (Note 6(f))	49,670,316	7	40,106,368	5
1476	Other current financial assets (Notes 6(k) and 8)	117,121	-	22,414,111	3
1479	Other current assets (Note 6(k))	<u>256,694</u>	<u>-</u>	<u>473,003</u>	<u>-</u>
		<u>568,371,268</u>	<u>73</u>	<u>565,204,693</u>	<u>75</u>
Non-current assets:					
1510	Non-current financial assets at fair value through profit or loss (Note 6(b))	937,017	-	691,925	-
1520	Non-current financial assets at fair value through other comprehensive income (Note 6(c))	672,647	-	1,015,597	-
1550	Investments accounted for using equity method (Note 6(g))	199,733,135	26	177,850,696	24
1600	Property, plant and equipment (Note 6(h))	9,816,894	1	10,529,131	1
1755	Right-of-use assets (Note 6(i))	469,895	-	428,808	-
1780	Intangible assets (Note 6(j))	115,105	-	118,522	-
1840	Deferred tax assets (Note 6(q))	860,494	-	868,194	-
1980	Other non-current financial assets (Notes 6(k) and 8)	<u>37,373</u>	<u>-</u>	<u>29,275</u>	<u>-</u>
		<u>212,642,560</u>	<u>27</u>	<u>191,532,148</u>	<u>25</u>
Total assets		\$ <u>781,013,828</u>	<u>100</u>	<u>756,736,841</u>	<u>100</u>

See accompanying notes to financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
PEGATRON CORPORATION

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(l))	\$ 51,484,097	7	48,168,420	7
2130	Current contract liabilities (Note 6(u))	725,074	-	733,952	-
2150	Notes and accounts payable	182,173,167	23	243,070,527	32
2180	Accounts payable to related parties (Note 7)	267,478,322	34	215,469,688	29
2219	Other payables (Notes 6(p), 7 and 9)	21,344,266	3	19,247,973	2
2230	Current tax liabilities	1,633,966	-	63,504	-
2281	Current lease liabilities (Note 6(o))	134,186	-	103,027	-
2321	Bonds payable, current portion (Note 6(n))	4,500,000	1	2,000,000	-
2322	Long-term loans payable, current portion (Note 6(m))	1,467,983	-	336,111	-
2399	Other current liabilities (Notes 6(m) and 7)	33,002,523	4	22,782,716	3
		<u>563,943,584</u>	<u>72</u>	<u>551,975,918</u>	<u>73</u>
Non-Current liabilities:					
2530	Bonds payable (Note 6(n))	30,376,992	4	34,869,595	5
2540	Long-term loans (Note 6(m))	3,455,414	1	2,823,149	-
2570	Deferred tax liabilities (Note 6(q))	290,000	-	-	-
2580	Non-current lease liabilities (Note 6(o))	339,569	-	328,299	-
2650	Credit balance of investments accounted for using equity method (Note 6(g))	-	-	9,563	-
2670	Other non-current liabilities (Notes 6(m), (p) and 7)	119,704	-	125,772	-
		<u>34,581,679</u>	<u>5</u>	<u>38,156,378</u>	<u>5</u>
	Total liabilities	<u>598,525,263</u>	<u>77</u>	<u>590,132,296</u>	<u>78</u>
Equity (Notes 6(r) and (s)):					
3100	Share capital	26,676,337	3	26,691,316	4
Capital surplus:					
3210	Capital surplus, premium on capital stock	78,703,620	10	78,057,441	10
3280	Capital surplus, others (Notes 6(j) and (w))	4,648,384	1	5,263,867	1
		<u>83,352,004</u>	<u>11</u>	<u>83,321,308</u>	<u>11</u>
Retained earnings:					
3310	Legal reserve	17,721,898	2	15,698,039	2
3320	Special reserve	20,918,849	3	15,866,201	2
3350	Unappropriated retained earnings	41,419,117	5	46,661,789	6
		<u>80,059,864</u>	<u>10</u>	<u>78,226,029</u>	<u>10</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 (losses) 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)	-
	Total equity	<u>182,488,565</u>	<u>23</u>	<u>166,604,545</u>	<u>22</u>
	Total liabilities and equity	<u>\$ 781,013,828</u>	<u>100</u>	<u>756,736,841</u>	<u>100</u>

See accompanying notes to financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
PEGATRON CORPORATION

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(u) and 7)	\$ 1,237,258,843	100	1,169,584,218	100
4170	Less: Sales returns and allowances	<u>4,872,775</u>	-	<u>1,451,116</u>	-
	Operating revenue, net	1,232,386,068	100	1,168,133,102	100
5000	Cost of sales (Notes 6(f), (o), (p), (s), (v) and 7)	<u>1,203,048,944</u>	<u>98</u>	<u>1,152,860,663</u>	<u>99</u>
5900	Gross profit from operations	29,337,124	2	15,272,439	1
5910	Less: Unrealized profit (loss) from sales	<u>387,516</u>	-	<u>10,301</u>	-
5950	Gross profit from operations	<u>28,949,608</u>	<u>2</u>	<u>15,262,138</u>	<u>1</u>
6000	Operating expenses (Notes 6(d), (o), (p), (s), (v) and 7):				
6100	Selling expenses	2,621,605	-	1,969,383	-
6200	General and administrative expenses	2,664,612	-	2,621,126	-
6300	Research and development expenses	<u>8,428,067</u>	<u>1</u>	<u>8,298,282</u>	<u>1</u>
6300	Total operating expenses	<u>13,714,284</u>	<u>1</u>	<u>12,888,791</u>	<u>1</u>
	Net operating income	<u>15,235,324</u>	<u>1</u>	<u>2,373,347</u>	-
	Non-operating income and expenses:				
7100	Interest income (Note 6(w))	304,242	-	120,434	-
7010	Other income (Notes 6(w) and 7)	873,138	-	892,562	-
7020	Other gains and losses (Notes 6(w) and 7)	(1,166,606)	-	1,071,465	-
7050	Finance costs (Notes 6(d), (n), (o) and (w))	(1,015,034)	-	(576,389)	-
7070	Share of profit of subsidiaries, associates and joint ventures accounted for using equity method, net (Note 6(g))	<u>3,680,616</u>	-	<u>17,182,275</u>	<u>1</u>
	Total non-operating income and expenses	<u>2,676,356</u>	-	<u>18,690,347</u>	<u>1</u>
	Profit from continuing operations before tax	17,911,680	1	21,063,694	1
7950	Less: Income tax expenses (Note 6(q))	<u>2,815,500</u>	-	<u>518,051</u>	-
	Profit for the year	<u>15,096,180</u>	<u>1</u>	<u>20,545,643</u>	<u>1</u>
8300	Other comprehensive income (Note 6(r)):				
8310	Components of other comprehensive income (loss) that will not be reclassified to profit or loss				
8311	Gains (losses) on remeasurements of defined benefit plans	1,053	-	8,010	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(342,950)	-	518,567	-
8330	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	2,040	-	4,507	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
	Total components of other comprehensive income (loss) that will not be reclassified to profit or loss	<u>(339,857)</u>	-	<u>531,084</u>	-
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8380	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	13,759,997	1	(3,722,550)	-
8399	Income tax related to components of other comprehensive income (loss) that will be reclassified to profit or loss	-	-	-	-
	Total components of other comprehensive income (loss) that will be reclassified to profit or loss	<u>13,759,997</u>	<u>1</u>	<u>(3,722,550)</u>	-
8300	Other comprehensive income, net	<u>13,420,140</u>	<u>1</u>	<u>(3,191,466)</u>	-
8500	Total comprehensive income for the year	<u>\$ 28,516,320</u>	<u>2</u>	<u>17,354,177</u>	<u>1</u>
	Earnings per share, net of tax (Note 6(t))				
9750	Basic earnings per share	<u>\$ 5.66</u>		<u>7.71</u>	
9850	Diluted earnings per share	<u>\$ 5.60</u>		<u>7.62</u>	

See accompanying notes to financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
PEGATRON CORPORATION

Statements of Changes in Equity

For the years ended December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings					Total other equity interest					
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Deferred compensation cost	Treasury stock	Total equity
Balance at 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)	-	162,594,581
Profit for the year	-	-	-	-	20,545,643	20,545,643	-	-	-	-	20,545,643
Other comprehensive income (loss) for the year	-	-	-	-	8,678	8,678	(3,722,550)	522,406	-	-	(3,191,466)
Total comprehensive income (loss) for the year	-	-	-	-	20,554,321	20,554,321	(3,722,550)	522,406	-	-	17,354,177
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)
Changes in equity of associates and joint ventures accounted for using equity method	-	20,862	-	-	(409,874)	(409,874)	-	-	-	-	(389,012)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	(159,173)	-	-	-	-	(1,832,185)	-	-	-	(1,991,358)
Changes in ownership interests in subsidiaries	-	(55,620)	-	-	-	-	-	-	-	-	(55,620)
Share-based payment transactions	75,740	-	-	-	-	-	-	-	-	-	75,740
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	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
Compensation cost arising from restricted shares of stock	-	491,229	-	-	-	-	-	433,958	-	-	925,187
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)	(2,558)	166,604,545
Profit for the year	-	-	-	-	15,096,180	15,096,180	-	-	-	-	15,096,180
Other comprehensive income (loss) for the year	-	-	-	-	24,951	24,951	13,759,997	(364,808)	-	-	13,420,140
Total comprehensive income (loss) for the year	-	-	-	-	15,121,131	15,121,131	13,759,997	(364,808)	-	-	28,516,320
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)
Changes in equity of associates and joint ventures accounted for using equity method	-	149,964	-	-	-	-	-	-	-	-	149,964
Changes in ownership interests in subsidiaries	-	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
Compensation cost arising from restricted shares of stock	-	(151,742)	-	-	-	-	-	643,824	-	-	492,082
Balance at 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)	(7,103)	182,488,565

See accompanying notes to financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
PEGATRON CORPORATION

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 before tax	\$ 17,911,680	21,063,694
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	1,273,319	1,180,153
Amortization expense	52,496	74,454
Expected credit loss (reversal gain)	59,020	(16,136)
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	220,707	(96,293)
Interest expense	1,002,488	566,392
Interest income	(304,242)	(120,434)
Dividend income	(66,075)	(36,480)
Compensation cost arising from employee stock options	614,728	972,947
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	(3,680,616)	(17,182,275)
Gain on disposal of property, plant and equipment	(6,213)	(999)
Property, plant and equipment charged to expenses	11,063	27,250
Gain on disposal of intangible assets	-	(19)
Other payables	-	1,635,444
Unrealized loss (profit) from sales	387,516	10,301
Amortization of issuance costs on bonds payable	7,397	5,813
Effect of movement in exchange rate	-	243,271
Gain on lease remeasurement	-	(7)
Government grants income	(18,136)	(13,232)
Total adjustments to reconcile profit (loss)	(446,548)	(12,749,850)
Changes in operating assets and liabilities:		
Changes in operating assets:		
Increase in financial assets at fair value through profit or loss	(467,759)	(171,232)
Increase in notes and accounts receivable	(25,426,944)	(65,905,736)
Decrease in other receivables	367,206	31,916
Increase in inventories	(9,563,948)	(4,275,035)
Decrease in other current assets	177,697	110,367
Decrease in other financial assets	22,296,990	10,573,982
Total changes in operating assets	(12,616,758)	(59,635,738)
Changes in operating liabilities:		
Decrease (increase) in contract liabilities	(8,878)	9,244
Decrease (increase) in notes and accounts payable	(8,888,726)	78,619,481
Decrease in other payables	(652,548)	(256,832)
(Decrease) increase in other current liabilities	10,219,725	(345,159)
Increase in other non-current liabilities	(695)	17,814
Total changes in operating liabilities	668,878	78,044,548
Total changes in operating assets and liabilities	(11,947,880)	18,408,810
Total adjustments	(12,394,428)	5,658,960
Cash inflow generated from operations	5,517,252	26,722,654
Interest received	319,808	158,804
Dividends received	66,075	2,727,059
Interest paid	(839,025)	(545,762)
Income taxes paid	(719,954)	(733,158)
Net cash flows from operating activities	4,344,156	28,329,597

PEGATRON CORPORATION

Statements of Cash Flows (CONT'D)

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	For the year ended December 31	
	2022	2021
Cash flows from investing activities:		
Acquisition of investments accounted for using equity method	(4,678,270)	(21,862,660)
Acquisition of property, plant and equipment	(868,811)	(1,326,808)
Proceeds from disposal of property, plant and equipment	94,519	31,424
Acquisition of intangible assets	(59,494)	(101,036)
Proceeds from disposal of intangible assets	-	236
(Increase) decrease in other financial assets	(8,098)	3,118,070
Decrease in other non-current assets	-	5,253
Net cash flows used in investing activities	(5,520,154)	(20,135,521)
Cash flows from financing activities:		
Increase (decrease) in short-term loans	3,315,677	(10,961,818)
Proceeds from issuing bonds	-	12,385,600
Repayments of bonds	(2,000,000)	(1,000,000)
Proceeds from long-term loans	2,100,000	-
Repayments of long-term loans	(336,111)	-
Increase in other payables to related parties	2,707,083	272,669
Repayments of lease liabilities	(119,942)	(87,907)
Cash dividends paid	(13,343,303)	(11,982,931)
Issuance of restricted stock	-	75,740
Redemption of restricted stock	(18,592)	(15,719)
Net cash flows used in financing activities	(7,695,188)	(11,314,366)
Net decrease in cash and cash equivalents	(8,871,186)	(3,120,290)
Cash and cash equivalents, beginning of the year	22,587,554	25,707,844
Cash and cash equivalents, end of the year	\$ 13,716,368	22,587,554

See accompanying notes to financial statements.

PEGATRON CORPORATION

Notes to the 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.

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

The accompanying non-consolidated financial statements were authorized for issue 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 Company has initially adopted the following new amendments, which do not have a significant impact on its 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”

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

The Company 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 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”

(Continued)

PEGATRON CORPORATION
Notes to the Financial Statements

- (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 Company, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

<u>Standards or Interpretations</u>	<u>Content of amendment</u>	<u>Effective date per IASB</u>
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

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

The Company 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 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”

(Continued)

PEGATRON CORPORATION
Notes to the Financial Statements

(4) Summary of significant accounting policies:

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

(a) Statement of compliance

The non-consolidated financial statements are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(b) Basis of preparation

(i) Basis of measurement

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

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

(ii) Functional and presentation currency

The functional currency of each Company entities is determined based on the primary economic environment in which the entities operate. The non-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) Foreign currency

(i) Foreign currency transaction

Transactions in foreign currencies are translated into the respective functional currencies of Company entities at the 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. Nonmonetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

(Continued)

PEGATRON CORPORATION
Notes to the Financial Statements

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

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

(ii) Foreign operations

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

However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportion of the translation difference is allocated to non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Company 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 planned nor likely to occur in the foreseeable future. Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

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

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PEGATRON CORPORATION
Notes to the Financial Statements

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

- (i) It is expected to be settled in the 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 Company does not have an unconditional right to defer settlement of the liability 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.

(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments 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 cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(f) Financial assets

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

(i) Financial assets

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company 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:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

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PEGATRON CORPORATION
Notes to the Financial Statements

- 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:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- 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 Company, therefore, those receivables are measured at FVOCI. However, they are included in the ‘ accounts receivables’ line item.

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

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

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

Dividend income is recognized in profit or loss on the date on which the Company’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 Company 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.

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PEGATRON CORPORATION
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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 Company 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:

- 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;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- 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;
- 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 Company's continuing recognition of the assets.

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

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

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

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company 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 Company considers:

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

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

6) Impairment of financial assets

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

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

- debt securities that are determined to have low credit risk at the reporting date; and
- 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 receivables is 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 Company 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 Company's historical experience and informed credit assessment as well as forward-looking information.

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

The Company 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 Company in full.

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

12-months ECL are the portion of ECL 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 ECL is the maximum contractual period over which the Company is exposed to credit risk.

ECL 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 Company in accordance with the contract and the cash flows that the Company expects to receive). ECL are discounted at the effective interest rate of the financial asset.

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PEGATRON CORPORATION
Notes to the Financial Statements

At each reporting date, the Company 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:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 180 days past due;
- 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;
- it is probable that the borrower will enter bankruptcy or other financial reorganization;
or
- the disappearance of an active market for a security because of financial difficulties.

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

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company 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 Company 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 Company's procedures for recovery of amounts due.

7) Derecognition of financial assets

The Company 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 Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company 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.

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PEGATRON CORPORATION
Notes to the Financial Statements

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

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

3) Treasury shares

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

4) Financial liabilities

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

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

5) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company 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.

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PEGATRON CORPORATION
Notes to the Financial Statements

6) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to offset the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

7) 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 Company 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 Company 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. Thereafter, the Company will apply applied the policies on accounting for modifications to the additional changes.

(g) 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.

(h) Subsidiaries

The subsidiaries in which the Company holds controlling interest are accounted for under equity method in the non-consolidated financial statements. Under equity method, the net income, other comprehensive income and equity in the non-consolidated financial statement are the same as those attributable to the owners of parent in the consolidated financial statements.

The changes in ownership of the subsidiaries not causing losing controls, are recognized as equity transaction.

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PEGATRON CORPORATION
Notes to the Financial Statements

(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 any 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 Company.

(iii) Depreciation

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

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

Buildings	1-50 years
Machinery equipment	3-7 years
Instrument equipment	2-3 years
Other facilities	1-10 years

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

(iv) Reclassification to investment property

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

(j) Leases

At inception of a contract, the Company 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.

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PEGATRON CORPORATION
Notes to the Financial Statements

(i) As a lessee

The Company 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 Company's incremental borrowing rate. Generally, the Company 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;
- 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 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 Company's estimate of the amount expected to be payable under a residual value guarantee; or
- 3) there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset; or
- 4) there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- 5) there is any lease modifications

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.

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PEGATRON CORPORATION
Notes to the Financial Statements

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 Company 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 Company 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 Company elects not to assess 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 to 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 Company 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 Company 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 Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

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

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

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PEGATRON CORPORATION
Notes to the Financial Statements

(k) Intangible assets

(i) Recognition and measurement

Other intangible assets that are acquired by the Company 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 expenditure, 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 lives for current and comparative periods are as follows:

Computer software	3 – 20 years
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Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(l) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

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.

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PEGATRON CORPORATION
Notes to the Financial Statements

(m) Provisions

A provision is recognized if, as a result of a past event, the Company 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.

(n) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company 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 Company's main types of revenue are explained below.

(i) Sale of good

The Company 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 Company has objective evidence that all criteria for acceptance have been satisfied.

The Company grants its main customers the right to return the product within certain period. Therefore, the Company 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 Company 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 Company has a right to an amount of consideration that is unconditional.

(ii) Services

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

(iii) Financing components

The Company 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 Company does not adjust any of the transaction prices for the time value of money.

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PEGATRON CORPORATION
Notes to the Financial Statements

(o) Government grants

The Company recognizes an unconditional government grant 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 Company 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 Company 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.

The Company 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.

(p) 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 Company'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 Company, 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 Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

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

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PEGATRON CORPORATION
Notes to the Financial Statements

(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 Company 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.

(q) 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.

(r) Income Taxes

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

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

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except 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;

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PEGATRON CORPORATION
Notes to the Financial Statements

- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

Deferred 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 Company 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.
- (s) Business combination

The Company 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 Company 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.

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

In a business combination achieved in stages, the Company 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 Company 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 Company 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.

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PEGATRON CORPORATION
Notes to the Financial Statements

All transaction costs relating to business combination are recognized immediately as expenses when 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 Company's financial statements. During the measurement period, the provisional amounts recognized are retrospectively adjusted at the acquisition date, or additional assets or liabilities are recognized to reflect new information obtained about facts and circumstances that existed as of the acquisition date. The measurement period shall not exceed one year from the acquisition date.

Business combinations under common control are accounted for in the non-consolidated accounts prospectively from the date the Company acquires the ownership interest. Assets and liabilities of the merged entities are recognized at their carrying amount in the non-consolidated financial statements.

(t) Earnings per share

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

(u) Operating segments

Please refer to the consolidated financial report of Pegatron Corporation for the years ended December 31, 2022 and 2021 for operating segments information.

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

The preparation of the financial statements in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers 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 next period.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the non-consolidated financial statements is as follows:

- Please refer to the consolidated financial statement for the years ended December 31, 2022 and 2021 for judgment regarding control of subsidiaries.

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PEGATRON CORPORATION
Notes to the Financial Statements

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 Company 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.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand	\$ 150	150
Demand deposits	12,216,218	21,421,306
Time deposits	-	1,000,000
Cash equivalents-repurchase bonds	1,500,000	166,098
	\$ 13,716,368	22,587,554

(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(k) and 8 for details.

(ii) Please refer to Note 6(x) for the fair value sensitivity analysis and interest rate risk of the financial assets and liabilities of the Company.

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

	December 31, 2022	December 31, 2021
Current mandatorily measured at fair value through profit or loss:		
Non-derivative financial assets		
Shares of stock of listed companies	\$ 453,255	566,105
Shares of emerging stock of listed companies	114,810	-

(Continued)

PEGATRON CORPORATION
Notes to the Financial Statements

	December 31, 2022	December 31, 2021
	<u> </u>	<u> </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
Beneficiary certificates	<u>735,767</u>	<u>471,075</u>
Total	<u>\$ 1,505,082</u>	<u>1,258,030</u>

- (i) Please refer to Note 6(w) for re-measurement at fair value recognized in profit or loss.
 - (ii) Please refer to Note 6(x) for credit risk and market risk.
 - (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
	<u> </u>	<u> </u>
Equity instruments at fair value through other comprehensive income:		
Shares of stock of listed companies	<u>\$ 672,647</u>	<u>1,015,597</u>

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

The Company 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 year ended December 31, 2022 and 2021, the Company has recognized the dividend income of \$33,135 thousand and \$16,259 thousand, respectively. Dividends are recognized as other income – non-operating income and expenses. Please refer to Note 6(w).

No strategic investments were disposed for the year ended December 31, 2022, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

- (ii) Please refer to Note 6(x) for credit risk and market risk.
- (iii) The aforesaid financial assets were not pledged as collateral.

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PEGATRON CORPORATION
Notes to the Financial Statements

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

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

	December 31, 2022	December 31, 2021
Notes and accounts receivables-measured at amortized cost	\$ 165,927,738	231,805,932
Accounts receivables-related parties	338,114,133	246,808,995
Less: Allowance for impairment	<u>76,419</u>	<u>17,399</u>
	<u>\$ 503,965,452</u>	<u>478,597,528</u>

The Company 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 Company 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	\$ 444,082,327	0%~0.001%	(1,670)
Overdue 0 to 30 days	53,465,857	0%~1%	(26,922)
Overdue 31 to 120 days	6,471,042	0%~50%	(34,054)
Overdue 121 to 365 days	16,954	0%~100%	(13,773)
Over 365 days past due	<u>5,691</u>	0%~100%	<u>-</u>
	<u>\$ 504,041,871</u>		<u>(76,419)</u>
	December 31, 2021		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 462,697,637	0%~0.001%	(2,327)
Overdue 0 to 30 days	9,741,802	0%~1%	(9,449)
Overdue 31 to 120 days	6,102,564	0%~50%	(3,720)
Overdue 121 to 365 days	<u>72,924</u>	0%~100%	<u>(1,903)</u>
	<u>\$ 478,614,927</u>		<u>(17,399)</u>

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PEGATRON CORPORATION
Notes to the Financial Statements

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

	For the years ended December 31	
	2022	2021
Balance at January 1	\$ 17,399	33,535
Impairment losses (reversed) recognized	59,020	(16,136)
Balance at December 31	\$ 76,419	17,399

Based on historical default rates, the Company believes that, apart from the above, no impairment allowance is necessary in respect of trade receivables not past due. Also, the payment term of the receivables from related parties depend on the Company's capital movement, and there's no penalty interest due for late payment. The Company's management believes that there's no significant change on the credit quality of the aforesaid receivables which are past due but not impaired, thus they assess the receivables can be recovered. In addition, the Company does not hold any collateral and of other credit enhancement to mitigate the credit risk of the foresaid receivables.

The aforesaid financial assets were not pledged as collateral.

- (iii) Please refer to Note 6(x) for the Company'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 receivables 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)	\$ <u>8,293,725</u>	USD <u>420,000</u>	USD <u>270,000</u>	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.

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)	\$ <u>-</u>	USD <u>760,000</u>	USD <u>-</u>	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.

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Notes to the Financial Statements

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 the participating banks had withdrawn from the joint accounts receivable factoring agreement from 2020 to 2022, resulting in the factoring line decreased to USD420,000 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(w).

(e) Other receivables

	December 31, 2022	December 31, 2021
Other receivables	\$ 77,252	460,024
Less: Allowance for impairment	-	-
	<u>\$ 77,252</u>	<u>460,024</u>

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

(f) Inventories

	December 31, 2022	December 31, 2021
Merchandise	\$ 45,917,658	34,561,589
Finished goods	572,822	856,993
Work in process	393,242	475,043
Raw materials	<u>2,786,594</u>	<u>4,212,743</u>
Total	<u>\$ 49,670,316</u>	<u>40,106,368</u>

The components of cost of goods sold were as follows:

	For the years ended December 31	
	2022	2021
Cost of goods sold	\$ 1,202,608,240	1,152,286,231
Provision on inventory market price decline	105,124	473,589
Loss on disposal of inventory	<u>335,580</u>	<u>100,843</u>
	<u>\$ 1,203,048,944</u>	<u>1,152,860,663</u>

For the year ended December 31, 2022 and 2021, the Company recognized an inventory valuation loss because of the decreasing value from the carrying amount to the net realized value, and converted the amount to cost of goods sold.

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

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PEGATRON CORPORATION
Notes to the Financial Statements

(g) Investments accounted for using equity method

A summary of the Company's financial information for investments accounted for using the equity method at the reporting date is as follows:

	December 31, 2022	December 31, 2021
Subsidiary	\$ 199,733,135	177,850,696
Credit balance of investments accounted for using equity method-subsiary	\$ -	9,563

(i) Subsidiaries

Please refer to the consolidated financial statement for the years ended December 31, 2022 and 2021.

- (ii) For the year ended December 31, 2022, the Company had participated in the capital increase of PEGAPOWER INVESTMENT, PEGATRON INVESTMENT, PEGATRON VIETNAM COMPANY LIMITED, PEGATRON TECHNOLOGY TEXAS INC, PEGATRON ELECTRONICS INC. with the amounts of NTD1,000,000 thousand, NTD1,000,000 thousand, USD45,000 thousand (approximately NTD1,341,225 thousand), USD4,000 thousand (approximately NTD116,220 thousand), USD40,000 thousand (approximately NTD1,220,825 thousand), respectively. For the year ended December 31, 2021, the Company had participated in the capital increase of PEGATRON HOLDING LTD, PEGATRON TECHNOLOGY HAI PHONG COMPANY LIMITED, PEGATRON VIETNAM COMPANY LIMITED, PEGATRON TECHNOLOGY TEXAS INC, PEGATRON ELECTRONICS INC. and PEGATRON TECHNOLOGY INDIA PRIVATE LIMITED with the amounts of USD30,000 thousand (approximately NTD855,975 thousand), USD9,000 thousand (approximately NTD250,704 thousand), USD75,000 thousand (approximately NTD2,103,421 thousand), USD1,000 thousand (approximately NTD27,812 thousand), USD10,000 thousand (approximately NTD278,125 thousand), and INR10,450,000 thousand (approximately NTD4,071,910 thousand), respectively.
- (iii) For the years ended December 31, 2022 and 2021, the Company received the cash dividends of \$0 thousand and \$2,690,579 thousand, respectively.
- (iv) Pursuant to a resolution made in the Company's Extraordinary General Meeting on September 30, 2020, CASETEK HOLDINGS LIMITED, (CASETEK CAYMAN) completed a triangular merger with the Company and its wholly owned subsidiary, PEGASUS ACE LIMITED. The Company acquired all non-controlling interest of CASETEK CAYMAN in accordance with the merger agreement on January 15, 2021, the date of merger.

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PEGATRON CORPORATION
Notes to the Financial Statements

The effects of the changes in the Company'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 interest	(14,274,713)
Exchange differences on translation of foreign financial statements	1,832,185
Capital surplus differences between the consideration and the carrying amounts the subsidiaries acquired or disposed	\$ (159,173)

- (v) On January 15, 2021, the investee company, CASETEK CAYMAN, reduced its capital to the original shareholder (one of the Company's subsidiaries) and issued new shares to the Company in accordance with the agreement, resulting in a decrease of the Company's shareholdings in ASUSPOWER INVESTMENT CO., LTD, ASUS INVESTMENT CO., LTD. and ASUSTEK INVESTMENT CO., Ltd., an increase of the Company's shareholding in CASETEK CAYMAN, wherein the effect of changes in equity have no significant changes to the equity of parent company.
- (vi) As of December 31, 2022 and 2021, the investments in aforesaid equity-accounted investees were not pledged as collateral.
- (h) Property, plant and equipment

The movements in the cost, depreciation, and impairment of the property, plant and equipment of the Company for the years ended December 31, 2022 and 2021 were as follows :

	Land	Buildings	Machinery equipment	Instrument equipment	Other facilities	Construction in progress and equipment under test	Total
Cost or deemed cost:							
Balance at January 1, 2022	\$ 5,362,414	4,154,145	447,942	538,832	2,416,411	74,256	12,994,000
Additions	-	25,298	3,154	158,706	198,680	104,302	490,140
Disposals and obsolescence	-	(137,035)	(43,981)	(202,012)	(398,474)	-	(781,502)
Reclassifications	-	93	-	(2,020)	51,325	(11,962)	37,436
Balance at December 31, 2022	\$ 5,362,414	4,042,501	407,115	493,506	2,267,942	166,596	12,740,074
Balance at January 1, 2021	\$ 5,150,822	3,928,464	429,126	448,738	1,788,048	118,016	11,863,214
Additions	211,592	166,155	87,067	160,053	621,586	94,313	1,340,766
Disposals and obsolescence	-	(11,419)	(46,278)	(65,998)	(212,866)	-	(336,561)
Reclassifications	-	70,945	(21,973)	(3,961)	219,643	(138,073)	126,581
Balance at December 31, 2021	\$ 5,362,414	4,154,145	447,942	538,832	2,416,411	74,256	12,994,000
Depreciation and impairment loss :							
Balance at January 1, 2022	\$ -	1,279,751	128,900	278,144	778,074	-	2,464,869
Depreciation for the year	-	290,309	71,648	167,802	622,276	-	1,152,035
Disposals and obsolescence	-	(137,035)	(30,717)	(186,681)	(338,763)	-	(693,196)
Reclassifications	-	-	-	-	(528)	-	(528)
Balance at December 31, 2022	\$ -	1,433,025	169,831	259,265	1,061,059	-	2,923,180

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PEGATRON CORPORATION
Notes to the Financial Statements

	<u>Land</u>	<u>Buildings</u>	<u>Machinery equipment</u>	<u>Instrument equipment</u>	<u>Other facilities</u>	<u>Construction in progress and equipment under test</u>	<u>Total</u>
Balance at January 1, 2021	\$ -	1,021,753	77,203	178,337	403,381	-	1,680,674
Depreciation for the year	-	270,189	72,145	164,291	584,163	-	1,090,788
Disposals and obsolescence	-	(11,419)	(20,448)	(64,484)	(209,785)	-	(306,136)
Reclassifications	-	(772)	-	-	315	-	(457)
Balance at December 31, 2021	<u>\$ -</u>	<u>1,279,751</u>	<u>128,900</u>	<u>278,144</u>	<u>778,074</u>	<u>-</u>	<u>2,464,869</u>
Carrying value :							
Balance at December 31, 2022	<u>\$ 5,362,414</u>	<u>2,609,476</u>	<u>237,284</u>	<u>234,241</u>	<u>1,206,883</u>	<u>166,596</u>	<u>9,816,894</u>
Balance at January 1, 2021	<u>\$ 5,150,822</u>	<u>2,906,711</u>	<u>351,923</u>	<u>270,401</u>	<u>1,384,667</u>	<u>118,016</u>	<u>10,182,540</u>
Balance at December 31, 2021	<u>\$ 5,362,414</u>	<u>2,874,394</u>	<u>319,042</u>	<u>260,688</u>	<u>1,638,337</u>	<u>74,256</u>	<u>10,529,131</u>

- (i) Please refer to Note 6(w) for gain or loss on disposal of property, plant and equipment.
- (ii) As of December 31, 2022 and 2021, the property, plant and equipment were not pledged as collateral.
- (i) Right-of-use assets

The movements in the cost and depreciation of the leased land and buildings were as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Cost:			
Balance at January 1, 2022	\$ 60,692	503,321	564,013
Additions	16,804	145,567	162,371
Reductions	(26,184)	(8,358)	(34,542)
Balance at December 31, 2022	<u>\$ 51,312</u>	<u>640,530</u>	<u>691,842</u>
Balance at January 1, 2021	\$ 61,790	155,855	217,645
Additions	2,354	349,256	351,610
Reductions	(3,452)	(1,790)	(5,242)
Balance at December 31, 2021	<u>\$ 60,692</u>	<u>503,321</u>	<u>564,013</u>
Accumulated depreciation:			
Balance at January 1, 2022	\$ 28,671	106,534	135,205
Depreciation for the year	14,018	107,266	121,284
Reductions	(26,184)	(8,358)	(34,542)
Balance at December 31, 2022	<u>\$ 16,505</u>	<u>205,442</u>	<u>221,947</u>
Balance at January 1, 2021	\$ 17,795	32,875	50,670
Depreciation for the year	13,917	75,448	89,365
Reductions	(3,041)	(1,789)	(4,830)
Balance at December 31, 2021	<u>\$ 28,671</u>	<u>106,534</u>	<u>135,205</u>

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Notes to the Financial Statements

	Land	Buildings	Total
Carrying value:			
Balance at December 31, 2022	\$ <u>34,807</u>	<u>435,088</u>	<u>469,895</u>
Balance at January 1, 2021	\$ <u>43,995</u>	<u>122,980</u>	<u>166,975</u>
Balance at December 31, 2021	\$ <u>32,021</u>	<u>396,787</u>	<u>428,808</u>

(j) Intangible assets

The intangible assets of the Company consisted of computer software and golf certificate. The movements in the costs, amortization, and impairment loss of the Company were as follows:

Costs:

Balance at January 1, 2022	\$	185,081
Additions		59,493
Disposals		(27,405)
Reclassifications		<u>(9,000)</u>
Balance at December 31, 2022	\$	<u>208,169</u>
Balance at January 1, 2021	\$	229,960
Additions		101,036
Disposals		(145,677)
Reclassifications		<u>(238)</u>
Balance at December 31, 2021	\$	<u>185,081</u>

Amortization and Impairment Loss:

Balance at January 1, 2022	\$	66,559
Amortization for the year		52,496
Disposals		(27,405)
Reclassifications		<u>1,414</u>
Balance at December 31, 2022	\$	<u>93,064</u>
Balance at January 1, 2021	\$	137,551
Amortization for the year		74,454
Disposals		(145,460)
Reclassifications		<u>14</u>
Balance at December 31, 2021	\$	<u>66,559</u>

Carrying value:

Balance at December 31, 2022	\$	<u>115,105</u>
Balance at January 1, 2021	\$	<u>92,409</u>
Balance at December 31, 2021	\$	<u>118,522</u>

(i) The amortization of intangible assets and impairment losses are respectively included in the statement of comprehensive income. Please refer to Note 12 for details.

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

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PEGATRON CORPORATION
Notes to the Financial Statements

(k) 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	\$ 117,121	22,414,111
Other financial assets-non-current	37,373	29,275
Other current assets	<u>256,694</u>	<u>473,003</u>
	<u>\$ 411,188</u>	<u>22,916,389</u>

(i) Other financial assets are assets that do not qualify as cash equivalents which consist of time deposits, restricted time deposits, repurchase bonds and guarantee deposits. Please refer to Note 8 for the related information on security guarantees.

(ii) Other current assets consisted of prepayments, temporary payments, right to returned goods and others.

(l) Short-term loans

	December 31, 2022	December 31, 2021
Unsecured bank loans	<u>\$ 51,484,097</u>	<u>48,168,420</u>
Rang of interest rate	<u>0.38%~5.09%</u>	<u>0.32%~4.54%</u>

The Company's assets were not pledged as collateral for the Company's credit loan facility.

(m) Long-term loans

The details were as follows:

	December 31, 2022			
	Currency	Interest rate	Expiration	Amount
Unsecured bank loans	NTD	0.35%~1.175%	2023~2027	\$ 4,923,397
Less : Current portion				<u>(1,467,983)</u>
Total				<u>\$ 3,455,414</u>
	December 31, 2021			
	Currency	Interest rate	Expiration	Amount
Unsecured bank loans	NTD	0.35%~0.80%	2022~2025	\$ 3,159,260
Less : Current portion				<u>(336,111)</u>
Total				<u>\$ 2,823,149</u>

Government low-interest loans

For the year ended December 31, 2020, the Company 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.

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Notes to the Financial Statements

(n) Bonds payable

The Company'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 corporate 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.
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.

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PEGATRON CORPORATION
Notes to the Financial Statements

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

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

<u>Item</u>	<u>1st unsecured ordinary corporate 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.

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PEGATRON CORPORATION
Notes to the Financial Statements

Item	1st unsecured ordinary corporate bonds issued in 2019
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 :

Item	1st unsecured ordinary corporate bonds issued in 2020
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 have 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 bear annual coupon rates of 0.65%.
6.Repayment	The Bonds 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.

Item	2nd unsecured ordinary corporate 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.

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PEGATRON CORPORATION
Notes to the Financial Statements

Item	2nd unsecured ordinary corporate bonds issued in 2020
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 was as follows:

Item	1st unsecured ordinary corporate 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.
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.

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PEGATRON CORPORATION
Notes to the Financial Statements

(o) Lease liabilities

The Company's lease liabilities were as follows:

	December 31, 2022	December 31, 2021
Current	\$ <u>134,186</u>	<u>103,027</u>
Non-current	\$ <u>339,569</u>	<u>328,299</u>

For the maturity analysis, please refer to Note 6(x).

The amounts recognized in profit or loss were as follows:

	For the years ended December 31	
	2022	2021
Interest on lease liabilities	\$ <u>4,738</u>	<u>4,011</u>
Expenses relating to short-term leases	\$ <u>3,167</u>	<u>3,495</u>

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

	For the years ended December 31	
	2022	2021
Total cash outflow for leases	\$ <u>127,847</u>	<u>95,413</u>

The Company leases land and buildings. 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 Company leases partial offices and parking lots that are shortterm leases. The Company has chosen to apply the exemption and not to recognize right-of-use assets and lease liabilities for these leases.

(p) Employee benefits

(i) Defined benefit plans

The Company'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	\$ 43,480	41,235
Fair value of plan assets	(15,160)	(13,486)
Net defined benefit liabilities	\$ <u>28,320</u>	<u>27,749</u>

(Continued)

PEGATRON CORPORATION
Notes to the Financial Statements

The Company's employee benefit liabilities were as follows:

	December 31, 2022	December 31, 2021
Short-term employee benefits liabilities	\$ 262,846	229,356
Cash-settled share-based payment liabilities	207,035	158,988
Total employee benefit liabilities	\$ 469,881	388,344

The Company makes defined benefit plans 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 Company sets 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.

As of December 31, 2022, the Company's contributions to the pension funds which amounted to \$15,160 thousand 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.

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	\$ 41,235	46,071
Current service costs and interest	2,317	3,002
Re-measurement of the net defined benefit liability		
– Actuarial loss arising from changes in demographic assumptions	3,273	(486)
– Actuarial gain arising from changes in financial assumptions	(5,682)	(3,517)
– Experience adjustments	2,337	(3,835)
Defined benefit obligation, December 31	\$ 43,480	41,235

(Continued)

PEGATRON CORPORATION
Notes to the Financial Statements

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	\$ 13,486	12,742
Interests revenue	109	55
Re-measurement of the net defined benefit liability		
— Experience adjustment	981	172
Contributions made	584	517
Fair value of plan assets, December 31	\$ 15,160	13,486

4) Expenses recognized in profit or loss

The Company'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	\$ 1,983	2,804
Net interest on net defined benefit liability	225	143
	\$ 2,208	2,947
Operating expense	\$ 2,208	2,947

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

The Company'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	\$ 12,470	4,460
Recognized during the year	1,053	8,010
Cumulative amount, December 31	\$ 13,523	12,470

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PEGATRON CORPORATION
Notes to the Financial Statements

6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate	1.44 %	0.81 %
Future salary increase rate	3.00 %	3.00 %

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date is \$583 thousand.

The weighted average lifetime of the defined benefit plans is 21 years.

7) Sensitivity Analysis

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:

	<u>Impact on the present value of defined benefit obligation</u>	
	<u>Increase by 0.50%</u>	<u>Decrease by 0.50%</u>
December 31, 2022		
Discount rate	(4,254)	4,806
Future salary increase rate	4,704	(4,212)
December 31, 2021		
Discount rate	(4,073)	4,592
Future salary increase rate	4,465	(4,010)

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 Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligations.

The cost of the pension contributions to the Labor Insurance Bureau for the years ended December 31, 2022 and 2021 amounted to \$368,924 thousand and \$334,180 thousand, respectively.

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PEGATRON CORPORATION
Notes to the Financial Statements

(q) Income Tax

- (i) The components of income tax expense for the years ended December 31, 2022 and 2021 were as follows:

	<u>For the years ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Current income tax expense		
Current period incurred	\$ 2,535,643	872,162
Prior years income tax adjustment	(29,276)	68,280
5% surtax on undistributed earnings	11,433	71,813
Deferred tax expense		
The origination and reversal of temporary differences	<u>297,700</u>	<u>(494,204)</u>
Income tax expense	<u>\$ 2,815,500</u>	<u>518,051</u>

- (ii) Reconciliation of income tax and profit before tax for the years ended December 31, 2022 and 2021 were as follows:

	<u>For the years ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Profit before income tax	\$ 17,911,680	21,063,694
Income tax on pre-tax financial income calculated at the domestic rates applicable to profits in the country concerned	3,582,336	4,212,739
Permanent differences	(938,394)	(1,329,254)
Changes in unrecognized temporary differences	189,401	(2,505,527)
Prior years income tax adjustment	(29,276)	68,280
5% surtax on undistributed earnings	<u>11,433</u>	<u>71,813</u>
Income tax expense	<u>\$ 2,815,500</u>	<u>518,051</u>

- (iii) 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 Company has the ability to control the reversal of these temporary differences which are not expected to reverse in the foreseeable future. The related amounts were as follows:

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
The aggregate temporary differences associated with investments in subsidiaries	<u>\$ 79,413,429</u>	<u>80,360,437</u>
Unrecognized deferred tax liabilities	<u>\$ 15,882,686</u>	<u>16,072,087</u>

(Continued)

PEGATRON CORPORATION
Notes to the Financial Statements

2) 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>Unrealized exchange gains or loss</u>	<u>Gain on foreign investments</u>	<u>Others</u>	<u>Total</u>
Deferred tax liabilities:				
Balance at January 1, 2022	\$ -	-	-	-
Recognized in loss (profit)	-	290,000	-	290,000
Balance at December 31, 2022	<u>\$ -</u>	<u>290,000</u>	<u>-</u>	<u>290,000</u>
Balance at January 1, 2021	\$ 120,378	-	593	120,971
Recognized in loss (profit)	(120,378)	-	(593)	(120,971)
Balance at December 31, 2021	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>Gain or loss on valuation of inventory</u>	<u>Others</u>	<u>Total</u>
Deferred tax assets:				
Balance at January 1, 2022		\$ 224,531	643,663	868,194
Recognized in profit (loss)		21,025	(28,725)	(7,700)
Balance at December 31, 2022		<u>\$ 245,556</u>	<u>614,938</u>	<u>860,494</u>
Balance at January 1, 2021		\$ 129,813	365,148	494,961
Recognized in profit (loss)		94,718	278,515	373,233
Balance at December 31, 2021		<u>\$ 224,531</u>	<u>643,663</u>	<u>868,194</u>

(iv) Status of approval of income tax

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

(r) Capital and other equity

(i) Ordinary shares

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

(In thousands of shares)	<u>Ordinary Shares</u>	
	<u>2022</u>	<u>2021</u>
Beginning balance at 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 at December 31	<u>2,667,634</u>	<u>2,669,132</u>

(Continued)

PEGATRON CORPORATION
Notes to the Financial Statements

For the year 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 had been completed, and all share proceeds from outstanding capital have been collected. For the related information, please refer to Note 6(s).

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 both 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.

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. Major terms and conditions for GDRs were as follows:

1) Voting Rights

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

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

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

(Continued)

PEGATRON CORPORATION
Notes to the Financial Statements

(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.

(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.

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PEGATRON CORPORATION
Notes to the Financial Statements

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 (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

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 interest (net of tax)					
		Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Deferred compensation arising from issuance of restricted stock	Total
Balance at January 1, 2022	\$ (21,363,627)	444,778	(712,701)	(21,631,550)	
Exchange differences on subsidiaries accounted for using equity method	13,759,997	-	-	13,759,997	
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	(342,950)	-	(342,950)	
Unrealized losses on subsidiaries accounted for using equity method from financial assets measured at fair value through other comprehensive income	-	(21,858)	-	(21,858)	
Deferred compensation cost arising from issuance of restricted stock	-	-	643,824	643,824	
Balance at December 31, 2022	\$ (7,603,630)	79,970	(68,877)	(7,592,537)	

(Continued)

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	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 at January 1, 2021	\$ (15,808,892)	(57,309)	(1,146,659)	(17,012,860)
Exchange differences on subsidiaries accounted for using equity method	(3,722,550)	-	-	(3,722,550)
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	-	518,567	-	518,567
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	(20,319)	-	(20,319)
Unrealized gains on subsidiaries accounted for using equity method from financial assets measured at fair value through other comprehensive income	-	3,839	-	3,839
Deferred compensation cost arising from issuance of restricted stock	-	-	433,958	433,958
Balance at December 31, 2021	<u>\$ (21,363,627)</u>	<u>444,778</u>	<u>(712,701)</u>	<u>(21,631,550)</u>

(s) 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.

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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 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:

	<u>Equity-settled share-based payment</u>	
	<u>Restricted stock to employee</u>	
	<u>Issued in 2020-2</u>	<u>Issued in 2020-1</u>
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.

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(ii) Restricted stock to employee

For the years ended December 31, 2022 and 2021, 1,952 thousand and 1,572 thousand shares of the restricted shares of stock 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 restricted stock 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.

(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

(t) 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
Basic earnings per share		
Profit attributable to ordinary shareholders	\$ 15,096,180	20,545,643
Weighted-average number of ordinary shares	2,667,906	2,666,276
	\$ 5.66	7.71
Diluted earnings per share		
Profit attributable to ordinary shareholders (diluted)	\$ 15,096,180	20,545,643
Weighted-average number of ordinary shares	2,667,906	2,666,276
Effect of potentially dilutive ordinary shares		
Employee stock bonus	25,900	28,292
Weighted-average number of ordinary shares (diluted)	2,693,806	2,694,568
	\$ 5.60	7.62

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(u) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the years ended December 31	
	2022	2021
Primary geographical markets		
Europe	\$ 574,123,320	556,127,747
U.S.A.	469,053,074	441,393,100
Taiwan	91,600,593	97,955,563
China	24,372,502	20,258,323
Japan	12,968,428	12,198,488
Other countries	60,268,151	40,199,881
	\$ 1,232,386,068	1,168,133,102

(ii) Contract balances

	December 31, 2022	December 31, 2021	January 1, 2021
Accounts receivable	\$ 165,927,738	231,805,932	184,233,225
Less: Allowance for impairment	76,419	17,399	33,535
Total	\$ 165,851,319	231,788,533	184,199,690
Contract liabilities	\$ 725,074	733,952	724,708

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 year ended December 31, 2022 and 2021.

(v) 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 2022 and 2021. Management is expecting that the differences, if any, between the actual distributed amounts and estimated amounts will be

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PEGATRON CORPORATION
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treated as changes in accounting estimates and charged to profit or loss. The numbers of shares to be distributed for 2022 and 2021 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. Related information would be available at the Market Observation Post System website. There was no difference between the amounts approved in Board of Directors meeting and recognized for the year ended December 31, 2022 and 2021.

(w) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	For the years ended December 31	
	2022	2021
Interest income from bank deposits	\$ 304,242	120,434

(ii) Other income

The components of other income were as follows:

	For the years ended December 31	
	2022	2021
Rental income	\$ 128,963	129,442
Technical service	448,784	539,647
Subsidy income	83,773	32,566
Dividend income	66,075	36,480
Other income	145,543	154,427
	\$ 873,138	892,562

(iii) Other gains and losses

The details of other gains and losses were as follows:

	For the years ended December 31	
	2022	2021
Gains on disposals of property, plant and equipment	\$ 6,213	1,056
Foreign exchange (losses) gains	(947,730)	2,616,325
Gains on lease modifications	-	7
Net (losses) gains profits on financial assets measured at fair value through profit or loss	(220,707)	96,293
Provisions and others	(4,382)	(1,635,444)
	\$ (1,166,606)	1,078,237

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(iv) Finance costs

The details of finance costs were as follows:

	For the years ended December 31	
	2022	2021
Interest expenses	\$ 1,002,488	566,392
Finance expense—bank fees and factoring fees, etc	12,546	9,997
	\$ 1,015,034	576,389

(x) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the Company's maximum credit exposure.

2) Concentration of credit risk

As of December 31, 2022 and 2021, the accounts receivable from the Company's top three customers were amounted to \$315,169,807 thousand and \$298,616,017 thousand, representing 63% and 62% of accounts receivable, respectively, which exposes the Company 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. (Please refer to Note 4(f) for the Company determines whether credit risk is to be low risk).

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, excluding estimated interest payment 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					
Unsecured bank loans	\$ 56,407,494	56,432,636	52,952,080	1,966,667	1,513,889
Unsecured ordinary corporate bonds	34,876,992	34,900,000	4,500,000	8,000,000	22,400,000
Non-interest bearing liabilities	470,796,137	470,796,137	470,732,909	63,228	-
Lease liabilities	473,755	473,755	134,186	123,815	215,754
	\$ 562,554,378	562,602,528	528,319,175	10,153,710	24,129,643

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	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>More than 2 years</u>
December 31, 2021					
Non-derivative financial liabilities					
Unsecured bank loans	\$ 51,327,680	51,368,420	48,504,531	1,300,000	1,563,889
Unsecured ordinary corporate bonds	36,869,595	36,900,000	2,000,000	4,500,000	30,400,000
Non-interest bearing liabilities	477,851,700	477,851,700	477,788,188	63,512	-
Lease liabilities	<u>431,326</u>	<u>431,326</u>	<u>103,027</u>	<u>91,747</u>	<u>236,552</u>
	<u>\$ 566,480,301</u>	<u>566,551,446</u>	<u>528,395,746</u>	<u>5,955,259</u>	<u>32,200,441</u>

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

(iii) Currency risk

1) Exposure to foreign currency risk

The Company'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)

	<u>December 31, 2022</u>			<u>December 31, 2021</u>		
	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>NTD</u>	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>NTD</u>
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 16,681,944	30.7175	512,427,615	18,024,479	27.6830	498,971,652
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	16,486,916	30.7175	506,436,842	18,645,043	27.6830	516,150,725

2) Sensitivity analysis

The Company'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, accounts payable and other payables that are denominated in foreign currency. A 1% of appreciation or depreciation of each major foreign currency against the Company's functional currency as of December 31, 2022 and 2021 would have increased or decreased the before-tax net income by \$59,908 thousand and \$171,791 thousand, respectively. The analysis is performed on the same basis for both periods.

3) Foreign exchange gains or losses on monetary items

Since the Company 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, the foreign exchange gain (loss), including both realized and unrealized, amounted to (\$947,730) thousand and \$2,616,325 thousand, respectively.

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Notes to the Financial Statements

(iv) Interest rate analysis

The interest risk exposure from financial assets and liabilities has been disclosed in the note of liquidity risk management.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non derivative financial instruments at the reporting date. Regarding assets 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 Company management's assessment of the reasonably possible interest rate change.

If the interest rate increases / decreases by 1%, the Company's net income will decrease /increase by \$39,387 and \$0 thousand for the years ended December 31, 2022 and 2021, respectively, assuming all other variable factors remain constantly. This is mainly due to the Company'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	
	Other comprehensive income (Loss) (before tax)	Net Income (Loss) (before tax)	Other comprehensive income (Loss) (before tax)	Net Income (Loss) (before tax)
Equity price				
Increase 3%	\$ 20,179	23,079	30,468	23,609
Decrease 3%	\$ (20,179)	(23,079)	(30,468)	(23,609)

(vi) Fair value of financial instruments

1) Fair value hierarchy

The Company 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 Company'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:

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		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	\$	<u>1,505,082</u>	<u>769,315</u>	<u>-</u>	<u>735,767</u>	<u>1,505,082</u>
Financial assets at fair value through other comprehensive income						
Stock of listed companies	\$	<u>672,647</u>	<u>672,647</u>	<u>-</u>	<u>-</u>	<u>672,647</u>
Financial assets at amortized cost						
Cash and cash equivalents	\$	13,716,368	-	-	-	-
Notes and accounts receivable		503,965,452	-	-	-	-
Other receivables		77,252	-	-	-	-
Other financial assets		<u>154,494</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal		<u>517,913,566</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities at amortized cost						
Bank loans	\$	56,407,494	-	-	-	-
Non-interest bearing liabilities		470,796,137	-	-	-	-
Lease liabilities		473,755	-	-	-	-
Unsecured ordinary corporate bond		<u>34,876,992</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal		<u>562,554,378</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		December 31, 2021				
		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	\$	<u>1,258,030</u>	<u>786,955</u>	<u>-</u>	<u>471,075</u>	<u>1,258,030</u>
Financial assets at fair value through other comprehensive income						
Stock of listed companies	\$	<u>1,015,597</u>	<u>1,015,597</u>	<u>-</u>	<u>-</u>	<u>1,015,597</u>
Financial assets at amortized cost						
Cash and cash equivalents	\$	22,587,554	-	-	-	-
Notes and accounts receivable		478,597,528	-	-	-	-
Other receivables		460,024	-	-	-	-
Other financial assets		<u>22,443,386</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal		<u>524,088,492</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities at amortized cost						
Bank loans	\$	51,327,680	-	-	-	-
Non-interest bearing liabilities		477,851,700	-	-	-	-
Lease liabilities		431,326	-	-	-	-
Unsecured ordinary corporate bond		<u>36,869,595</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal		<u>566,480,301</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

The Company'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.

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 and 2021.

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5) Reconciliation of Level 3 fair values

		Non derivative mandatorily measured at fair value through profit or loss
Opening balance, January 1, 2022	\$	471,075
Total gains and losses recognized:		
In profit or loss		18,988
Additions		<u>245,704</u>
Ending Balance, December 31, 2022	\$	<u>735,767</u>
Opening balance, January 1, 2021	\$	328,865
Total gains and losses recognized:		
In profit or loss		(24,814)
Additions		<u>167,024</u>
Ending Balance, December 31, 2021	\$	<u>471,075</u>

For the years ended December 31, 2022 and 2021, total gains and losses that were included in “other gains and losses” were as follows:

	For the years ended December 31	
	<u>2022</u>	<u>2021</u>
Total gains and losses recognized:		
In profit or loss, and included in “other gains and losses”	\$ <u>18,988</u>	<u>(24,814)</u>

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

The Company’s financial instruments that use Level 3 inputs to measure fair value include “financial assets measured at fair value through profit or loss – private fund”.

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

Quantified information of significant unobservable inputs was 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-private fund	Net Asset Value Method	Net Asset Value	Not applicable

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(vii) Offsetting of financial assets and financial liabilities

The Company 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	\$ 73,147,743	48,289,408	24,858,335	-	-	24,858,335

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	\$ 48,289,408	48,289,408	-	-	-	-

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	\$ 105,203,391	86,380,572	18,822,819	-	-	18,822,819

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	\$ 86,380,572	86,380,572	-	-	-	-

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

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(y) Financial risk management

(i) Overview

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

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

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

(ii) Structure of risk management

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, 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 Company's activities. The Company, 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 Company Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company 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 Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from cash, accounts receivables and equity securities. Also, the Company deposits cash in different financial institutions. The Company 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 Company transacted only with the approved third parties with good financial conditions and reputation. For those customers with poor financial situation, the Company would transfer the risk through acquiring guarantees or transacting by L/C. Therefore, the Company believes that there is no significant credit risk.

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1) Accounts receivables and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company'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 Company 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 Company are concentrated in the high-tech information and communication industries. As the customers of the Company have good credits and profit records, the Company evaluates the financial conditions of these customers continually to reduce credit risk from accounts receivable. Moreover, the Company also periodically evaluates the customers' financial positions and the possibility of collecting trade receivables. 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 Company's finance department. The Company only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Company 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 Company's policies were prepared in accordance with Guidelines for Lending of Capital, Endorsements and Guarantees by Public Companies. As of December 31, 2022, please refer to Note 13(a) and table 2 for the Company's endorsement and guarantees.

(iv) Liquidity risk

Liquidity risk is a risk that the Company is unable to meet the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company'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 Company's reputation.

The Company 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.

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(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 Company'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 functional currency of the Company is the New Taiwan Dollars (NTD). The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency. The currencies used in these transactions are denominated in NTD, EUR, and USD.

The Company's purchases and sales are denominated mainly in US dollars, which exposes the Company's current and future cash flows to foreign currency assets to the risk of market exchange rate fluctuations in market exchange rates. The company follows the principle of natural hedging, the currency held by the company is consistent with the actual foreign exchange demand of the company's import and export transactions, the company's overall internal positions (foreign currency income and expense) are self-levelling 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 Company. 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 Company 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 Company's interest rate risk arises from short-term loans and accounts receivable factoring bearing floating interest rates. Future cash flow will be affected by a change in market interest rate. The Company decreases the interest rate risk through negotiating with banks aperiodically.

3) Price floating risk on equity instruments

The equity securities held by the Company are classified as financial assets measured at fair value through profit or loss and fair value through other comprehensive income. As these assets are measured at fair value, the Company is exposed to the market price fluctuation risk in the equity securities market.

The Company'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
Notes to the Financial Statements

(z) Capital management

The Board's policy is to maintain a strong capital base as well as to control the level of common stock dividends 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 other interests of the Company.

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Total liabilities	\$ 598,525,263	590,132,296
Less: cash and cash equivalents	<u>(13,716,368)</u>	<u>(22,587,554)</u>
Net debt	584,808,895	567,544,742
Total equity	<u>182,488,565</u>	<u>166,604,545</u>
Total capital (Note)	<u><u>\$ 767,297,460</u></u>	<u><u>734,149,287</u></u>
Debt to equity ratio	<u><u>76.22%</u></u>	<u><u>77.31%</u></u>

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

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

(aa) Financing activities not affecting current cash flow

The Company's financing activities which did not affect the current cash flow in the year ended December 31, 2022 and 2021, were as follows:

Reconciliation of liabilities arising from financing activities was as follows:

	<u>January 1, 2022</u>	<u>Cash flows</u>	<u>Non-cash changes</u>		<u>December 31, 2022</u>
			<u>Foreign exchange movement</u>	<u>Other</u>	
Short-term loans	\$ 48,168,420	3,315,677	-	-	51,484,097
Other payables-related parties	6,200,992	2,707,083	-	-	8,908,075
Other payables-restricted employee stock	158,988	(18,592)	-	66,639	207,035
Bonds payable	36,869,595	(2,000,000)	-	7,397	34,876,992
Long-term loans	3,159,260	1,763,889	-	248	4,923,397
Lease liabilities	<u>431,326</u>	<u>(119,942)</u>	<u>-</u>	<u>162,371</u>	<u>473,755</u>
Total liabilities from financing activities	<u><u>\$ 94,988,581</u></u>	<u><u>5,648,115</u></u>	<u><u>-</u></u>	<u><u>236,655</u></u>	<u><u>100,873,351</u></u>

(Continued)

PEGATRON CORPORATION
Notes to the Financial Statements

	January 1, 2021	Cash flows	Non-cash changes		December 31, 2021
			Foreign exchange movement	Other	
Short-term loans	\$ 59,130,238	(10,961,818)	-	-	48,168,420
Other payables-related parties	5,685,052	272,669	243,271	-	6,200,992
Other payables-restricted employee stock	201,972	(16,964)	-	(26,020)	158,988
Bonds payable	25,478,182	11,385,600	-	5,813	36,869,595
Long-term loans	3,146,170	-	-	13,090	3,159,260
Lease liabilities	168,042	(87,907)	-	351,191	431,326
Total liabilities from financing activities	<u>\$ 93,809,656</u>	<u>591,580</u>	<u>243,271</u>	<u>344,074</u>	<u>94,988,581</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 Company's subsidiaries during the periods covered in the non-consolidated financial statements.

<u>Name of related party</u>	<u>Relationship with the Company</u>	<u>Notes</u>
CASETEK COMPUTER (SUZHOU) CO., LTD.	The Company's subsidiary	
KAEDAR ELECTRONICS (KUNSHAN) CO., LTD.	The Company's subsidiary	
KAI-CHUAN ELECTRONICS (CHONGQING) CO., LTD.	The Company's subsidiary	
AZUREWAVE TECHNOLOGIES, INC.	The Company's subsidiary	
AZUREWAVE TECHNOLOGIES (SHANGHAI) INC.	The Company's subsidiary	
AMA PRECISION INC.	The Company's subsidiary	
POWTEK (SHANGHAI) LTD.	The Company's subsidiary	
PIOTEK COMPUTER (SUZHOU) CO., LTD.	The Company's subsidiary	
PEGAGLOBE (KUNSHAN) CO., LTD.	The Company's subsidiary	
DIGITEK (CHONGQING) LTD.	The Company's subsidiary	
CHONGQING ZUANSHUO TRADING CO., LTD.	The Company's subsidiary	
MAINTEK COMPUTER (SUZHOU) CO., LTD.	The Company's subsidiary	
PROTEK (SHANGHAI) LTD.	The Company's subsidiary	
COTEK ELECTRONICS (SUZHOU) CO., LTD.	The Company's subsidiary	
PEGATRON VENTURE CAPITAL CO., LTD.	The Company's subsidiary	Note 2
ASROCK INCORPORATION	The Company's subsidiary	
ASRock Rack Incorporation	The Company's subsidiary	
ASRock Industrial Computer Corporation	The Company's subsidiary	
KINSUS INTERCONNECT TECHNOLOGY CORP.	The Company's subsidiary	
PEGAVISION CORPORATION	The Company's subsidiary	
FUYANG TECHNOLOGY CORPORATION	The Company's subsidiary	
BeautyTech Platform Corporation	The Company's subsidiary	

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PEGATRON CORPORATION
Notes to the Financial Statements

<u>Name of related party</u>	<u>Relationship with the Company</u>	<u>Notes</u>
STARLINK ELECTRONICS CORPORATION	The Company's subsidiary	
RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	The Company's subsidiary	
RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	The Company's associate	Note 1
Ri Da Intelligent Manufacture Technology Co., ltd.	The Company's associate	
RI-KUAN METAL CORPORATION	The Company's subsidiary	
ASFLY TRAVEL SERVICE LIMITED	The Company's subsidiary	
PEGA INTERNATIONAL LIMITED	The Company's subsidiary	
Lumens Digital Optics Inc.	The Company's subsidiary	
ASIAROCK TECHNOLOGY LIMITED	The Company's subsidiary	
ASUSPOWER CORPORATION	The Company's subsidiary	
CASETEK HOLDINGS LIMITED	The Company's subsidiary	
KAEDAR HOLDINGS LIMITED	The Company's subsidiary	
PEGATRON Czech s.r.o.	The Company's subsidiary	
PEGATRON JAPAN INC.	The Company's subsidiary	
PEGATRON Mexico, S.A. de C.V.	The Company's subsidiary	
PEGATRON SERVICE AUSTRALIA PTY. LTD.	The Company's subsidiary	
PEGATRON SERVICE KOREA LLC	The Company's subsidiary	
Pegatron Service Singapore Pte. Ltd.	The Company's subsidiary	
PEGATRON TECHNOLOGY HAI PHONG COMPANY LIMITED	The Company's subsidiary	
PEGATRON TECHNOLOGY INDIA PRIVATE LIMITED	The Company's subsidiary	
PEGATRON TECHNOLOGY SERVICE INC.	The Company's subsidiary	
PEGATRON USA, Inc.	The Company's subsidiary	
PEGATRON VIETNAM COMPANY LIMITED	The Company's subsidiary	
PEGATRON TECHNOLOGY TEXAS INC.	The Company's subsidiary	
PEGATRON ELECTRONICS INC.	The Company's subsidiary	
PT. PEGATRON TECHNOLOGH INDONESIA	The Company's subsidiary	
ADVANTECH CO., LTD.	Other related party	
Advantech Technology China Co., Ltd.	Other related party	

Note 1: It was no longer the Company's subsidiary but the Company's associate's subsidiary as of February 3, 2021. For more details, please refer to Note 4(c) in the consolidated financial statements for the year ended December 31, 2022.

Note 2: It was established in 2022.

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PEGATRON CORPORATION
Notes to the Financial Statements

(b) Significant Transactions with related parties

(i) Sale of Goods to Related Parties

The amounts of significant sales transactions and outstanding balances between the Company and related parties were as follows:

	Sales	
	For the years ended December 31	
	2022	2021
Subsidiaries	\$ 38,661,640	12,477,015
Other related parties	50,532	34,623
	\$ 38,712,172	12,511,638
	Receivables from related parties	
	December 31,	December 31,
	2022	2021
Subsidiaries, PROTEK (SHANGHAI) LTD.	\$ 143,872,147	102,069,459
Subsidiaries, PEGAGLOBE (KUNSHAN) CO., LTD.	88,285,361	65,386,391
Subsidiaries, DIGITEK (CHONGQING) LTD.	28,181,168	52,659,300
Subsidiaries, Other	77,770,397	26,693,845
Substantial related parties	5,060	-
	\$ 338,114,133	246,808,995

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 purchase transactions and outstanding balances between the Company and related parties were as follows:

	Purchases	
	For the years ended December 31	
	2022	2021
Subsidiaries	\$ 55,100,013	98,403,839
Associates	456,221	270,015
	\$ 55,556,234	98,673,854

(Continued)

PEGATRON CORPORATION
Notes to the Financial Statements

	Payables to Related Parties	
	December 31, 2022	December 31, 2021
Subsidiaries, PEGAGLOBE (KUNSHAN) CO., LTD.	\$ 118,727,109	84,342,828
Subsidiaries, PROTEK (SHANGHAI) LTD.	93,962,599	74,677,470
Subsidiaries, DIGITEK (CHONGQING) LTD.	26,282,280	49,357,663
Subsidiaries, Other	28,422,725	6,909,453
Associates	83,609	182,274
	<u>\$ 267,478,322</u>	<u>215,469,688</u>

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

- (iii) Warranty repair expense (from) paid to Related Parties

	For the years ended December 31	
	2022	2021
Subsidiaries	\$ <u>3,209</u>	<u>(13,678)</u>

- (iv) Other income and losses from Related Parties

	For the years ended December 31	
	2022	2021
Subsidiaries	\$ <u>14,131</u>	<u>12,529</u>

- (v) Rental revenue

For the years ended December 31, 2022 and 2021, the Company incurred subsidiaries transactions of \$102,148 thousand and \$102,497 thousand, respectively, which were accounted for as rental revenue. Lease terms with associates were not significantly different from those of non-related parties.

- (vi) Other related party transactions recorded as expenses

For the years ended December 31, 2022 and 2021, the Company incurred subsidiaries transactions recorded as expenses such as rental expense, royalty payment, storage expense, and professional service fee, etc, aggregating to \$289,947 thousand and \$312,170 thousand, respectively.

- (vii) Purchase and sales of real estate property and other assets

For the years ended December 31, 2022 and 2021, molds and equipment purchased from subsidiaries are amounted to \$1,026 thousand and \$131,236 thousand, respectively.

(Continued)

PEGATRON CORPORATION
Notes to the Financial Statements

(viii) Borrowings from related parties

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Subsidiaries	\$ <u>8,908,075</u>	<u>6,200,992</u>
Interest rate	<u>0%</u>	<u>0%</u>
Interest expense	\$ <u>-</u>	<u>-</u>

(ix) Other related party transactions accounted for as assets and liabilities in the balance sheet

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Other receivables		
Subsidiaries	\$ <u>8,095</u>	<u>22,332</u>
Other payables		
Subsidiaries	\$ <u>1,170,834</u>	<u>349,383</u>
Other current liabilities		
Subsidiaries	\$ <u>36,960</u>	<u>10,727</u>
Other non-current liabilities		
Subsidiaries	\$ <u>10,438</u>	<u>10,438</u>

(x) As of December 31, 2022, please refer to Note 13 for endorsements and guarantees for related party.

(c) Key management personnel compensation

	<u>For the years ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 205,296	194,089
Post-employment benefits	2,499	2,403
Share-based payments	<u>102,183</u>	<u>156,847</u>
	\$ <u>309,978</u>	<u>353,339</u>

Please refer to Note 6(s) for further explanations related to share-based payment transactions.

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PEGATRON CORPORATION
Notes to the Financial Statements

(8) Pledged assets:

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

<u>Asset</u>	<u>Purpose of pledge</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Other financial asset-restricted deposits	Deposits for customs duties	\$ 117,121	114,111
Other financial asset-refundable deposits	Deposits for performance guarantee	<u>37,373</u>	<u>29,275</u>
		<u>\$ 154,494</u>	<u>143,386</u>

(9) Commitments and contingencies:

(a) Significant commitments and contingencies were as follows:

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
NTD	<u>\$ 14,190</u>	<u>10,490</u>

(b) Significant contingent liability :

AIG Specialty Insurance Company, as assignee and subrogee of the Group's customer, filed a lawsuit against the Company 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 Company. The Court found that the Company 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 Company has reached a settlement with AIG Specialty Insurance Company for USD \$59,000 thousand as of December 31, 2021. The Company has recognized relevant provision. On March 21, 2022, the Company 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

(Continued)

PEGATRON CORPORATION
Notes to the Financial Statements

(12) Other:

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

By function By item	For the years ended December 31					
	2022			2021		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefit						
Salary	\$ 2,519,252	8,663,019	11,182,271	2,268,678	8,491,275	10,759,953
Labor and health insurance	245,246	541,076	786,322	212,716	522,623	735,339
Pension	73,276	297,856	371,132	64,103	273,024	337,127
Remuneration of directors	-	135,000	135,000	-	159,000	159,000
Others	364,670	533,146	897,816	320,541	529,192	849,733
Depreciation	786,742	486,577	1,273,319	723,448	456,705	1,180,153
Amortization	37,848	14,648	52,496	52,042	22,412	74,454

For the years ended December 31, 2022 and 2021, the information on the number of employees and employee benefit expense of the Company is as follows:

	<u>2022</u>	<u>2021</u>
Number of employees	<u>8,853</u>	<u>8,519</u>
Number of directors (non-employee)	<u>8</u>	<u>8</u>
Average employee benefit expense	<u>\$ 1,497</u>	<u>1,490</u>
Average employee salary expense	<u>\$ 1,264</u>	<u>1,264</u>
Percentage of average employee salary expense	<u>- %</u>	
Remuneration for supervisors	<u>\$ -</u>	<u>-</u>

Compensation policies are as follows:

In accordance with Article 26 of the Company's Articles of Incorporation, the remuneration to directors should not exceed 0.7% of the profit before tax, while taking the operating performance of the Company and the participation of each director into consideration. There will be regular evaluations concerning the reasonability of compensation policies. Furthermore, the remunerations to managers and employees will be appropriated at the rate stated in the Company's Articles of Incorporation, while taking into consideration the operating performance of the Company, economic indicators and industry level.

(Continued)

PEGATRON CORPORATION
Notes to the 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 Company:

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

(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 INCORPORATION		448,506,484	16.81 %

(14) Segment information:

Please refer to the consolidated financial statements for the year ended December 31, 2022.

Notes to the Financial Statements

Table 1: Loans to other parties
December 31, 2022

No.	Creditor	Borrower	General ledger Account	Is a related party	Maximum outstanding balance during the year ended December 31, 2022		Actual amount drawn during the year ended December 31, 2022	Interest rate (Note 1)	Nature of loan (Note 1)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Expressed in thousands of NTD	
					31, 2022	31, 2022							Limit on loans granted to a single party (Note 2)	Ceiling on total loans granted (Note 2)
1	MAINTEK	COTEK SUZHOU	Other Receivables	Y	\$ 3,071,750	\$ 1,535,875	\$ 1,535,875	0.59%-2.593%	2	\$ -	\$ -	\$ 32,075,511	\$ 32,075,511	
2	ASUSPOWER	PEGATRON	Other Receivables	Y	5,160,540	1,843,050	1,843,050	0.00%	2	-	-	6,577,714	6,577,714	
2	ASUSPOWER	ASUS INVESTMENT	Other Receivables	Y	1,274,776	629,709	629,709	0.00%	2	-	-	1,973,314	3,946,629	
2	ASUSPOWER	ASUSPOWER INVESTMENT	Other Receivables	Y	1,197,983	522,198	522,198	0.00%	2	-	-	1,973,314	3,946,629	
3	CASETEK	PVN	Other Receivables	Y	1,535,875	1,535,875	1,535,875	0.00%	2	-	-	6,577,714	6,577,714	
3	CASETEK	PEGATRON	Other Receivables	Y	1,984,351	-	-	0.00%	2	-	-	4,671,582	4,671,582	
4	KTL	PEGATRON	Other Receivables	Y	537,556	-	-	0.00%	2	-	-	490,771	490,771	
5	DIGITEK CHONGQING	KAI-CHUAN	Other Receivables	Y	307,175	184,305	184,305	0.83%	2	-	-	7,142,644	7,142,644	
6	Pegatron Investment	ASUSPOWER INVESTMENT	Other Receivables	Y	390,000	390,000	390,000	0.85%	2	-	-	398,443	398,443	
7	Pegatron Investment	ASUSPOWER INVESTMENT	Other Receivables	Y	200,000	200,000	200,000	0.85%	2	-	-	398,443	398,443	
7	Pegatron Investment	ASUS INVESTMENT	Other Receivables	Y	190,000	190,000	190,000	0.85%	2	-	-	398,443	398,443	
8	RI TENG	RI SHAN	Short-Term Accounts Receivable	Y	3,748,942	-	-	1.00%	2	-	-	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	-	-	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	-	-	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	-	-	7,736,500	7,736,500	
9	RI LI	RI SHAN	Short-Term Accounts Receivable	Y	5,068,388	-	-	1.00%	2	-	-	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	-	-	44,532,173	44,532,173	
11	Azwave	Agile	Other Receivables	Y	30,718	30,718	30,718	0.00%	2	-	-	819,710	819,710	

Note 1 - Reference for the Nature of loan column

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

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

Note 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 50% 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(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 (MAINTEK)'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 (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 (ASUSPOWER)'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(Pegatron Investment) policy for loans granted, the ceiling on total loans granted to a single party is 40% of our(Pegatron Investment) 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(RIH LI) policy for loans granted, the ceiling on total loans granted to other single party is 30% of our(RIH LI) 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 (RIH LI) net assets.

According to our(PEGATRON) policy for loans granted, the ceiling on total loans granted to other single party is 15% of our(PEGATRON) 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 (PEGATRON)'s net assets.

According to our(CASETEK CAYMAN) policy for loans granted, the ceiling on total loans granted to a single party is 30% of our(CASETEK CAYMAN) 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 CAYMAN)'s 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 40% of our(Azwave) net assets.

While granting loans to the Company and foreign subsidiaries, please refer to the spot exchange rate on the financial statement date. (exchange rate on December 31, 2022 was USD/NTD: 307/75; CNY/NTD: 4.41052)

Notes to the 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 (Note 3) (Note 4)	Actual amount drawn down	Amount of endorsements / guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ of the endorser/ -	Ceiling on total amount of endorsements/ guarantees provided (Note 2)	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by parent company to subsidiary	Expressed in thousands of NTD Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees to guarantees to
1	PEL	PMX	(4)	\$ 310,301	\$ 33,234	\$ 33,234	\$ 33,234	\$ -	2.14%	\$ 775,753	N	N	N	N
2	Azurewave	Azurewave Shanghai	(2)	1,309,761	153,588	-	-	-	-	1,309,761	Y	Y	N	Y
3	ASROCK	ASAROCK	(2)	5,734,635	2,577,280	2,457,400	1,843,050	-	30.00%	5,734,635	Y	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 50% 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'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.

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 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				
	Category	Item			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	Footnote
"	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.	-	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 COMPANY	-	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 CO., LTD.	-	financial asset measured at fair value through profit or loss-Current	39,845,105	5,489,921	0.56%	5,489,921	
"	Stock	Contemporary Ampere Technology Co. Limited	-	financial asset measured at fair value through profit or loss-Current	3,000	5,168	0.00%	5,168	
"	Bond	LUXSHARE ICT CO., LTD.(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%	-	
"	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	

Notes to the Financial Statements

Securities held by	Marketable securities			Relationship	General ledger account	As of December 31, 2022				Footnote	
	Category	Item	Item			Number of shares	Book value	Ownership	Fair value		Expressed in thousands of NTD
ASUS INVESTMENT	Stock	TAIWAN UNION TECHNOLOGY CORPORATION	-	-	277,000	\$ 14,238	0.10%	\$ 14,238			
"	Stock	TONG HSING ELECTRONIC INDUSTRIES, LTD.	-	-	40,500	7,736	0.03%	7,736			
"	Stock	Lightel Technologies Inc.	-	-	2,000,000	64,384	7.66%	64,384			
"	Stock	PT Sat Nuisapersada Tbk	-	-	531,434,100	201,334	10.00%	201,334			
"	Fund	New Economy Ventures LP	-	-	-	56,397	NA	56,397			
"	Fund	AMED	-	-	-	150,610	NA	150,610			
"	Stock	Neuroblade	-	-	33,268	22,096	0.80%	22,096			
"	Stock	Reed Semiconductor	-	-	819,616	35,993	2.07%	35,993			
ASUSTEK INVESTMENT	Stock	BATOM CO., LTD.	-	-	1,084,000	51,045	3.44%	51,045			
KINSUS	Fund	Mega Diamond Money Market Fund	-	-	21,355,432	272,192	NA	272,192			
"	Fund	Jih Sun Money Market	-	-	17,776,549	167,907	NA	267,907			
KINSUS INVESTMENT	Fund	Taishin Ta-Chong Money Market Fund	-	-	829,070	11,964	NA	11,964			
"	Stock	Eihos Original Co., Ltd.	-	-	5,000,000	50,000	7.49%	50,000			
"	Stock	Li Chang Finery Inc.	-	-	32,653	1,000	1.01%	1,000			
Mayin	Fund	Mega Diamond Money Market Fund	-	-	392,329	5,001	NA	5,001			
PEGAVISION	Fund	Yuanta Wan Tai Money Market Fund	-	-	17,190,427	264,208	NA	264,208			
"	Fund	Yuanta De-Li Money Market Fund	-	-	18,482,095	30,627	NA	306,237			
BeautyTech	Fund	Yuanta Wan Tai Money Market Fund	-	-	2,733,974	42,020	NA	42,020			
"	Fund	Yuanta De-Li Money Market Fund	-	-	2,958,590	49,022	NA	49,022			
Lumens	Fund	Fuh Hwa Money Market	-	-	74,510,785	1,089,892	NA	1,089,892			
HUA-YUAN	Stock	Eihos Original Co., Ltd.	-	-	5,000,000	50,617	7.49%	50,617			
"	Stock	NEW SMART TECHNOLOGY CO., LTD.	-	-	500,000	10,688	2.27%	10,688			
Pegatron Venture	Stock	KG Invest TW Co., Ltd.	-	-	2,500,000	8,400	2.86%	8,400			
"	Stock	Panmedia Co., Ltd	-	-	260,001	18,000	10.00%	18,000			

Notes to the Financial Statements

Securities held by	Marketable securities		Relationship	General ledger account	As of December 31, 2022			Footnote
	Category	Item			Number of shares	Book value	Ownership	
Pegatron Venture	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

Expressed in thousands of NTD

Notes to the Financial Statements

Table 4: Individual securities acquired or disposed of with accumulated amount exceeding the lower of TWD\$30 million or 20% of the capital stock December 31, 2022

Investor	Marketable securities		General ledger account - Equity investments under equity method	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	-	-	-	-	1,000,000	-	-	-	-	100,000,000	996,108		
PEGATRON	Stock	Pegatron Investment	-	-	-	-	1,000,000	-	-	-	-	100,000,000	996,108		
PEGATRON	Stock	PVN	-	-	-	2,665,892	134,225	-	-	-	-	-	4,350,383		
PEGATRON	Stock	PEL	-	-	-	277,909	1,220,825	4,000	-	-	-	5,000	1,551,506		
Pegapower Investment	Stock	Pegatron Venture	-	-	-	-	500,000	500,000	-	-	-	500,000,000	494,884		
Pegatron Investment	Stock	Pegatron Venture	-	-	-	-	500,000	500,000	-	-	-	500,000,000	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 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 (including Land and buildings machinery equipment and clean room)	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	Owner	Relationship with the Company	Date of transfer	Amount	References for determining price	Purpose of acquisition and current condition	Others	Expressed in thousands of NTD	
														For capacity expansion and company operation planning	For capacity expansion and company operation planning
KINSUS	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	Rights-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	987,568	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	TRANSIDIEN 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	Rights-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 Financial Statements

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

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	
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 A account 60-90 Days	-	(55,899)	(0.01)%
PEGATRON	PEGAGLOBE KUNSHAN	Note 2	Purchase	88,853,848	7.37%	Note 4	Open A 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 A 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)%
RIDA	PEGATRON	Note 1	Sale	(369,112)	N/A		Open A 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 A account 60 Days	-	(9,033,660)	(100.00)%
Powtek Shanghai	PEGAGLOBE KUNSHAN	Note 3	Sale	(70,724,090)	(18.34%)		Open A account 60 Days	-	31,185,056	24.87%
Powtek Shanghai	PEGAGLOBE KUNSHAN	Note 3	Purchase	906,082	0.24%		Open A account 60 Days	-	(694,310)	(0.47)%
Powtek Shanghai	COTEK SUZHOU	Note 3	Purchase	420,531	0.11%		Open A account 60 Days	-	(147,966)	(0.10)%
PEGAGLOBE KUNSHAN	PEGATRON	Note 1	Sale	(88,853,848)	(23.94%)		Open A account 60 Days	-	118,727,109	98.45%
PEGAGLOBE KUNSHAN	Protek Shanghai	Note 3	Sale	(906,082)	(0.24%)		Open A account 60 Days	-	694,310	0.58%
PEGAGLOBE KUNSHAN	Protek Shanghai	Note 3	Purchase	70,724,090	19.98%		Open A account 60 Days	-	(31,185,056)	(25.23)%
PEGAGLOBE KUNSHAN	COTEK SUZHOU	Note 3	Purchase	156,673	0.04%		Open A 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 A 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%

Expressed in thousands of NTD

Notes to the Financial Statements

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)	(6.83%)		
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	(84,794,841)	(18.03%)	Open Account 60 Days	-	\$1,916,485	16.39%		
COTEK SUZHOU	Prottek-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	Prottek-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	(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	241,659	79.03%		
PEGAVISION	PEGAVISION JAPAN	Note 2	Sale	(2,591,603)	(46.25%)	Open Account 90 Days	Same as other clients	335,242	37.41%		
PEGAVISION	Gemvision zhejiang	Note 2	Sale	(287,764)	(5.14%)	Open Account 180 Days	Same as other clients	67,566	7.54%		
PEGAVISION	BeautyTech	Note 2	Sale	(262,481)	(4.68%)	Open Account 120 Days	Same as other clients	98,960	11.04%		
PEGAVISION JAPAN	PEGAVISION	Note 1	Purchase	2,591,603	100.00%	Open Account 90 Days	No other comparable vendors	(335,242)	(100.00%)		

Notes to the Financial Statements

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction		Differences in transaction terms compared to third party			Notes/accounts receivable		Footnote	
			Purchases (sales)	Amount	Percentage of total	Credit term	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	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	No other comparable vendors	(98,960)	(90.89%)
ASROCK	ASIAROCK	Note 2	Purchase	10,434,158	99.84%	Open Account 90 Days	No other comparable vendors	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	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	Same as other clients	55,939	2.10%
ASROCK	ASIAROCK	Note 2	Sale	(185,414)	(1.45%)	Open Account 90 Days	Same as other clients	Same as other clients	Same as other clients	176,151	6.63%
ASRock Industrial	ASIAROCK	Note 3	Purchase	1,004,059	64.20%	Open Account 60 Days	No other comparable vendors	No other comparable vendors	No other comparable vendors	(247,181)	(66.64%)
ASRock Rack	ASIAROCK	Note 3	Purchase	1,481,506	58.10%	Open Account 60 Days	No other comparable vendors	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	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	Same as other clients	105,035	26.26%
ASIAROCK	PEGATRON	Note 1	Purchase	484,345	4.87%	Open Account 90 Days	No other comparable vendors	No other comparable vendors	No other comparable vendors	(112,304)	(3.55%)
ASIAROCK	ASROCK	Note 1	Sale	(10,434,158)	(73.36%)	Open Account 90 Days	Same as other clients	Same as other clients	Same as other clients	1,031,901	53.47%
ASIAROCK	ASRock Industrial	Note 3	Sale	(1,004,059)	(7.06%)	Open Account 60 Days	Same as other clients	Same as other clients	Same as other clients	247,181	12.81%
ASIAROCK	ASRock Rack	Note 3	Sale	(1,481,506)	(10.42%)	Open Account 60 Days	Same as other clients	Same as other clients	Same as other clients	\$393,806	20.40%
ASIAROCK	ASROCK	Note 1	Purchase	\$185,414	1.76%	Open Account 90 Days	No other comparable vendors	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	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	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	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	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	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	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	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,				102,559	50.00%
Lumens Integration	Lumens	Note 1	Purchase	180,273	94.00%	Open Account 60-90 days Demand on funding need, Open Account 60-90 days				(102,559)	(98.00%)

Note 1 : Parent company

Note 2 : Subsidiary measured by equity method.

Note 3 : Affiliate company

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

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

Notes to the 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 Company	\$ 132,316	N/A	-	-	\$ -	-
	Protek ShangHai	Affiliate Company	4,410,520	N/A	-	-	-	-
	PEGAGLOBE KUNSHAN	Affiliate Company	1,764,208	N/A	-	-	-	-
ASROCK	ASRock America	Subsidiary measured by equity method	2,011,561	3.03	-	-	107,489	-
	ASiAROCK	Subsidiary measured by equity method	176,151	1.66	-	-	-	-
ASiAROCK	ASROCK	Parent Company	1,031,901	13.25	-	-	-	-
	ASRock Rack	Affiliate Company	393,806	5.97	-	-	-	-
	ASRock Industrial	Affiliate Company	247,181	5.79	-	-	39,376	-
ASRock Rack	ASRock America	Affiliate Company	105,035	2.57	-	-	-	-
KINSUS SUZHOU	KINSUS	Parent Company	241,659	6.38	-	-	-	-
PEGAVISION	PEGAVISION JAPAN	Subsidiary measured by equity method	335,242	8.14	-	-	45,575	-
Lumens	Lumens Integration	Subsidiary measured by equity method	102,559	1.65	-	-	18,980	-
AzureWave Shanghai	AzureWave	Parent Company	242,537	3.71	-	-	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 Financial Statements

Table 8: Information on investees
December 31, 2022

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022			Expressed in thousands of NTD	
				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
PEGATRON	ASUSPOWER INVESTMENT	Taipei	Investment holding	\$ 13,033,429	\$ 13,033,429	932,844,700	100.00%	\$ 11,804,906	\$ 986,587	986,587
	ASUS INVESTMENT	Taipei	Investment holding	16,184,982	16,184,982	979,234,600	100.00%	13,234,345	996,518	996,518
	ASUSTEK INVESTMENT	Taipei	Investment holding	14,593,543	14,593,543	951,278,300	100.00%	9,047,435	1,128,402	1,128,402
	PEGA HOLDING	Cayman Islands	Investment holding	34,318,691	34,318,691	991,906,463	100.00%	97,413,112	(5,718,858)	(5,718,232)
	PUSA	CA, USA	Repairing and marketing center in Northern America	16,085	16,085	50,000	100.00%	18,712	(339)	(339)
	PHH	Wijchen, NETHERLANDS	Investment holding	1,278,287	1,278,287	-	100.00%	3,339,681	222,049	222,049
	AMA	Taipei	Research and design of computer components and wireless network development as well as selling and retailing of telecommunication, business and computer equipment and information software	408,394	408,394	33,500,000	100.00%	438,351	4,869	4,869
	AzureWave	New Taipei City	Investment holding	525,750	525,750	35,750,000	23.41%	607,164	295,122	69,032
	UNIHAN	Cayman Islands	Investment holding	5,823,962	5,823,962	170,110,010	100.00%	6,525,799	480,799	480,173
	CASETEK CAYMAN	Cayman Islands	Investment holding	14,717,122	14,717,122	1	100.00%	44,532,173	5,979,271	5,979,271
	PAU	Australia	Investment holding	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, and whole 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	Equipment, and electronic parts	144,033	27,813	500	100.00%	284,492	166,890	166,890	
PEL	TX, USA	Sales and repair service center in North America	1,498,950	278,125	5,000	100.00%	1,551,506	13,988	13,988	
Pegapower Investment	Taipei	Sales and repair service center in North America	1,000,000	-	100,000,000	100.00%	996,108	(3,892)	(3,892)	
Pegatron Investment	Taipei	Investment holding	1,000,000	-	100,000,000	100.00%	996,108	(3,892)	(3,892)	
Pegatron Venture	Taipei	Investment holding	500,000	-	50,000,000	50.00%	494,884	(10,231)	Not required to disclose	
Pegatron Venture	Taipei	Investment holding	500,000	-	50,000,000	50.00%	494,884	(10,231)	Not required to disclose	
STARLINK	New Taipei City	Manufacture of computer components and industrial plastics. Sale and manufacture of electronic materials.	135,144	135,144	15,000,000	50.00%	247,357	11,425	Not required to disclose	
KINSUS	Taoyuan	Manufacture of computer components. Sale and manufacture of electronic materials. Enterprise management consulting.	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	Development, manufacture and sale of projector and related product.	508,932	508,932	10,043,490	50.22%	1,118,898	174,676	Not required to disclose	
PEGAVISION	Taoyuan	Manufacture of medical equipment	70,721	70,721	5,480,121	7.83%	203,208	1,543,185	Not required to disclose	
ASUSPOWER	Virgin Islands	Investment holding and commercial affairs	3,752,682	3,752,682	109,000,000	31.23%	5,054,220	23,652	Not required to disclose	
PTSI	Kentucky, USA	Repairing and marketing center in Northern America	94,475	94,475	2,800	100.00%	1,356,553	75,650	Not required to disclose	

Notes to the Financial Statements

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022				Expressed in thousands of NTD	
				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
				\$	\$			\$	\$	(1)	Not required to disclose
ASUSPOWER INVESTMENT	PLSI	CA, USA	Transferring and marketing center in Northern America	48,780	48,780	1,000	100.00%	12,220	25,051	Not required to disclose	
	WISE INVESTMENT	Taipei	Investment holding	31,885	31,885	-	48.78%	274,369	(1,120)	Not required to disclose	
	PEGA INTERNATIONAL PJ	Taipei	Design service and commercial affairs	27,287	27,287	-	100.00%	25,883	156,374	Not required to disclose	
	PMX	Chihuahua, Mexico	Repairing and marketing center in Japan	738,554	456,761	-	100.00%	475,619	(22,125)	Not required to disclose	
	PSG	Singapore	Manufacture of electronic products, the whole sale and retail sale of electronic materials	23,990	23,990	1,000,000	100.00%	228,533	29,652	Not required to disclose	
	PTB	Indonesia	Repairing and marketing center in Singapore	31	31	1	0.00%	46	392,200	Not required to disclose	
	PTI	India	manufacturing wired and wireless communication equipment, and whole selling of computer equipment and electronic components	429	429	110,000	0.01%	263	(1,148,900)	Not required to disclose	
	STARLINK	New Taipei City	Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts	90,000	90,000	9,000,000	30.00%	148,414	11,425	Not required to disclose	
ASUS INVESTMENT	KINSUS	Taoyuan	Manufacture of computer components and electronic materials. Sale and manufacture of industrial plastics. Sale and manufacture of electronic materials.	938,098	938,098	60,128,417	13.28%	4,542,087	6,976,792	Not required to disclose	
	ASROCK	Taipei	Manufacture of computer components, sale and management consulting	155,718	155,718	57,217,754	46.90%	3,812,252	1,078,380	Not required to disclose	
	Lumens	Hsinchu	Selling motherboards, related product development and design	7,338	7,338	587,079	2.94%	65,404	174,676	Not required to disclose	
	ASUSPOWER	Virgin Islands	Development, manufacture and sale of projector and related product	3,488,741	3,488,741	103,000,000	29.51%	1,941,083	23,652	Not required to disclose	
	AS FLY	Taipei	Investment holding and commercial affairs	6,000	6,000	-	100.00%	6,183	415	Not required to disclose	
	HUA-YUAN	Taipei	Travel industry	500,000	500,000	-	100.00%	549,031	9,109	Not required to disclose	
	PMX	Chihuahua, Mexico	Investment holding	1,114,671	700,851	-	32.94%	1,127,297	(22,125)	Not required to disclose	
	FUYANG	Hsinchu	Manufacture of electronic products, the whole sale and retail sale of electronic materials	464,711	464,711	32,088,436	17.83%	192,191	149,546	Not required to disclose	
ASUSTEK INVESTMENT	STARLINK	New Taipei City	Manufacture of computer components, sale and components. Sale of electronic material	60,000	60,000	6,000,000	20.00%	98,943	11,425	Not required to disclose	
	KINSUS	Taoyuan	Manufacture of computer components and industrial plastics. Sale and manufacture of electronic materials.	794,252	794,252	58,233,091	12.86%	4,398,914	6,976,792	Not required to disclose	
	ASROCK	Taipei	Manufacture of computer components, sale and management consulting	223,939	223,939	7,453,405	6.11%	496,599	1,078,380	Not required to disclose	
	AzureWave	New Taipei City	Manufacture of computer components, sale and management consulting, related product development and design	98,487	98,487	6,696,930	4.38%	113,833	295,122	Not required to disclose	
	Lumens	Hsinchu	Wireless network development as well as selling and retailing of telecommunication, business and computer equipment and information software	5,117	5,117	409,427	2.05%	45,612	174,676	Not required to disclose	
	PEGAVISION	Taoyuan	Development, manufacture and sale of projector and related product	64,292	64,292	4,934,434	7.05%	453,101	1,543,185	Not required to disclose	
	ASUSPOWER	Virgin Islands	Manufacture of medical equipment	4,652,885	4,652,885	137,000,000	39.26%	2,582,411	23,652	Not required to disclose	
	FUYANG	Hsinchu	Manufacture of wire, cable and electronic components. Sale of electronic material	929,422	929,422	64,176,872	35.65%	384,274	149,546	Not required to disclose	
	Dynaflex	Cayman Islands	Investment holding	228,635	-	5,714	11.43%	229,606	32,107	Not required to disclose	
	PKR	Korea	Repairing and marketing center in Korea	46,076	46,076	360,000	100.00%	135,111	27,594	Not required to disclose	
PSG	MAGNIFICENT	Virgin Islands	Investment holding and commercial affairs	7,998,249	7,998,249	177,961,090	100.00%	31,936,979	(1,099,424)	Not required to disclose	
PEGA HOLDING	PROTEK	Virgin Islands	Investment holding and commercial affairs	9,196,774	9,196,774	308,100,000	100.00%	35,879,546	(4,790,438)	Not required to disclose	
	ASLINK	Cayman Islands	Investment holding and commercial affairs	6,917,787	6,917,787	229,711,968	100.00%	18,027,333	(47,973)	Not required to disclose	

Notes to the Financial Statements

Expressed in thousands of NTD

Initial investment amount

Shares held as at December 31, 2022

Investor	Investee	Location	Main business activities	Balance as at	Balance as at	Number of shares	Ownership	Book value	Net profit (loss) of	Investment income	Note
				December 31, 2022	December 31, 2022				the investee for the year ended December 31, 2022		
PEGA HOLDING	DIGITEK	Virgin Islands	Investment holding and commercial affairs	\$ 1,506,647.64	\$ 1,506,647.64	49,050,000	100.00%	\$ 7,150,200.46	(194,807)	Not required to disclose	
	COTEK	Virgin Islands	Investment holding and commercial affairs	2,119,968	2,119,968	81,275,000	100.00%	2,288,049	250,874	Not required to disclose	
	TOP QUARK	HongKong	Investment holding	325,436	325,436	9,550,000	100.00%	305,432	4,106	Not required to disclose	
	POWTEK	Virgin Islands	Investment holding and commercial affairs	403,797	403,797	8,050,000	100.00%	1,501,347	193,927	Not required to disclose	
	PIOTEK CAYMAN	Cayman Islands	Investment holding	2,834,411	2,834,411	92,000,000	49.00%	(41,841)	(246,681)	Not required to disclose	
KINSUS	GUT	Samoa	Investment holding and commercial affairs	40,739	40,739	5,000,000	100.00%	4,967	(31,801)	Not required to disclose	
	KINSUS USA	CA, USA	Design substrate, analyze market strategy, development new customer and new technology.	15,359	15,359	500,000	100.00%	71,710	(2,492)	Not required to disclose	
KINSUS INVESTMENT	KINSUS SAMOA	Samoa	Investment holding	5,047,153	5,108,588	164,308,720	100.00%	3,230,275	883,693	Not required to disclose	
	KINSUS INVESTMENT	Taiyuan	Investment holding	1,600,000	1,600,000	160,000,000	100.00%	2,841,401	522,300	Not required to disclose	
	PEGAVISION	Taiyuan	Investment holding	252,455	252,455	21,233,736	30.33%	1,949,698	1,542,135	Not required to disclose	
KINSUS SAMOA	FUYANG	Hsinchu	Manufacture of wire, cable and electronic components. Sale of electronic material.	929,422	929,422	64,176,872	35.65%	381,123	149,546	Not required to disclose	
	KINSUS CAYMAN	Cayman Islands	Investment holding	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	Investment holding	2,896,937	2,896,937	95,755,000	51.00%	(43,557)	(246,690)	Not required to disclose	
	PIOTEK	Virgin Islands	Investment holding	4,295,560	4,295,560	139,840,790	100.00%	(85,395)	(246,690)	Not required to disclose	
	PIOTEK H.K.	HongKong	Commercial affairs	799	799	200,000	100.00%	66,411	(3,572)	Not required to disclose	
	PEGAVISION JAPAN	Japan	Sale of medical equipment	2,302	2,302	198	100.00%	94,156	35,608	Not required to disclose	
	Mayin	Taiyuan	Investment holding	246,003	120,003	21,000,000	100.00%	383,590	102,903	Not required to disclose	
	BeautyTech	Taiyuan	Selling medical appliances and cosmetics	107,500	40,000	8,500,000	85.00%	221,349	114,108	Not required to disclose	
	FacialBeau	Taiyuan	Selling medical appliances and cosmetics	27,500	27,500	2,750,000	55.00%	25,576	(3,481)	Not required to disclose	
	BeautyTech	CA, USA	Selling medical appliances and cosmetics	-	33,789	-	-	-	(6,344)	Not required to disclose	
FacialBeau	BEAUTUTECH SG	Singapore	Selling medical appliances and cosmetics	6,144	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	
FUYANG	RODNA	Korea	Selling medical appliances and cosmetics	2,436	-	-	-	2,345	(87)	Not required to disclose	
	FUYANG HOLDING	Cayman Islands	Investment holding and commercial affairs	1,357,292	1,357,292	44,000,000	100.00%	181,223	143,725	Not required to disclose	
ASROCK	ASRock Rack	Taipei	Manufacture and sale of computer related products	390,240	390,240	30,884,308	59.68%	501,788	137,524	Not required to disclose	
	ASIAROCK Leader	Virgin Islands	Investment holding	1,320,886	1,320,886	40,000,000	100.00%	3,714,463	(17,215)	Not required to disclose	
ASIAROCK	ASRock Industrial	Taipei	Manufacture and sale of computer related products	239,683	239,683	31,064,410	64.46%	591,297	334,996	Not required to disclose	
	ASiade	Taipei	Information software service	216,563	103,125	17,325,000	82.50%	172,490	(52,876)	Not required to disclose	
ASIAROCK EUROPE	Soaring	HongKong	International trade	592	592	150,000	100.00%	592	1	Not required to disclose	
	ASRock	NETHERLANDS	Sale of data storage devices and electronic materials	5,959	5,959	200,000	100.00%	738,276	(2,250)	Not required to disclose	
Leader	Orbweb	Virgin Islands	Renting offices	61,435	61,435	2,000,000	100.00%	64,978	(1,131)	Not required to disclose	
	Firstplace	Virgin Islands	Installation of computer equipment and sale of computer related product.	30,718	30,718	4,000,000	27.59%	-	(1,630)	Not required to disclose	
Firstplace	ASRock America	CA, USA	Investment holding	62,971	62,971	2,050,000	100.00%	59,617	(52,186)	Not required to disclose	
	Lumens	CA, USA	Sale of data storage devices and electronic materials	61,435	61,435	2,000,000	100.00%	58,583	(52,186)	Not required to disclose	
PTSI	Lumens Integration	CA, USA	Purchase and sale on computer product and computer related product.	37,199	37,199	1,222,000	100.00%	16,115	(10,875)	Not required to disclose	
	PCBR	Samoa	Investment holding	7,679	7,679	250,000	100.00%	31,579	6,285	Not required to disclose	
CASETEK	CASETEK	Brasil	Repairing service	19,966	19,966	6,650	100.00%	6,650	(857)	Not required to disclose	
	SLITEK	Virgin Islands	Investment holding and commercial affairs	5,044,110	5,044,110	115,375,668	100.00%	4,671,852	480,570	Not required to disclose	
AzureWave	KHL	Samoa	Investment holding and commercial affairs	37,168	37,168	1,210,000	100.00%	(3,038)	(4,079)	Not required to disclose	
	KTL	HongKong	Investment holding and commercial affairs	767,938	767,938	25,000,000	100.00%	632,823	56,495	Not required to disclose	
AzureWave	Azwave	Samoa	Investment holding and commercial affairs	153,588	153,588	5,000,000	100.00%	490,771	(81,735)	Not required to disclose	
	EZWAVE	Samoa	Investment holding	2,173,438	2,173,438	70,177,000	100.00%	2,049,276	(275,036)	Not required to disclose	
		New Taipei City	Information product service industry	5,015	5,015	500,000	100.00%	(23,824)	(714)	Not required to disclose	

Notes to the Financial Statements

Expressed in thousands of NTD

		Initial investment amount		Shares held as at December 31, 2022							
Investor	Investee	Location	Main business activities	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
AzureWave	AzureWave Shanghai	New Taipei City	Sale of electronic materials	\$ 25,000	\$ 25,000	2,000,000	100.00%	\$ 36,330	3,924	Not required to disclose	
	AzureWave USA	CA, USA	Market development	19,820	19,820	650,000	100.00%	1,048	(1,300)	Not required to disclose	
	RH LI	Samoa	Investment holding	23,546,072	23,546,072	581,331,000	100.00%	34,300,346	4,245,896	Not required to disclose	
CASETEK CAYMAN	RI-KUAN	Taipei	Sales of iron and aluminum products	309,683	309,683	30,000,000	100.00%	719,499	114,920	Not required to disclose	
	APLUS	Cayman Islands	Investment holding and commercial affairs	987,710	987,710	38,300,000	100.00%	898,255	26,886	Not required to disclose	
	MEGA	Samoa	Commercial affairs	30,718	30,718	1,000,000	100.00%	57,046	1,593	Not required to disclose	
	PMX	Chihuahua, Mexico	Manufacture of electronic products, the whole sale and retail sale of electronic materials.	1,535,875	-	-	44.63%	1,527,436	(22,125)	Not required to disclose	
APLUS	UNITED	Samoa	Investment holding and commercial affairs	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	Investment holding	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 Financial Statements

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

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

Investees 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 for the year ended December 31, 2022 (Note 2) (1)	Book value of investments in Mainland China as of December 31, 2022	Expressed in thousands of NTD 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	(81,099,377) (USD 36,935,614)	100%	(81,099,377) (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 component.	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)	Develop and research, manufacture and sale of new type of precision electrical component, circuit board and related product. The company also provides after sale service.	5,120,607 USD 166,700,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	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	Develop, manufacture and sale of new electrical component, plugs and corresponding precision mold. The company also provides after sale 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)	Manufacture and sale of computer components, digital automatic data processing machine, accessories of multimedia computer, power supplier, network switch and data machine.	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	Sale of computer motherboard, computer, laptop, services machines and computer related items. The company also provides after sale 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 45,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	1,505,158 USD 45,000,000	-	1,505,158 USD 45,000,000	(194,770) (USD 6,343,657)	100%	(194,770) (USD 6,343,657)	7,142,644 USD 232,526,865	-	
PEGAGLOBE KUNSHAN	Manufacture of satellite navigation receiving equipment, cellphone, core equipment, internet detection equipment, large and medium sized computer, easy to carry computers, high end service equipment, large volume light driver and their component.	5,959,195 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)	17,133,885 USD 577,852,530	-	
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)	Manufacture, development and research and sale of computer, computer system and its component. The company also provides after sale 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 KUNSHAN	Manufacture of plastic injection products.	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	Research, manufacture and sale of laptop components and precision equipment. Design non-metal molds and electronic devices. The company also provides after sale service and consulting service.	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	213,209 USD 6,940,720	-	
KAI-CHUAN	Research and develop, manufacture and inspect computer and implantation system. Manufacture molds, precision molds, plastic components. Sale of automatic 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 Financial Statements

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan as of January 1, 2022	Amount remitted from Taiwan to Mainland China / Remitted back to Taiwan		Accumulated amount of remittance from Taiwan as of December 31, 2022	Ownership held by the Company (direct or indirect)	Investment income (loss) for the year ended December 31, 2022 (Note 12)	Book value of investments in Mainland China as of December 31, 2022 (USD)	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 invest in the investee in Mainland China.	\$36,861 USD 1,200,000	\$ -	\$ -	20%	(USD 136,453)	(843,314) USD 140,451	\$ -	
FUYANG SUZHOU (Note 13)	Research and develop, manufacture, test, repair and sale of Multilayer flexible board and computer number signal processor.	1,351,570 USD 44,000,000	Through setting up company in the third area, the Company then invest in the investee in Mainland China.	1,351,570 USD 44,000,000	-	-	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 invest in the investee in Mainland China.	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 13,509,984	Through setting up company in the third area, the Company then invest in the investee in Mainland China.	185,096 USD 6,025,762	-	-	-	-	-	-	
Suzhou Elite (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 invest in the investee in Mainland China.	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 invest in the investee in Mainland China.	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 invest in the investee in Mainland China.	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 invest in the investee in Mainland China.	13,602 USD 442,800	-	-	-	-	-	-	
Suzhou Limshuo (Note 6)	Manufacture of plugs	214,545 USD 6,984,441	Through setting up company in the third area, the Company then invest in the investee in Mainland China.	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 invest in the investee in Mainland China.	602,063 USD 19,600,000	-	-	-	-	-	-	
Jinrong (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 invest in the investee in Mainland China.	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 invest in the investee in Mainland China.	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 invest in the investee in Mainland China.	519,908 USD 16,925,453	-	-	100%	25,309 USD 850,313	896,345 USD 29,180,271	-	
RI TENG (Note 18)	Designing, manufacturing and selling electronic components and providing after-sales services, idle equipments leasing, commission agency, trading services and their relevant corresponding services	4,761,182 USD 154,999,000	Through setting up company in the third area, the Company then invest in the investee in Mainland China.	9,481,664 USD 308,673,038	-	-	100%	347,436 USD 11,672,753	7,756,500 USD 251,859,691	-	
RI PRO (Note 18)	Designing, manufacturing and selling electronic components and providing after-sales services, idle equipments leasing, commission agency, trading services and their relevant corresponding services	92,153 USD 3,000,000	Through setting up company in the third area, the Company then invest in the investee in Mainland China.	19,373 USD 650,695	-	-	100%	(21,798) (USD 732,341)	(11,177) (USD 363,857)	-	

Notes to the Financial Statements

Investees 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		Net income of investees 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 (Note 2, (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					
RI KAI (Note 18)	Designing, manufacturing and selling electronic components and providing after-sales services, idle equipments leasing, commission agency, trading services and their relevant corresponding services	\$ 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	\$ - -	\$ 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)
\$65,607,868 USD 2,070,729,979.74	\$68,193,276 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 in 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 a 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 : MAINTERS' paid-in capital includes capital increase by retained earnings 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 earnings of USD27,000,000. The ownership percentage includes shares held by other subsidiaries.

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

Note 9 : Honglun 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 Hongtie. As of December 31, 2022, the funds have not been remitted.

Note 12 : Hongruiheng 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 USD77,211,239.00 between the accumulated amounts of remittance from Taiwan to Mainland China as of December 31, 2021 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 RUNITOP. 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.

PEGATRON CORPORATION

Statement of Accounts Receivable

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

<u>Client name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Related party			
PROTEK (SHANGHAI) LTD.	Payment	\$ 143,872,147	
PEGAGLOBE (KUNSHAN) CO., LTD.	"	88,285,361	
DIGITEK (CHONGQING) LTD.	"	28,181,168	
MAINTEK COMPUTER (SUZHOU) CO., LTD.	"	22,078,619	
PEGATRON TECHNOLOGY INDIA PRIVATE LIMITED	"	23,511,116	
PT PEGAUNIHAN TECHNOLOGY INDONESIA	"	17,177,440	
Other (Note)	"	<u>15,008,282</u>	
Subtotal		<u>338,114,133</u>	
Non-related party			
A	"	83,012,299	
B	"	28,770,520	
C	"	17,306,265	
Other (Note)	"	<u>36,762,235</u>	
Subtotal		<u>165,851,319</u>	
Total		<u><u>\$ 503,965,452</u></u>	

Note: The year-end balance of each client doesn't exceed 5 % of the account balance.

PEGATRON CORPORATION

Statement of Inventory

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>		<u>Note</u>
	<u>Cost</u>	<u>Net realized value</u>	
Merchandise	\$ 46,584,493	46,430,762	
Finished goods	607,574	665,024	
Work in process	419,163	484,647	
Raw materials	3,286,863	3,498,584	Replacement cost has been used as the market price of usual inventory, and net realizable value has been used as the market price of obsolete inventory.
Total	<u>50,898,093</u>	<u>51,079,017</u>	
Less: Allowance for inventory market decline and obsolescence	<u>(1,227,777)</u>		
Net total	<u>\$ 49,670,316</u>		

PEGATRON CORPORATION

Statement of Changes in Investments Accounted for Using the Equity Method

For the year ended December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Name of investee	Beginning Balance		Addition		Decrease		Investment income or loss	Translation adjustment	Capital surplus	Unrealized gain or loss of financial instruments	Re-measurement of defined benefit plans	Unrealized gross margin	Shares (in thousand)	Ending Balance Percentage of ownership	Market Value or Net Assets Value	
	Shares (in thousand)	Amount	Shares (in thousand)	Amount	Shares (in thousand)	Amount									Unit price	Total amount
ASUSPOWER INVESTMENT CO., LTD.	932,845	\$ 10,343,374	-	-	-	986,587	460,859	7,312	(67)	6,841	-	-	932,845	100.00%	12.65	11,804,506
ASUS INVESTMENT CO., LTD.	979,255	11,660,148	-	-	-	996,518	550,350	38,316	(21,791)	10,803	-	-	979,255	100.00%	13.51	13,234,344
ASUSTEK INVESTMENT CO., LTD.	951,278	7,613,944	-	-	-	1,128,402	298,896	(20)	-	6,213	-	-	951,278	100.00%	9.51	9,047,435
PEGAPOWER INVESTMENT CO., LTD.	-	-	100,000	1,000,000	-	(3,892)	-	-	-	-	-	-	100,000	100.00%	9.96	996,108
PEGATRON INVESTMENT CO., LTD.	-	-	100,000	1,000,000	-	(3,892)	-	-	-	-	-	-	100,000	100.00%	9.96	996,108
UNIHAN HOLDING LTD.	170,110	5,734,488	-	-	-	480,173	311,138	-	-	-	-	-	170,110	100.00%	38.36	6,525,799
AMA PRECISION INC.	33,500	433,482	-	-	-	4,869	-	-	-	-	-	-	33,500	100.00%	13.09	438,351
AZUREWAVE TECHNOLOGIES, INC.	35,750	492,197	-	-	-	69,032	48,109	(2,328)	-	153	-	-	35,750	23.41%	19.40	693,550
PEGATRON HOLDING LTD.	991,906	93,235,505	-	-	-	(5,718,232)	9,895,839	-	-	-	-	-	991,906	100.00%	98.21	97,413,112
PEGATRON USA, INC.	50	17,179	-	-	-	(339)	-	-	-	-	-	-	50	100.00%	374.24	18,712
Pegatron Holland Holding B.V.	-	2,894,729	-	-	-	222,049	222,902	-	-	-	-	-	-	100.00%	-	3,339,680
CASETEK HOLDINGS LIMITED (CAYMAN)	-	37,051,112	-	-	-	5,979,271	1,382,156	119,634	-	-	-	-	-	100.00%	-	44,532,173
PEGATRON SERVICE AUSTRALIA PTY LTD.	6,000	201,423	-	-	-	38,276	7,776	-	-	-	-	-	6,000	100.00%	41.25	247,475
PT. PEGAUNIHAN TECHNOLOGY INDONESIA	40	1,246,851	-	-	-	470,409	152,582	-	-	(112)	-	-	40	99.99%	46,743.23	1,869,730
PEGATRON TECHNOLOGY HAI PHONG COMPANY LIMITED	-	221,520	-	-	-	(16,051)	23,798	-	-	-	-	-	-	100.00%	-	229,267
PEGATRON VIETNAM COMPANY LIMITED	-	2,665,892	-	1,341,225	-	9,579	333,688	-	-	-	-	-	-	100.00%	-	4,350,384
Pegatron Technology India Private Limited	1,099,890	3,760,945	-	-	-	(1,143,021)	20,301	-	-	(391,835)	-	-	1,099,890	99.99%	2.04	2,246,390
PEGATRON TECHNOLOGY TEXAS INC.	-	(9,563)	-	116,220	-	166,890	10,945	-	-	-	-	-	-	100.00%	-	284,492
PEGATRON ELECTRONICS INC.	1	277,907	4	1,220,825	-	13,988	38,286	-	-	-	-	-	5	100.00%	310,301.20	1,551,506
Subtotal		177,841,133		4,678,270		3,680,616	13,759,997	162,914	(21,858)	23,898	(391,835)	-				199,733,135
Add: Credit balance of investments accounted for using equity method		9,563		(9,563)		-	-	-	-	-	-	-				-
Total		\$ 177,850,696		4,678,270		3,680,616	13,759,997	162,914	(21,858)	23,898	(391,835)	-				\$ 199,733,135

PEGATRON CORPORATION

Statement of Short-term Loan

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

<u>Type</u>	<u>Ending Balance</u>	<u>Contract Period</u>	<u>Interest Rate</u>	<u>Collateral</u>	<u>Note</u>
Unsecured bank loans	\$ <u>51,484,097</u>	2022.07.26~2023.03.17	0.38%~5.09%	None	

Statement of Account Payable

<u>Vendor name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Related party			
PEGAGLOBE (KUNSHAN) CO., LTD	Payment	\$ 118,727,109	
PROTEK (SHANGHAI) LTD	"	93,962,599	
DIGITEK (CHONGQING) LTD	"	26,282,280	
Other (Note)	"	<u>28,506,334</u>	
Subtotal		<u>267,478,322</u>	
Non-related party			
A	"	90,555,904	
B	"	22,302,976	
Other (Note)	"	<u>69,314,287</u>	
Subtotal		<u>182,173,167</u>	
Total		<u>\$ 449,651,489</u>	

Note: The year-end balance of each vendor doesn't exceed 5% of the account balance.

PEGATRON CORPORATION

Statement of Operating Revenue

For the year ended December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Quantity</u>	<u>Amount</u>	<u>Note</u>
Sales revenue:			
3C electronic products	149,462 thousand units	\$ 1,141,997,996	Note 1
Others		<u>90,388,072</u>	Note 2
		<u>\$ 1,232,386,068</u>	

Note 1: 3C electronic products contain information technology products, consumer electronic products, and communication products.

Note 2: Others contain repair revenue, service revenue, and others.

PEGATRON CORPORATION

Statement of Operating Costs

For the year ended December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Item	Amount	
	Subtotal	Total
Cost of sales from manufacturing		
Raw materials, January 1		\$ 4,652,762
Add: Purchase (Note1)		33,622,828
Transferred-in		4,150,125
Less: Transferred (includes amount transferred to each expense and loss) (Note1)		(1,400,322)
Raw materials, December 31		(3,286,863)
Direct labor		1,437,533
Manufacturing expenses		4,516,769
Cost of manufacturing		43,692,832
Add: Work in process, January 1		529,903
Less: Transferred (includes amount transferred to each expense and loss) (Note1)		(266,031)
Work in process, December 31		(419,163)
Cost of finished goods		43,537,541
Add: Finished goods, January 1		979,775
Less: Transferred(includes amount transferred to each expense and loss) (Note1)		(448,246)
Finished goods, December 31		(607,574)
Cost of self-manufactured products		43,461,496
Merchandise, January 1	35,066,581	
Add: Purchase (Note1)	2,258,250,945	
Less: Transferred(includes amount transferred to each expense and loss)(Note1)	(1,086,951,720)	
Merchandise, December 31	(46,584,493)	1,159,781,313
Cost of goods sold		1,203,242,809
Other business costs		(634,569)
Allowance for inventory obsolescence		105,124
Loss on disposal of inventory		335,580
Operating costs		\$ 1,203,048,944

Note1: The product is processed by subsidiary and sold back to the Company. The number includes the sold back price of the product.

PEGATRON CORPORATION

Statement of Operating Expenses

For the year ended December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Sales</u>	<u>Administration</u>	<u>Research and Development</u>	<u>Total</u>
Salary and wages expense	\$ 1,014,547	1,568,101	6,080,371	8,663,019
Transportation expense	496,155	2,307	8,120	506,582
Insurance expense	64,661	84,350	392,065	541,076
Expected credit loss (reversal gain)	59,047	-	(27)	59,020
Depreciation expense	35,113	145,350	306,114	486,577
Amortization expense	2,161	3,395	9,092	14,648
Pension expense	35,225	45,225	217,406	297,856
Storage expense	252,834	877	-	253,711
Other personnel expense	64,873	77,070	391,203	533,146
Other (Note)	<u>596,989</u>	<u>737,937</u>	<u>1,023,723</u>	<u>2,358,649</u>
	<u>\$ 2,621,605</u>	<u>2,664,612</u>	<u>8,428,067</u>	<u>13,714,284</u>

Note: The year-end balance of each item doesn't exceed 5% of the account balance.

Pegatron Corporation



T.H. Tung, Chairman



PEGATRON

5F, No.76, Ligong St., Beitou Dist.,
Taipei City 112, Taiwan
+886-2-8143-9001
www.pegatroncorp.com

Taiwan Stock Exchange Market Observation Post System
<http://mops.twse.com.tw>

PEGATRON Annual Report is available at
<http://www.pegatroncorp.com/investorRelation/annualReports>