

**PEGATRON CORPORATION AND SUBSIDIARIES****Consolidated Financial Statements****With Independent Auditors' Report  
For the Years Ended December 31, 2020 and 2019**

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

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## **Representation Letter**

The entities that are required to be included in the combined financial statements of Pegatron Corporation as of and for the year ended December 31, 2020 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Pegatron Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Pegatron Corporation  
Chairman: Tzu-Hsien Tung  
Date: March 25, 2021



安侯建業聯合會計師事務所

KPMG

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## Independent Auditors' Report

To the Board of Directors of Pegatron Corporation:

### Opinion

We have audited the consolidated financial statements of Pegatron Corporation and its subsidiaries (“the Group”), which comprise the consolidated statement of financial position as of December 31, 2020 and 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the years ended then and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to Other Matter paragraph), the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), interpretations as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

We conducted our audit in accordance with the “Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants” and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in the Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. 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 for our opinion.

### Key Audit Matters

Based on our professional judgment, key audit matters pertain to the most important matters in the audit of consolidated financial statements for the year ended December 31, 2020 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(p) 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, 2020 and 2019 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 2020 and 2019 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 8.81% and 9.94% of consolidated total assets at December 31, 2020 and 2019, respectively, and total operating revenues constituting 3.87% and 3.07% of consolidated total operating revenues for the years then ended December 31, 2020 and 2019, respectively.

Pegatron Corporation has prepared its parent-company-only financial statements as of and for the years ended December 31, 2020 and 2019, 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 International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (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 auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

1. 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 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 25, 2021

#### **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, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2020		December 31, 2019		
	Amount	%	Amount	%	
<b>Assets</b>					
<b>Current assets:</b>					
1100	Cash and cash equivalents (Note 6(a))	\$ 125,996,714	19	145,795,913	26
1110	Current financial assets at fair value through profit or loss (Note 6(b))	13,945,314	2	6,801,529	1
1170	Notes and accounts receivable, net (Notes 6(d), 6(y) and 8)	223,963,691	33	206,338,405	36
1200	Other receivables, net (Note 6(e))	2,015,489	-	1,472,702	-
130X	Inventories (Note 6(f))	165,142,393	24	106,063,490	19
1460	Non-current assets classified as held for sale, net (Note 6(g))	-	-	122,652	-
1476	Other current financial assets (Notes 6(n) and 8)	40,943,545	6	3,564,920	1
1479	Other current assets (Note 6(n))	10,123,718	1	5,674,300	1
		<u>582,130,864</u>	<u>85</u>	<u>475,833,911</u>	<u>84</u>
<b>Non-current assets:</b>					
1510	Non-current financial assets at fair value through profit or loss (Note 6(b))	611,284	-	556,266	-
1517	Non-current financial assets at fair value through other comprehensive income (Note 6(c))	1,002,211	-	858,158	-
1550	Investments accounted for using the equity method (Note 6(h))	351,450	-	256,093	-
1600	Property, plant and equipment (Notes 6(j) and 8)	83,385,274	12	80,248,760	14
1755	Right-of-use assets (Note 6(k))	6,581,805	1	5,888,602	1
1760	Investment property, net (Note 6(l))	39,416	-	44,496	-
1780	Intangible assets (Note 6(m))	386,975	-	1,297,891	-
1840	Deferred tax assets (Note 6(t))	3,526,493	1	3,305,613	1
1915	Prepayments on purchase of equipment	2,506,384	-	1,698,780	-
1980	Other non-current financial assets (Notes 6(n) and 8)	3,763,709	1	481,158	-
1990	Other non-current assets (Note 6(n))	60,744	-	50,065	-
		<u>102,215,745</u>	<u>15</u>	<u>94,685,882</u>	<u>16</u>
<b>Total assets</b>		<b><u>\$ 684,346,609</u></b>	<b><u>100</u></b>	<b><u>570,519,793</u></b>	<b><u>100</u></b>

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, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2020		December 31, 2019	
		Amount	%	Amount	%
<b>Liabilities and Equity</b>					
<b>Current liabilities:</b>					
2100	Short-term loans (Note 6(d) and 6(o))	\$ 105,242,889	16	64,808,786	11
2130	Current contract liabilities (Note 6(y))	1,053,313	-	1,522,221	-
2150	Notes and accounts payable	256,879,266	38	218,101,566	38
2209	Accrued expenses (Note 6(s))	36,210,492	5	26,992,758	5
2219	Other payables	9,201,062	1	3,760,422	1
2230	Current tax liabilities	3,097,379	-	4,037,776	1
2281	Current lease liabilities (Note 6(r))	1,547,060	-	1,195,039	-
2321	Bonds payable, current portion (Note 6(q))	1,000,000	-	3,000,000	1
2322	Long-term loans payable, current portion (Note 6(p))	5,954,625	1	2,657,496	-
2399	Other current liabilities	24,126,094	4	19,510,595	4
		<u>444,312,180</u>	<u>65</u>	<u>345,586,659</u>	<u>61</u>
<b>Non-Current liabilities:</b>					
2527	Non-current contract liabilities (Note 6(y))	301,158	-	420,197	-
2530	Bonds payable (Note 6(q))	24,478,182	4	20,480,339	4
2540	Long-term loans (Note 6(p))	11,059,833	2	6,534,954	1
2570	Deferred tax liabilities (Note 6(t))	3,126,296	-	1,928,241	-
2581	Non-current lease liabilities (Note 6(r))	1,044,631	-	1,294,702	-
2670	Other non-current liabilities	1,083,807	-	1,029,188	-
		<u>41,093,907</u>	<u>6</u>	<u>31,687,621</u>	<u>5</u>
	<b>Total liabilities</b>	<u>485,406,087</u>	<u>71</u>	<u>377,274,280</u>	<u>66</u>
<b>Equity Attributable to Owners of the Parent Company (Note 6(u)):</b>					
3100	Share capital	26,628,737	4	26,110,919	5
<b>Capital surplus:</b>					
3210	Capital surplus, premium on capital stock	77,471,560	11	76,645,504	13
3280	Capital surplus, others (Note 6(v))	5,536,787	1	4,406,597	1
		<u>83,008,347</u>	<u>12</u>	<u>81,052,101</u>	<u>14</u>
<b>Retained earnings:</b>					
3310	Legal reserve	13,706,083	2	11,774,310	2
3320	Special reserve	11,286,050	2	7,868,877	2
3350	Unappropriated retained earnings	44,978,224	6	42,156,192	7
		<u>69,970,357</u>	<u>10</u>	<u>61,799,379</u>	<u>11</u>
<b>Other equity interest:</b>					
3410	Exchange differences on translation of foreign financial statements	(15,808,892)	(2)	(10,982,396)	(2)
3420	Unrealized losses on financial assets measured at fair value through other comprehensive income	(57,309)	-	(303,654)	-
3491	Deferred compensation cost arising from issuance of restricted stock (Note 6(v))	(1,146,659)	-	(8,287)	-
		<u>(17,012,860)</u>	<u>(2)</u>	<u>(11,294,337)</u>	<u>(2)</u>
3500	Treasury stock	-	-	(3,000)	-
	<b>Equity attributable to the parent company</b>	<u>162,594,581</u>	<u>24</u>	<u>157,665,062</u>	<u>28</u>
36xx	<b>Non-controlling interests (Notes 6(i) and 6(u))</b>	<u>36,345,941</u>	<u>5</u>	<u>35,580,451</u>	<u>6</u>
	<b>Total equity</b>	<u>198,940,522</u>	<u>29</u>	<u>193,245,513</u>	<u>34</u>
	<b>Total liabilities and equity</b>	<u>\$ 684,346,609</u>	<u>100</u>	<u>570,519,793</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, 2020 and 2019****(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)**

	<b>For the years ended December 31</b>			
	<b>2020</b>		<b>2019</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
4110 <b>Operating revenue (Note 6(y))</b>	\$ 1,402,677,996	100	1,369,180,977	100
4170 Less: Sales returns and allowances	3,345,090	-	2,893,651	-
<b>Operating revenue, net</b>	<b>1,399,332,906</b>	<b>100</b>	<b>1,366,287,326</b>	<b>100</b>
5000 Cost of sales (Notes 6(f), 6(r), 6(s), 6(v), 6(w), 6(z) and 7)	1,349,728,657	96	1,321,181,968	97
<b>Gross profit from operations</b>	<b>49,604,249</b>	<b>4</b>	<b>45,105,358</b>	<b>3</b>
6000 <b>Operating expenses (Notes 6(r), 6(s), 6(v), 6(w) and 6(z)):</b>				
6100 Selling expenses	4,981,177	-	5,063,535	-
6200 General and administrative expenses	8,878,601	1	8,361,657	1
6300 Research and development expenses	16,681,735	1	14,773,900	1
<b>Total operating expenses</b>	<b>30,541,513</b>	<b>2</b>	<b>28,199,092</b>	<b>2</b>
<b>Net operating income</b>	<b>19,062,736</b>	<b>2</b>	<b>16,906,266</b>	<b>1</b>
<b>Non-operating income and expenses:</b>				
7100 Interest income (Note 6(aa))	2,921,350	-	3,599,944	-
7010 Other income (Note 6(aa))	5,182,941	-	4,575,624	1
7020 Other gains and losses (Notes 6(j), 6(m), 6(aa) and 12)	4,016,376	-	3,588,864	-
7050 Finance costs (Notes 6(d), 6(q), 6(r) and 6(aa))	(1,776,100)	-	(3,206,542)	-
7060 Share of profit of associates and joint ventures accounted for using the equity method (Note 6(h))	119,759	-	60,281	-
7590 Miscellaneous disbursements	(83,779)	-	(56,532)	-
<b>Total non-operating income and expenses</b>	<b>10,380,547</b>	<b>-</b>	<b>8,561,639</b>	<b>1</b>
<b>Profit before tax</b>	<b>29,443,283</b>	<b>2</b>	<b>25,467,905</b>	<b>2</b>
7950 Less: Tax expenses (Note 6(t))	7,023,731	1	7,183,797	1
<b>Profit for the year</b>	<b>22,419,552</b>	<b>1</b>	<b>18,284,108</b>	<b>1</b>
8300 <b>Other comprehensive income:</b>				
8310 <b>Components of other comprehensive income that will not be reclassified to profit or loss</b>				
8311 Losses on remeasurements of defined benefit plans	(20,372)	-	(11,520)	-
8316 Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	92,665	-	79,232	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 6(t))	(1,455)	-	(538)	-
<b>Total components of other comprehensive income that will not be reclassified to profit or loss</b>	<b>73,748</b>	<b>-</b>	<b>68,250</b>	<b>-</b>
8360 <b>Components of other comprehensive income that will be reclassified to profit or loss (Note 6(ab))</b>				
8361 Exchange differences on translation of foreign financial statements	(4,882,779)	-	(4,088,409)	-
8370 Share of other comprehensive income 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(h))	190	-	(232)	-
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Note 6(t))	5,409	-	2,671	-
<b>Total components of other comprehensive income that will be reclassified to profit or loss</b>	<b>(4,887,998)</b>	<b>-</b>	<b>(4,091,312)</b>	<b>-</b>
8300 <b>Other comprehensive income for the period, net of tax</b>	<b>(4,814,250)</b>	<b>-</b>	<b>(4,023,062)</b>	<b>-</b>
8500 <b>Total comprehensive income for the period</b>	<b>\$ 17,605,302</b>	<b>1</b>	<b>14,261,046</b>	<b>1</b>
<b>Profit attributable to:</b>				
8610 Owners of the parent company	\$ 20,207,598	1	19,317,741	1
8620 Non-controlling interests	2,211,954	-	(1,033,633)	-
	<b>\$ 22,419,552</b>	<b>1</b>	<b>18,284,108</b>	<b>1</b>
<b>Comprehensive income attributable to:</b>				
8710 Owners of the parent company	\$ 15,462,872	1	15,889,966	1
8720 Non-controlling interests	2,142,430	-	(1,628,920)	-
	<b>\$ 17,605,302</b>	<b>1</b>	<b>14,261,046</b>	<b>1</b>
<b>Earnings per share, net of tax (Note 6(x))</b>				
9750 <b>Basic earnings per share</b>	<b>\$ 7.73</b>		<b>7.40</b>	
9850 <b>Diluted earnings per share</b>	<b>\$ 7.64</b>		<b>7.32</b>	

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, 2020 and 2019  
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of the parent company													
	Share capital		Retained earnings				Total other equity interest							
							Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income		Deferred compensation cost arising from issuance of restricted stock		Total equity attributable to owners of the parent company		Non-controlling interests	
Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	79,232	79,232	524,686	Total other equity interest	Treasury stock	150,028,838	36,417,945	186,446,783
<b>Balance at January 1, 2019</b>	\$ 26,123,773	80,676,330	10,662,823	8,815,213	32,149,237	51,627,273	(7,482,556)	(386,322)	(524,686)	(8,393,564)	(4,974)	150,028,838	36,417,945	186,446,783
Profit for the period	-	-	-	-	19,317,741	19,317,741	-	-	-	-	-	19,317,741	(1,033,633)	18,284,108
Other comprehensive income for the period	-	-	-	-	(7,167)	(7,167)	(3,499,840)	79,232	-	(3,420,608)	-	(3,427,775)	(595,287)	(4,023,062)
Total comprehensive income for the period	-	-	-	-	19,310,574	19,310,574	(3,499,840)	79,232	-	(3,420,608)	-	15,889,966	(1,628,920)	14,261,046
Appropriation and distribution of retained earnings:														
Legal reserve appropriated	-	-	1,111,487	-	(1,111,487)	-	-	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(946,336)	946,336	-	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(9,141,580)	(9,141,580)	-	-	-	-	-	(9,141,580)	-	(9,141,580)
Changes in ownership interests in subsidiaries	-	504,846	-	-	-	-	-	-	-	-	-	504,846	(504,846)	-
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(3,436)	(3,436)	-	3,436	-	3,436	-	-	-	-
Expiration of restricted shares of stock issued to employees	(12,854)	143,453	-	-	6,548	6,548	-	-	-	-	1,974	139,121	-	139,121
Compensation cost arising from restricted shares of stock	-	(272,528)	-	-	-	-	-	-	516,399	516,399	-	243,871	-	243,871
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	1,296,272	1,296,272
Balance at December 31, 2019	26,110,919	81,052,101	11,774,310	7,868,877	42,156,192	61,799,379	(10,982,396)	(303,654)	(8,287)	(11,294,337)	(3,000)	157,665,062	35,580,451	193,245,513
Profit for the period	-	-	-	-	20,207,598	20,207,598	-	-	-	-	-	20,207,598	2,211,954	22,419,552
Other comprehensive income for the period	-	-	-	-	(10,895)	(10,895)	(4,826,496)	92,665	-	(4,733,831)	-	(4,744,726)	(69,524)	(4,814,250)
Total comprehensive income	-	-	-	-	20,196,703	20,196,703	(4,826,496)	92,665	-	(4,733,831)	-	15,462,872	2,142,430	17,605,302
Appropriation and distribution of retained earnings:														
Legal reserve appropriated	-	-	1,931,773	-	(1,931,773)	-	-	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	3,417,173	(3,417,173)	-	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(11,748,563)	(11,748,563)	-	-	-	-	-	(11,748,563)	-	(11,748,563)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	187	-	-	-	-	-	-	-	-	-	187	(187)	-
Changes in ownership interests in subsidiaries	-	223,566	-	-	(71,752)	(71,752)	-	-	-	-	-	151,814	(151,814)	-
Share-based payments	524,110	-	-	-	-	-	-	-	-	-	-	524,110	-	524,110
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(153,680)	(153,680)	-	153,680	-	153,680	-	-	-	-
Expiration of restricted shares of stock issued to employees	(6,292)	3,076	-	-	(51,730)	(51,730)	-	-	-	-	3,000	(51,946)	-	(51,946)
Compensation cost arising from restricted shares of stock	-	1,729,417	-	-	-	-	-	-	(1,138,372)	(1,138,372)	-	591,045	-	591,045
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(1,224,939)	(1,224,939)
<b>Balance at December 31, 2020</b>	\$ <u>26,628,737</u>	<u>83,008,347</u>	<u>13,706,083</u>	<u>11,286,050</u>	<u>44,978,224</u>	<u>69,970,357</u>	<u>(15,808,892)</u>	<u>(57,309)</u>	<u>(1,146,659)</u>	<u>(17,012,860)</u>	<u>-</u>	<u>162,594,581</u>	<u>36,345,941</u>	<u>198,940,522</u>

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, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	For the years ended December 31	
	2020	2019
<b>Cash flows from operating activities:</b>		
<b>Profit before tax</b>	\$ 29,443,283	25,467,905
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit:</b>		
Depreciation expense	18,122,646	18,289,662
Amortization expense	198,069	277,737
Expected credit reversal loss (gain)	10,706	(13,912)
Net gain on financial assets and liabilities at fair value through profit or loss	(4,285,651)	(4,046,018)
Interest expense	1,761,453	3,189,505
Interest income	(2,921,350)	(3,599,944)
Dividend income	(53,005)	(46,910)
Compensation cost arising from employee stock options	696,013	462,367
Amortization of issuance costs on bonds payable	3,843	3,077
Share of gain of associates and joint ventures accounted for using the equity method	(119,759)	(60,281)
Gain on lease remeasurement	(9,468)	(2,522)
Loss on disposal of property, plant and equipment	366,913	11,170
Property, plant and equipment charged to expenses	124,740	140,546
Gain on disposal of investments	-	(5,892)
Impairment loss on non-financial assets	1,185,640	15,279
Gain on foreign currency exchange on long-term loans	(309,682)	(209,016)
Government grants income	(41,093)	-
<b>Total adjustments to reconcile profit</b>	<u>14,730,015</u>	<u>14,404,848</u>
<b>Changes in operating assets and liabilities:</b>		
<b>Changes in operating assets:</b>		
(Increase) decrease in financial assets at fair value through profit or loss	(2,913,152)	221,196
Increase in notes and accounts receivable	(17,634,300)	(7,437,581)
(Increase) decrease in other receivables	(447,755)	25,731
(Increase) decrease in inventories	(59,112,597)	58,924,851
Increase in other financial assets	(37,378,625)	(2,770,145)
(Increase) decrease in other current assets	(3,928,842)	1,904,251
(Increase) decrease in other non-current assets	(10,679)	279,354
<b>Total changes in operating assets</b>	<u>(121,425,950)</u>	<u>51,147,657</u>
<b>Changes in operating liabilities:</b>		
(Decrease) increase in contract liabilities	(587,947)	579,221
Increase (decrease) in notes and accounts payable	38,777,700	(9,973,190)
Increase (decrease) in accrued expenses	9,001,692	(583,518)
Increase (decrease) in other payables	2,037,300	(1,940,326)
Increase in other current liabilities	4,598,020	3,256,412
Increase (decrease) in other non-current liabilities	111,382	(75,662)
<b>Total changes in operating liabilities</b>	<u>53,938,147</u>	<u>(8,737,063)</u>
<b>Total changes in operating assets and liabilities</b>	<u>(67,487,803)</u>	<u>42,410,594</u>
<b>Total adjustments</b>	<u>(52,757,788)</u>	<u>56,815,442</u>
Cash (outflow) inflow generated from operations	(23,314,505)	82,283,347
Interest received	2,959,200	3,687,886
Dividends received	77,395	95,691
Interest paid	(1,695,643)	(3,205,765)
Income taxes paid	(7,436,022)	(5,383,145)
<b>Net cash flows (used in) from operating activities</b>	<u>(29,409,575)</u>	<u>77,478,014</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, 2020 and 2019**  
**(Expressed in Thousands of New Taiwan Dollars)**

	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
<b>Cash flows used in investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	(230,468)	(6,244)
Proceeds from disposal of financial assets at fair value through other comprehensive income	176,983	38,950
Proceeds from capital reduction of investments accounted for using the equity method	-	1,336
Acquisition of property, plant and equipment	(15,062,536)	(8,139,057)
Proceeds from disposal of property, plant and equipment	608,357	1,563,205
Acquisition of intangible assets	(282,931)	(115,322)
Acquisition of right-of-use assets	(652,766)	-
Proceeds from disposal of investment properties	-	164,961
(Increase) decrease in other financial assets	(3,282,551)	169,738
Increase in prepayments on purchase of equipment	(3,541,620)	(3,293,285)
<b>Net cash flows used in investing activities</b>	<b>(22,267,532)</b>	<b>(9,615,718)</b>
<b>Cash flows from (used in ) financing activities:</b>		
Increase (decrease) in short-term loans	40,434,103	(22,118,460)
Proceeds from issuing bonds	4,994,000	8,490,500
Repayments of bonds	(3,000,000)	-
Proceeds from long-term loans	11,711,607	4,928,900
Repayments of long-term loans	(3,498,130)	(7,427,637)
Repayments of lease liabilities	(1,793,913)	(1,522,957)
Cash dividends paid	(12,553,366)	(10,061,913)
Issuance of restricted stock	524,110	-
Redemption of restricted stock	(3,832)	(12,500)
Changes in non-controlling interests	(466,667)	2,061,226
<b>Net cash flows from (used in) financing activities</b>	<b>36,347,912</b>	<b>(25,662,841)</b>
<b>Effect of exchange rate fluctuations on cash held</b>	<b>(4,470,004)</b>	<b>(2,471,588)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(19,799,199)</b>	<b>39,727,867</b>
<b>Cash and cash equivalents, beginning of the period</b>	<b>145,795,913</b>	<b>106,068,046</b>
<b>Cash and cash equivalents, end of the period</b>	<b>\$ 125,996,714</b>	<b>145,795,913</b>

See accompanying notes to financial statements.

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

**PEGATRON CORPORATION AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

**For the years ended December 31, 2020 and 2019**

**(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, 2020 comprise the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”) and the Group’s interest in associates entities.

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

The accompanying consolidated financial statements were authorized for issue by the Board of Directors on March 25, 2021.

**(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. (“FSC”) which have already been adopted.

The details of impact on the Group’s adoption of the new amendments beginning January 1, 2020 are as follows:

- (i) Amendments to IFRS 16 “COVID-19-Related Rent Concessions”

As a practical expedient, a lessee may elect not to assess whether a rent concession that meets certain conditions is a lease modification, rather any changes in lease liability are recognized in profit or loss. The amendments have been endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) in July 2020, earlier application from January 1, 2020 is permitted. Related accounting policy is explained in Note 4(m).

The Group has elected to apply the practical expedient for all rent concessions that meet the criteria beginning January 1, 2020, with early adoption. No adjustment was made upon the initial application of the amendments. The amounts recognized in profit or loss for the year ended December 31, 2020 was \$21,765 thousand.

(Continued)

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

(ii) Other amendments

The following new amendments, effective January 1, 2020, do not have a significant impact on the Group's consolidated financial statements:

- Amendments to IFRS 3 "Definition of a Business"
- Amendments to IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"
- Amendments to IAS 1 and IAS 8 "Definition of Material"

(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, 2021, would not have a significant impact on its consolidated financial statements:

- Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform—Phase 2"

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

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

- Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"
- IFRS 17 "Insurance Contracts" and amendments to IFRS 17 "Insurance Contracts"
- Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"
- 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"
- Amendments to IAS 1 "Disclosure of Accounting Policies"
- Amendments to IAS 8 "Definition of Accounting Estimates"

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

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

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

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to 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

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

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

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

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.

(Continued)



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

(ii) Acquisition of non-controlling interests

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

(iii) Subsidiaries

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

(iv) Business combination under common control

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

(v) Losing control

When the Group loses control of a subsidiary it derecognizes the assets and liabilities and related equity components of the former subsidiary. Any gain or loss is recognized in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost. Subsequently, the retained investment is recognized as either investments accounted for using 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, 2020	December 31, 2019	
THE COMPANY	UNIHAN HOLDING LTD. (UNIHAN HOLDING)	Investing activities	100.00 %	100.00 %	
UNIHAN HOLDING	CASETEK HOLDINGS LIMITED (CASETEK HOLDINGS)	Investing and trading activities	100.00 %	100.00 %	
CASETEK HOLDINGS	SLITEK HOLDINGS LIMITED	Investing and trading activities	100.00 %	100.00 %	
CASETEK HOLDINGS	CASETEK COMPUTER (SUZHOU) CO., LTD.	Manufacturing, developing and selling computers, computer parts, application systems, and providing after-sales service	100.00 %	100.00 %	
CASETEK HOLDINGS	KAEDAR HOLDINGS LIMITED (KAEDAR HOLDINGS)	Investing and trading activities	100.00 %	100.00 %	
KAEDAR HOLDINGS	KAEDAR ELECTRONICS (KUNSHAN) CO., LTD.	Tooling molds of stainless steel computer cases	100.00 %	100.00 %	
CASETEK HOLDINGS	KAEDAR TRADING LTD.	Investing and trading activities	100.00 %	100.00 %	

(Continued)

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

Investor	Subsidiary	Nature of business	Shareholding ratio		Notes
			December 31, 2020	December 31, 2019	
CASETEK HOLDINGS	CORE-TEK (SHANGHAI) LIMITED	Researching and producing spare parts for notebook computers, designing nonmetal tooling, electronic specific equipment and related products, repairing and producing precision equipment and providing after-sales service	100.00 %	100.00 %	
CASETEK HOLDINGS	KAI-CHUAN ELECTRONICS (CHONGQING) CO., LTD.	Manufacturing, developing and inspecting computers and application systems, designing and manufacturing nonmetal and metal tooling, developing plastic and electronic component, selling self-manufactured products	100.00 %	100.00 %	
THE COMPANY, ASUSPOWER INVESTMENT AND ASUSTEK INVESTMENT	AZUREWAVE TECHNOLOGIES, INC. (AZUREWAVE)	Manufacturing office machinery, electronic parts and computer peripherals and selling precision equipment, and digital cameras	32.86 %	32.85 %	Notes 1 and 2
AZUREWAVE	EZWAVE TECHNOLOGIES, INC.	Manufacturing office machinery, electronic parts and computer peripherals	100.00 %	100.00 %	Note 1
AZUREWAVE	Azurewave Technologies (USA) Inc.	Market development activities	100.00 %	100.00 %	Note 1
AZUREWAVE	AZURE LIGHTING TECHNOLOGIES, INC.	Selling electronic parts	100.00 %	100.00 %	Note 1
AZUREWAVE	Azwave Holding (Samoa) Inc.(Azwave Samoa)	Investing activities	100.00 %	100.00 %	Note 1
Azwave Samoa	AZUREWAVE TECHNOLOGIES (SHANGHAI) INC.	Designing, manufacturing and trading computer products	100.00 %	100.00 %	Note 1
Azwave Samoa	AZURE LIGHTING TECHNOLOGIES, INC. (YANGZHOU)	Manufacturing and selling LED and relevant lighting products	100.00 %	100.00 %	Note 1
Azwave Samoa	AIGALE CORPORATION (SHANGHAI)	Designing and selling communication equipment and electronic products	100.00 %	100.00 %	Note 1
THE COMPANY	AMA PRECISION INC.(AMA PRECISION)	Designing and developing computer parts	100.00 %	100.00 %	
AMA PRECISION	AMA Holdings Limited(AMA)	Investing activities	- %	100.00 %	Note 14
THE COMPANY	PEGATRON HOLLAND HOLDING B.V.(PHH)	Investing activities	100.00 %	100.00 %	
PHH	PEGATRON Czech s.r.o.	Installing, repairing and selling electronic products	100.00 %	100.00 %	
THE COMPANY	PEGATRON HOLDING LTD. (PEGATRON HOLDING)	Investing activities	100.00 %	100.00 %	
PEGATRON HOLDING	POWTEK HOLDINGS LIMITED (POWTEK)	Investing and trading activities	100.00 %	100.00 %	
POWTEK	POWTEK (SHANGHAI) LTD.	Selling main boards, computer peripherals, note books, servers and software, and providing after-sales service	100.00 %	100.00 %	

(Continued)

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

Investor	Subsidiary	Nature of business	Shareholding ratio		Notes
			December 31, 2020	December 31, 2019	
PEGATRON HOLDING KINSUS SAMOA	PIOTEK HOLDINGS LTD. (CAYMAN) (PIOTEK CAYMAN)	Investing activities	100.00 %	100.00 %	Note 5
PIOTEK CAYMAN	PIOTEK HOLDING LIMITED (PIOTEK HOLDING)	Investing activities	100.00 %	100.00 %	Note 5
PIOTEK HOLDING	PIOTEK COMPUTER (SUZHOU) CO., LTD.	Developing, manufacturing and selling new electronic components, circuit boards and relevant products, and providing after-sales service	100.00 %	100.00 %	Note 5
PIOTEK HOLDING	PIOTEK(H.K.) TRADING LIMITED	Trading activities	100.00 %	100.00 %	Note 5
PEGATRON HOLDING	GRAND UPRIGHT TECHNOLOGY LIMITED	Investing and trading activities	100.00 %	100.00 %	
PEGATRON HOLDING	ASLINK PRECISION CO., LTD. (ASLINK)	Investing and trading activities	100.00 %	100.00 %	
ASLINK	PEGAGLOBE (KUNSHAN) CO.,LTD.	Manufacturing GPS, computer electronic devices, mobile phone, high-end server, disk drive, and other related components	100.00 %	100.00 %	
PEGATRON HOLDING	DIGITEK GLOBAL HOLDINGS LIMITED (DIGITEK)	Investing and trading activities	100.00 %	100.00 %	
DIGITEK	DIGITEK (CHONGQING) LTD.	Manufacturing, developing, and selling GPS, electronic calculators, and after sale service	100.00 %	100.00 %	
DIGITEK (CHONGQING) LTD.	CHONGQING ZUANSHUO TRADING CO., LTD.	Computer software and hardware, computer parts, electronic products (excluding electronic publications), electric appliance, industrial communication device (excluding wireless transmitter and transmitter), communication equipment (excluding wireless transmitter and satellite ground receiving facilities), and providing related technical consulting services. Import and export of goods and technology. Packaging service, product design, marketing planning, business consulting	100.00 %	100.00 %	
PEGATRON HOLDING	MAGNIFICENT BRIGHTNESS LIMITED (MAGNIFICENT)	Investing and trading activities	100.00 %	100.00 %	
MAGNIFICENT	MAINTEK COMPUTER (SUZHOU) CO., LTD.	Manufacturing, developing and selling power supply units, computer cases, computer systems, notebooks, main boards, and computer peripherals, and providing after-sales service	100.00 %	100.00 %	
PEGATRON HOLDING	PROTEK GLOBAL HOLDINGS LTD. (PROTEK)	Investing and trading activities	100.00 %	100.00 %	
PROTEK	PROTEK (SHANGHAI) LTD.	Developing, manufacturing and selling GPS, new electronic components, circuit boards and relevant products, and providing after-sales service	100.00 %	100.00 %	

(Continued)

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

Investor	Subsidiary	Nature of business	Shareholding ratio		Notes
			December 31, 2020	December 31, 2019	
PEGATRON HOLDING	COTEK HOLDINGS LIMITED(COTEK)	Investing and trading activities	100.00 %	100.00 %	
COTEK	COTEK ELECTRONICS (SUZHOU) CO., LTD.	Developing, manufacturing and selling new electronic components, circuit boards and relevant products, and providing after-sales service	100.00 %	100.00 %	
PEGATRON HOLDING	TOP QUARK LIMITED(TOP QUARK)	Investing activities	100.00 %	100.00 %	
TOP QUARK	RUNTOP (SHANGHAI) CO., LTD.	Manufacturing and selling computer parts and peripherals of digital automatic data processors, multimedia computer system accessories, power supply units, network switches, and modems	100.00 %	100.00 %	
THE COMPANY	ASUSPOWER INVESTMENT CO., LTD.	Investing activities	100.00 %	100.00 %	
THE COMPANY	ASUS INVESTMENT CO., LTD.	Investing activities	100.00 %	100.00 %	
THE COMPANY	ASUSTEK INVESTMENT CO., LTD.	Investing activities	100.00 %	100.00 %	
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	ASROCK INCORPORATION (ASROCK)	Data storage and processing equipment, manufacturing wired and wireless communication equipment, and whole selling of computer equipment and electronic components	55.92 %	55.92 %	Note 3
ASROCK	ASIAROCK TECHNOLOGY LIMITED (ASIAROCK)	Investing and holding activities	100.00 %	100.00 %	
ASIAROCK	ASROCK EUROPE B.V.	Selling database service and trading electronic components	100.00 %	100.00 %	
ASIAROCK	Calrock Holdings, LLC.	Office building leasing	100.00 %	100.00 %	
ASROCK	Leader Insight Holdings Limited (Leader)	Investing and holding activities	100.00 %	100.00 %	
Leader	First place International Limited (First place)	Investing and holding activities	100.00 %	100.00 %	
First place	ASRock America, Inc.	Selling database service and trading electronic components	100.00 %	100.00 %	
ASROCK	ASRock Rack Incorporation	Manufacturing and selling computer and related peripherals	62.05 %	62.02 %	Note 6
ASROCK	ASRock Industrial Computer Corporation	Manufacturing and selling computer and related peripherals	66.96 %	67.38 %	Note 7
ASROCK	Soaring Asia Limited	Trading activities	100.00 %	100.00 %	
ASUSPOWER INVESTMENT AND ASUS INVESTMENT	PEGATRON Mexico, S.A. DE C.V.	Sales and repair service center in Mexico	100.00 %	100.00 %	
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	KINSUS INTERCONNECT TECHNOLOGY CORP. (KINSUS)	Manufacturing electronic parts, whole selling and retailing electronic components, and providing business management consultant service	38.57 %	38.56 %	Notes 4 and 5

(Continued)

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

Investor	Subsidiary	Nature of business	Shareholding ratio		Notes
			December 31, 2020	December 31, 2019	
KINSUS	KINSUS INVESTMENT CO., LTD. (KINSUS INVESTMENT)	Investing activities	100.00 %	100.00 %	Note 5
KINSUS INVESTMENT, ASUSPOWER INVESTMENT AND ASUSTEK INVESTMENT	PEGAVISION CORPORATION	Manufacturing medical appliances	45.21 %	45.21 %	Notes 5 and 8
KINSUS INVESTMENT, ASUSTEK INVESTMENT AND ASUS INVESTMENT	FUYANG TECHNOLOGY CORPORATION	Manufacturing and wholesaling wires, cables, and electronic components	89.13 %	89.13 %	
PEGAVISION CORPORATION	PEGAVISION HOLDINGS CORPORATION (PEGAVISION)	Investing activities	- %	100.00 %	Notes 5, 8 and 13
PEGAVISION CORPORATION	PEGAVISION JAPAN INC.	Selling medical appliances	100.00 %	100.00 %	Notes 5 and 8
PEGAVISION CORPORATION	AQUAMAX CORPORATION	Selling medical appliances	100.00 %	- %	Notes 5, 8 and 10
AQUAMAX CORPORATION	AQUAMAX VISION CORPORATION	Selling medical appliances	100.00 %	- %	Notes 5, 8 and 11
PEGAVISION CORPORATION	PEGAVISION (SHANGHAI) LIMITED	Selling medical appliances	100.00 %	- %	Notes 5, 8 and 12
FUYANG TECHNOLOGY CORPORATION	FUYANG FLEX HOLDING LTD. (FUYANG HOLDING)	Investing activities	100.00 %	100.00 %	
FUYANG HOLDING	FUYANG ELECTRONICS (SUZHOU) CO., LTD.	Researching, producing, inspecting, repairing and selling flexible multilayer model, computer digital signal process system and card; selling own produced products and providing related technical consulting service	100.00 %	100.00 %	
PEGAVISION	PEGAVISION (SHANGHAI) LIMITED	Selling medical appliances	- %	100.00 %	Notes 5, 8 and 12
PEGAVISION (SHANGHAI) LIMITED	Gemvision Technology (Zhejiang) Limited.	Selling medical appliances	100.00 %	100.00 %	Note 5 and 8
KINSUS	KINSUS CORP. (USA)	Developing and designing new technology and products; analyzing marketing strategy and developing new customers	100.00 %	100.00 %	Note 5
KINSUS	KINSUS HOLDING (SAMOA) LIMITED (KINSUS SAMOA)	Investing activities	100.00 %	100.00 %	Note 5
KINSUS SAMOA	KINSUS HOLDING (CAYMAN) LIMITED (KINSUS CAYMAN)	Investing activities	100.00 %	100.00 %	Note 5
KINSUS CAYMAN	KINSUS INTERCONNECT TECHNOLOGY (SUZHOU) CORP.	Manufacturing and selling circuit boards	100.00 %	100.00 %	Note 5

(Continued)

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

Investor	Subsidiary	Nature of business	Shareholding ratio		Notes
			December 31, 2020	December 31, 2019	
KINSUS CAYMAN	KINSUS TRADING (SUZHOU) CORP.	Manufacturing and selling circuit boards related products and materials	100.00 %	100.00 %	Note 5
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	STARLINK ELECTRONICS CORPORATION	Manufacturing electronic parts and plastic products, and manufacturing and wholesaling electronic components	100.00 %	100.00 %	
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	ASUSPOWER CORPORATION	Investing and trading activities	100.00 %	100.00 %	
THE COMPANY, ASUSPOWER CORPORATION	CASETEK HOLDINGS LIMITED(CAYMAN) (CASETEK CAYMAN)	Investing activities	60.02 %	59.41 %	Note 9
CASETEK CAYMAN	RIH LI INTERNATIONAL LIMITED (RIH LI)	Investing activities	100.00 %	100.00 %	
RIH LI	RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling	100.00 %	100.00 %	
RIH LI	RI-PRO PRECISION MODEL (SHANGHAI) CO., LTD.	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling	100.00 %	100.00 %	
RIH LI	RI-MING (SHANGHAI) CO., LTD.	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling	100.00 %	100.00 %	
RIH LI	SHENG-RUI ELECTRONIC TECHNOLOGY (SHANGHAI) LIMITED	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling and surface processing for the aforementioned product.	100.00 %	100.00 %	
RIH LI	RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling	100.00 %	100.00 %	
RIH LI	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling and surface processing for the aforementioned product	100.00 %	100.00 %	
RIH LI	RI KAI COMPUTER ACCESSORY CO., LTD.(RI KAI)	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling	100.00 %	100.00 %	
CASETEK CAYMAN	RI-KUAN METAL CORPORATION	Selling iron and aluminum products	100.00 %	100.00 %	
RI-KUAN METAL CORPORATION	RITENG USA, INC	Market survey	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, 2020	December 31, 2019	
CASETEK CAYMAN	APLUS PRECISION LIMITED(APLUS)	Investing and trading activities	100.00 %	100.00 %	
APLUS	UNITED NEW LIMITED(UNITED)	Investing and trading activities	100.00 %	100.00 %	
UNITED	KAI HE COMPUTER ACCESSORY (SUZHOU) CO., LTD	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling and surface processing for the aforementioned product	100.00 %	100.00 %	
CASETEK CAYMAN	MEGA MERIT LIMITED	Trading activities	100.00 %	100.00 %	
CASETEK CAYMAN	CASETEK SINGAPORE PTE. LTD.	Trading activities	100.00 %	100.00 %	
ASUS INVESTMENT	AS FLY TRAVEL SERVICE LIMITED	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.	Maintenance service	100.00 %	100.00 %	
ASUSPOWER INVESTMENT	PEGA INTERNATIONAL LIMITED	Design service and sales	100.00 %	100.00 %	
ASUSPOWER INVESTMENT	PEGATRON JAPAN INC.	Sales and repair service center in Japan	100.00 %	100.00 %	
ASUSPOWER INVESTMENT	PEGATRON LOGISTIC SERVICE INC.	Sales and logistics center in North America	100.00 %	100.00 %	
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	Lumens Digital Optics Inc. (Lumens Optics)	Developing, manufacturing and selling computer data projectors and related peripherals	55.21 %	55.21 %	
Lumens Optics	Lumens Integration Inc.	Selling computer communication products and peripherals	100.00 %	100.00 %	
Lumens Optics	Lumens Digit Image Inc. (SAMOA)(Lumens)	Investing activities	100.00 %	100.00 %	
Lumens	Lumens (Suzhou) Digital Image Inc.	Manufacturing and selling projectors, projection screens and related products	100.00 %	100.00 %	
ASUSPOWER INVESTMENT	Pegatron Service Singapore Pte. Ltd.(PSG)	Sales and logistics center in Singapore	100.00 %	100.00 %	
PSG	PEGATRON SERVICE KOREA LLC.	Sales and repair service center in Korea	100.00 %	100.00 %	
ASUS INVESTMENT	HUA-YUAN INVESTMENT LIMITED	Investing activities	100.00 %	100.00 %	
THE COMPANY	PEGATRON SERVICE AUSTRALIA PTY. LTD.	Investing activities	100.00 %	100.00 %	
THE COMPANY	PEGATRON USA, INC.	Sales and repair service center in North America	100.00 %	100.00 %	

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

Investor	Subsidiary	Nature of business	Shareholding ratio		Notes
			December 31, 2020	December 31, 2019	
THE COMPANY, ASUSPOWER INVESTMENT	PT. PEGATRON TECHNOLOGY INDONESIA	Data storage and processing equipment, manufacturing wired and wireless communication equipment, and whole selling of computer equipment and electronic components	100.00 %	100.00 %	
THE COMPANY	PEGATRON VIETNAM COMPANY LIMITED	Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts	100.00 %	-	% Note 10
THE COMPANY	PEGATRON TECHNOLOGY HAI PHONG COMPANY LIMITED	Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts	100.00 %	-	% Note 10
THE COMPANY	PEGASUS ACE LIMITED	Investing activities	100.00 %	-	% Note 11
THE COMPANY, ASUSPOWER INVESTMENT	PEGATRON TECHNOLOGY INDIA PRIVATE LIMITED	Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts	100.00 %	-	% Note 11

Note 1 : Since the Group only held 32.86% of voting rights of AZUREWAVE TECHNOLOGY INC. (AZUREWAVE), with the remaining 67.14% shares belonging to different shareholders having no intention of exercising their votes collectively, and also, due to the fact that the Group's participation dominated the previous shareholders' meetings, resulting in the Group having a significant control over AZUREWAVE, therefore, AZUREWAVE has been included in the consolidated financial statement of the Group.

Note 2 : On March 18, 2020, AZUREWAVE TECHNOLOGY INC. (AZUREWAVE) reduced its capital by canceling those retired employee restricted shares, resulting in the Group's shareholding ratio in AZUREWAVE to increase from 32.85% to 32.86%.

Note 3 : On April 29, 2020, ASROCK INCORPORATION (ASROCK) reduced its capital by canceling those retired employee restricted shares, resulting in the Group's shareholding ratio in ASROCK to increase from 55.92% to 55.92%.

Note 4 : On April 27, July 27, and October 26, 2020 respectively, KINSUS INTERCONNECT TECHNOLOGY CORP. (KINSUS) reduced its capital by canceling those retired employee restricted shares, resulting in the Group's shareholding ratio in ASROCK to increase from 38.56% to 38.57%.

Note 5 : Since the Group only held 38.57% of the voting rights of KINSUS INTERCONNECT TECHNOLOGY CORP. (KINSUS), with the remaining 61.43% shares belonging to different shareholders having no intention of exercising their votes collectively, and also, due to the fact that the Group's participation dominated the previous shareholders' meetings, resulting in the Group having a significant control over KINSUS. Therefore, KINSUS has been included in the consolidated financial statements of the Group.

Note 6 : On March 25, and April 15, 2020, respectively, ASROCK RACK INCORPORATION purchased 2 and 9 thousand shares from non-related parties amounting to \$40, and \$172, respectively, resulting in the Group's shareholding ratio to increase to 62.05%.

Note 7 : On January 13, March 23, and May 7, 2020, respectively, the Group purchased shares from non-related parties resulting in the Group's shareholding ratio to increase from 67.38% to 67.58%. On July 31, 2020, ASRock Industrial Computer Corporation approved to award employee stock option through issuing new shares. However, the Group did not increase its shares proportionally in ASRock Industrial Computer Corporation, resulting in its shareholding ratio to decrease from 67.58% to 66.28%. On September 30, December 7, and December 21, 2020, respectively, the Group purchased shares from non-related parties, resulting in the Group's shareholding ratio to increase from 66.28% to 66.96%.

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

- Note 8 : Since the Group only held 45.21% of rights of PEGAVISION CORPORATION (PEGAVISION), with the remaining 54.79% shares belonging to different shareholders having no intention of exercising their votes collectively, and also, due to the fact that the Group's participation dominated the previous shareholders' meetings, resulting in the Group having a significant control over PEGAVISION, therefore, PEGAVISION has been included in the consolidated financial statements of the Group.
- Note 9 : On August 26, 2020, CASETEK HOLDINGS LIMITED reduced its capital by repurchasing treasury stocks, resulting in the Group's shareholding ratio in CASETEK to increase from 59.41% to 60.02%.
- Note 10 : Subsidiary established by the Group in the second quarter of 2020.
- Note 11 : Subsidiary established by the Group in the third quarter of 2020.
- Note 12 : Based on the consideration of the Group's reorganization, the shares of PEGAVISION (SHANGHAI) LIMITED, originally held by Pegavision Holdings Corporation, was transferred to Pegavision Corporation. All related registration procedures had been completed on May 13, 2020.
- Note 13 : Based on the consideration of the Group's reorganization, delisting application of PEGAVISION HOLDINGS CORPORATION had been completed on September 2, 2020.
- Note 14 : It was written off in the second quarter of 2020.

(vii) Subsidiaries excluded from consolidation : None.

(d) Foreign currency

(i) Foreign currency transaction

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

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

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

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

(Continued)

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

(ii) Foreign operations

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

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

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

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

An asset is classified as current when :

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

All other assets are classified as non-current.

A liability is classified as current when :

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

All other liabilities are classified as non-current.

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

(f) Cash and cash equivalents

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

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

(g) Financial assets

Accounts receivable and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is 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. A accounts receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

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

1) Financial assets measured at amortized cost

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

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

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

(Continued)

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

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.

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

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

3) Fair value through profit or loss (FVTPL)

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

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

(Continued)

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

4) Business model assessment

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

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

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

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

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

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

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

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

(Continued)

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

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

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

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

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

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

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

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

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

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

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 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.

(Continued)

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

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

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

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is 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.

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.

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

2) Equity instrument

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

3) Treasury shares

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

4) Financial liabilities

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

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

5) Derecognition of financial liabilities

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

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

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.

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

(h) Inventories

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

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

(i) Non-current assets held for sale

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

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

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

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

(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.

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
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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.

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

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

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

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

(l) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

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

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

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

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

(iv) Reclassification to investment property

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

(m) Leased

(i) Identifying a lease

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

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

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

- In rare cases where the decision about how and for what purpose the asset is used is predetermined.
  - the Group has the right to operate the asset and the providers do not have the right to vary; or
  - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

(ii) As a lessee

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

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

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

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

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

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

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

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
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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 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 2021; 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.

(iii) As a lessor

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

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

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

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

(n) Intangible assets

(i) Recognition and measurement

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

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

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

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

(ii) Subsequent expenditure

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

(iii) Amortization

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

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

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

Computer software cost	1-10 years
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Intangible assets in development	1-10 years
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Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(o) Impairment – 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 CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

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

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

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

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

(p) Revenue from contracts with customers

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

(i) Sale of goods

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

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

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

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
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(ii) Rendering of services

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

(iii) Financial components

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

(q) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

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

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
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(iii) Short-term employee benefits

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

(r) Share-based payment

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

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

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

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

(s) Income taxes

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

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

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

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

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

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

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

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

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

- (t) Business combination

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

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

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

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

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

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

(u) Government 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 considered part of the unit of account in determining the fair value of the loan.

The Group 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.

(v) Earnings per share

Disclosures are made of basic and diluted earnings per share attributable to ordinary equity holders of the Group. The basic earnings per share is calculated based on the profit attributable to the ordinary shareholders of the Group 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 Group, 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.

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
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(w) Operating segments

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

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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**PEGATRON CORPORATION AND SUBSIDIARIES**  
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**(6) Explanation of significant accounts:**

(a) Cash and cash equivalents

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash on hand	\$ 11,630	10,354
Cash in banks	69,014,570	36,563,302
Time deposits	53,578,392	104,823,503
Cash equivalents	<u>3,392,122</u>	<u>4,398,754</u>
	<u><b>\$ 125,996,714</b></u>	<u><b>145,795,913</b></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(n) and 8 for details.
- (ii) Please refer to Note 6(ac) for the fair value sensitivity analysis and interest rate risk of the financial assets and liabilities of the Group.

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current mandatorily measured at fair value through profit or loss :		
Non-derivative financial assets		
Shares of stock of listed companies	\$ 1,635,802	875,720
Shares of stock of unlisted companies	7,704	16,500
Beneficiary certificates	2,770,944	2,437,370
Shares of stock of overseas listed companies	9,437,126	3,471,939
Convertible bonds	93,738	-
Non-current mandatorily measured at fair value through profit or loss :		
Non-derivative financial assets		
Shares of stock of listed companies	218,750	225,050
Beneficiary certificates	328,865	259,706
Shares of stock of overseas unlisted companies	<u>63,669</u>	<u>71,510</u>
Total	<u><b>\$ 14,556,598</b></u>	<u><b>7,357,795</b></u>

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

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

	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Equity instruments at fair value through other comprehensive income :		
Shares of stock of listed companies	\$ 533,196	586,407
Shares of stock of unlisted companies	149,143	150,000
Shares of stock of overseas listed companies	250,064	-
Shares of stock of overseas unlisted companies	<u>69,808</u>	<u>121,751</u>
Total	<u>\$ 1,002,211</u>	<u>858,158</u>

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

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

For the years ended December 31, 2020 and 2019, respectively, the Group has recognized dividend \$11,373 and \$16,571 from equity instruments designated at fair value through other comprehensive income. And the Group has recognized dividends for those equity instruments that have been disposed during 2020 and 2019 for \$120 and \$3,348, respectively. Dividends are recognized as other income— non-operating income and expenses. Please refer to Note 6(aa).

For the years ended December 31, 2020 and 2019, the Group had sold its shares as a result of investment strategic. The shares sold had fair values of \$176,983 and \$38,950, respectively, and the Group realized cumulative losses of \$3,680 and \$3,436, respectively, which were included in other comprehensive income. The cumulative losses were converted to retained earnings.

The Group realized a cumulative loss of \$150,000 from liquidation of the stock of unlisted companies, which is included in other comprehensive income. The cumulative loss was converted to retained earnings.

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

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

(d) Notes and accounts receivable, net

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

	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Notes receivables from operating activities	\$ 6,612	20,232
Accounts receivable-measured at amortized cost	224,136,586	200,499,571
Accounts receivable-fair value through other comprehensive income	-	7,495,000
Less : Allowance for impairment	<u>179,507</u>	<u>1,676,398</u>
	<u>\$ 223,963,691</u>	<u>206,338,405</u>

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

(ii) Credit loss

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

The loss allowance provision was determined as follows :

	<b>December 31, 2020</b>		
	<b>Gross carrying amount</b>	<b>Expected loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 222,246,416	0%~1%	(44,106)
Overdue 0 to 30 days	1,430,474	1%~30%	(26,774)
Overdue 31 to 120 days	381,118	0%~100%	(32,382)
Overdue 121 to 365 days	22,460	50%~100%	(13,515)
Over 365 days past due	<u>62,730</u>	100%	<u>(62,730)</u>
	<b><u>\$ 224,143,198</u></b>		<b><u>(179,507)</u></b>
	<b>December 31, 2019</b>		
	<b>Gross carrying amount</b>	<b>Expected loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 203,528,826	0%~2%	(33,125)
Overdue 0 to 30 days	2,656,159	0%~30%	(46,356)
Overdue 31 to 120 days	204,686	2%~100%	(27,881)
Overdue 121 to 365 days	73,112	4%~100%	(17,016)
Over 365 days past due	<u>1,552,020</u>	100%	<u>(1,552,020)</u>
	<b><u>\$ 208,014,803</u></b>		<b><u>(1,676,398)</u></b>

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
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The movement in the allowance for notes and accounts receivable was as follows :

	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Balance on January 1	\$ 1,676,398	1,780,928
Impairment losses recognized	19,979	24,933
Amounts written off	(1,502,577)	(84,550)
Impairment loss reversed	(10,965)	(42,173)
Foreign exchange gains	(3,328)	(2,740)
Balance on December 31	<u>\$ 179,507</u>	<u>1,676,398</u>

The aforesaid financial assets were not pledged as collateral.

(iii) Please refer to Note 6(ac) for the Group's notes and accounts receivable exposure to credit risk and currency risk.

(iv) Accounts receivable factoring

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

As of December 31, 2020 and 2019, the relevant information on accounts receivable factored by the Company, but unsettled, was as follows :

<b>December 31, 2020</b>							
<b>Purchaser</b>	<b>Amount Derecognized</b>	<b>Factoring Line (thousands)</b>	<b>Amount Advanced (thousands)</b>		<b>Collateral</b>	<b>Range of Interest Rate</b>	<b>Significant Factoring Terms</b>
			<b>Unpaid</b>	<b>Paid</b>			
ANZ (Note 2)	\$ -	USD 830,000	USD 830,000	USD -	None	0.52%~ 0.58%	The accounts receivable factoring is without recourse but the seller still bears the risks except for eligible obligor's insolvency.

  

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

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

Note 2 : Mizuho Bank had withdrawn from the joint accounts receivable factoring agreement in February, 2020, resulting in the factoring line decreased to USD\$830,000.

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For the years ended December 31, 2020 and 2019, the Company recognized a fee and interest on bank advance payment of \$2,686 and \$68,962, respectively, from the factoring of accounts receivable, which was accounted under finance costs in the statement of comprehensive income.

As of December 31, 2020 and 2019, KINSUS INTERCONNECT TECHNOLOGY CORP. sold its accounts receivable without recourse as follows :

December 31, 2020							
Purchaser	Amount Derecognized	Factoring Line (thousands)	Amount Advanced (thousands)		Collateral	Range of Interest Rate	Significant Factoring Terms
			Unpaid	Paid			
Mega International Commercial Bank	\$ <u>480,175</u>	USD <u>30,000</u>	USD <u>13,170</u>	USD <u>16,830</u>	None	0.42%~ 0.51%	The accounts receivable factoring is without recourse
December 31, 2019							
Purchaser	Amount Derecognized	Factoring Line (thousands)	Amount Advanced (thousands)		Collateral	Range of Interest Rate	Significant Factoring Terms
			Unpaid	Paid			
Mega International Commercial Bank	\$ <u>286,663</u>	USD <u>30,000</u>	USD <u>29,500</u>	USD <u>500</u>	None	2.17%	The accounts receivable factoring is without recourse

As of December 31, 2020 and 2019, KINSUS reclassified the derecognized accounts receivable to other receivables.

For the year ended December 31, 2020, CASETEK CAYMAN and its subsidiaries entered into a factoring agreement with a financial institution to sell its accounts receivable. According to the agreement, CASETEK CAYMAN and its subsidiaries will provide the bank a guarantee for all the accounts receivable that cannot be recovered in a specific period, and they should also retain either all or substantially all of the risks and rewards of those accounts receivable, which did not meet the definition of financial assets. In addition, the accounts receivable of RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD to MEGA MERIT LIMITED were factored to the financial institution, wherein the transactions were eliminated in the consolidated financial statements. At reporting date, the related financial liabilities and the total carrying amount of accounts receivable transferred, which were not derecognized but was eliminated, were as follows :

December 31, 2020						
Purchaser	Amount Transferred	Factored Line	Advanced Amount (listed as short- term loan)		Range of interest rate	Collateral
			(USD37,818 thousand)	(USD40,000 thousand)		
City bank (CHINA)	\$ 1,077,681	1,139,860	1,071,468	0.74%	Accounts receivable	

(e) Other receivables

	December 31, 2020	December 31, 2019
Other receivables	\$ 2,034,360	1,489,704
Less : Allowance for impairment	<u>18,871</u>	<u>17,002</u>
	<u>\$ 2,015,489</u>	<u>1,472,702</u>

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

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## (f) Inventories

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Merchandise	\$ 2,186,008	1,285,078
Finished goods	85,446,020	61,552,810
Work in process	40,765,271	18,134,156
Raw materials	<u>43,681,070</u>	<u>31,614,069</u>
Subtotal	172,078,369	112,586,113
Less: Allowance for inventory market decline and obsolescence	<u>6,935,976</u>	<u>6,522,623</u>
Total	<u><u>\$ 165,142,393</u></u>	<u><u>106,063,490</u></u>

The components of cost of goods sold were as follows :

	<u>For the years ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Cost of goods sold	\$ 1,331,274,562	1,297,793,554
Provision on (reversal of) inventory market price decline	413,353	(1,553,805)
Loss on disposal of inventory	14,436,039	20,100,080
Unallocated manufacturing overhead	3,569,326	4,833,891
Loss on physical inventory	<u>35,377</u>	<u>8,248</u>
	<u><u>\$ 1,349,728,657</u></u>	<u><u>1,321,181,968</u></u>

For the year ended December 31, 2020, the Group recognized an inventory valuation loss, accounted for as cost of goods sold, due to the decreasing value from the carrying amount to the net realized value. For the year ended December 31, 2019, the Group recognized a gain from the reversal of allowance for inventory valuation loss due to the destocking of inventories. Such gain was deducted from cost of goods sold.

As of December 31, 2020 and 2019, the aforesaid inventories were not pledged as collateral.

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

In June 2020, the land use rights and plants of CASETEK CAYMAN and its subsidiaries did not meet the definition of non-current assets held-for-sale due to the change on disposal plan. The land use rights and plants were reclassified to right-of-use assets and property, plant and equipment. Please refer to Notes 6(j) and (k) for details.

## (h) Investments accounted for using the equity method

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Individually insignificant associates	<u><u>\$ 351,450</u></u>	<u><u>256,093</u></u>

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	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
The Group's share of profit of the associates		
Profit for the period	\$ 119,759	60,281
Other comprehensive profit (loss)	<u>190</u>	<u>(232)</u>
Total comprehensive income profit	<u><b>\$ 119,949</b></u>	<u><b>60,049</b></u>

(ii) As of December 31, 2020 and 2019, the aforesaid investments accounted for using equity method were not pledged as collateral.

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

(i) Subsidiaries that have material non-controlling interest

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

<b>Subsidiaries</b>	<b>Main operation place/Country of registration</b>	<b>Equity ownership of non-controlling interest</b>	
		<b>December 31, 2020</b>	<b>December 31, 2019</b>
KINSUS and its subsidiaries	Taiwan	61.43 %	61.44 %
ASROCK and its subsidiaries	Taiwan	44.08 %	44.08 %
CASETEK CAYMAN	Taiwan/Cayman	39.98 %	40.59 %

The following information of the aforementioned subsidiaries have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. Included in 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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Current assets	\$ 21,663,991	19,340,507
Non-current assets	21,119,961	22,362,838
Current liabilities	(10,730,750)	(10,841,218)
Non-current liabilities	<u>(2,863,643)</u>	<u>(2,024,427)</u>
Net assets	<u><b>\$ 29,189,559</b></u>	<u><b>28,837,700</b></u>
Non-controlling interest	<u><b>\$ 18,296,937</b></u>	<u><b>17,957,674</b></u>

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	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Operating revenue	\$ <b>27,098,474</b>	<b>22,327,410</b>
Net income (loss) for the period	\$ 929,443	(1,947,268)
Other comprehensive loss	(22,831)	(108,071)
Comprehensive income (loss)	\$ <b>906,612</b>	<b>(2,055,339)</b>
Net income (loss) attribute to non-controlling interest	\$ <b>719,937</b>	<b>(1,008,028)</b>
Comprehensive income (loss) attribute to non-controlling interest	\$ <b>722,243</b>	<b>(1,061,623)</b>
Cash flows from operating activities	\$ 5,358,469	3,101,036
Cash flows used in investing activities	(2,909,501)	(3,730,887)
Cash flows (used in) from financing activities	(1,525,522)	1,285,819
Effect of movement in exchange rate	29,383	(12,534)
Net increase in cash and cash equivalents	\$ <b>952,829</b>	<b>643,434</b>
Dividend paid to non-controlling interests	\$ <b>372,936</b>	<b>456,162</b>
 (ii) Information regarding ASROCK and its subsidiaries		
	<b>December 31,</b>	<b>December 31,</b>
	<b>2020</b>	<b>2019</b>
Current assets	\$ 11,109,489	9,706,137
Non-current assets	606,322	560,035
Current liabilities	(4,325,667)	(3,747,151)
Non-current liabilities	(81,708)	(64,554)
Net assets	\$ <b>7,308,436</b>	<b>6,454,467</b>
Non-controlling interest	\$ <b>3,449,287</b>	<b>3,030,844</b>
	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Operating revenue	\$ <b>17,911,584</b>	<b>13,415,090</b>
Net income for the period	\$ 1,508,583	650,059
Other comprehensive loss	(199,212)	(95,416)
Comprehensive income	\$ <b>1,309,371</b>	<b>554,643</b>
Net income attribute to non-controlling interest	\$ <b>746,131</b>	<b>316,228</b>
Comprehensive income attribute to non-controlling interest	\$ <b>661,314</b>	<b>274,850</b>
Cash flows from operating activities	\$ 1,352,024	1,346,368
Cash flows from (used in) investing activities	73,471	(393,164)
Cash flows used in financing activities	(515,592)	(504,698)
Effect of movement in exchange rate	(182,907)	(87,137)
Net increase decrease in cash and cash equivalents	\$ <b>726,996</b>	<b>361,369</b>
Dividend paid to non-controlling interests	\$ <b>212,721</b>	<b>212,900</b>

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(iii) Information regarding CASETEK CAYMAN

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Current assets	\$ 65,391,986	26,620,964
Non-current assets	27,598,569	25,082,697
Current liabilities	(54,615,386)	(14,543,892)
Non-current liabilities	<u>(7,203,965)</u>	<u>(6,559,372)</u>
Net assets	<b><u>\$ 31,171,204</u></b>	<b><u>30,600,397</u></b>
Non-controlling interest	<b><u>\$ 12,259,489</u></b>	<b><u>12,385,305</u></b>
	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Operating revenue	<b><u>\$ 75,597,875</u></b>	<b><u>32,635,437</u></b>
Net income (loss) for the period	\$ 1,265,617	(630,830)
Other comprehensive income (loss)	195,229	(1,165,360)
Comprehensive income (loss)	<b><u>\$ 1,460,846</u></b>	<b><u>(1,796,190)</u></b>
Net income (loss) attribute to non-controlling interest	<b><u>\$ 507,354</u></b>	<b><u>(262,020)</u></b>
Comprehensive income (loss) attribute to non-controlling interest	<b><u>\$ 585,913</u></b>	<b><u>(734,957)</u></b>
Cash flows from operating activities	\$ 155,967	6,132,176
Cash flows used in investing activities	(5,797,834)	(2,710,473)
Cash flows from (used in) financing activities	16,249,075	(1,633,046)
Effect of movement in exchange rate	<u>(578,711)</u>	<u>(341,316)</u>
Net increase in cash and cash equivalents	<b><u>\$ 10,028,497</u></b>	<b><u>1,447,341</u></b>
Dividend paid to non-controlling interests	<b><u>\$ 168,074</u></b>	<b><u>170,631</u></b>

(j) Property, plant and equipment

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

	<b>Land</b>	<b>Buildings</b>	<b>Machinery equipment</b>	<b>Instrument equipment</b>	<b>Other facilities</b>	<b>Construction in progress</b>	<b>Total</b>
<b>Cost or deemed cost:</b>							
Balance on January 1, 2020	\$ 7,754,662	55,296,414	67,162,106	1,396,155	34,116,157	3,246,801	168,972,295
Additions	773,090	1,308,789	6,231,947	159,568	4,359,010	5,537,323	18,369,727
Disposals and obsolescence	-	(403,110)	(3,226,286)	(212,099)	(2,205,923)	-	(6,047,418)
Reclassifications	-	3,028,447	2,042,381	4,147	2,399,454	(5,001,743)	2,472,686
Effect of movement in exchange rate	<u>(9,091)</u>	<u>(1,245,507)</u>	<u>(44,980)</u>	<u>(37,157)</u>	<u>(670,340)</u>	<u>(45,718)</u>	<u>(2,052,793)</u>
Balance on December 31, 2020	<b><u>\$ 8,518,661</u></b>	<b><u>57,985,033</u></b>	<b><u>72,165,168</u></b>	<b><u>1,310,614</u></b>	<b><u>37,998,358</u></b>	<b><u>3,736,663</u></b>	<b><u>181,714,497</u></b>
Balance on January 1, 2019	\$ 6,384,886	48,479,698	71,612,529	1,444,578	32,195,791	10,391,635	170,509,117
Additions	-	288,044	1,024,348	215,622	2,956,023	3,882,746	8,366,783
Disposals and obsolescence	-	(224,669)	(6,764,567)	(243,254)	(3,024,315)	-	(10,256,805)
Reclassifications	1,369,663	7,994,067	2,931,578	3,466	2,669,275	(10,811,356)	4,156,693
Effect of movement in exchange rate	<u>113</u>	<u>(1,240,726)</u>	<u>(1,641,782)</u>	<u>(24,257)</u>	<u>(680,617)</u>	<u>(216,224)</u>	<u>(3,803,493)</u>
Balance on December 31, 2019	<b><u>\$ 7,754,662</u></b>	<b><u>55,296,414</u></b>	<b><u>67,162,106</u></b>	<b><u>1,396,155</u></b>	<b><u>34,116,157</u></b>	<b><u>3,246,801</u></b>	<b><u>168,972,295</u></b>

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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>
<b>Depreciation and impairment loss :</b>							
Balance on January 1, 2020	\$ -	19,467,445	46,288,167	1,118,844	21,849,079	-	88,723,535
Depreciation for the year	-	3,099,617	7,445,224	145,904	5,484,604	-	16,175,349
Impairment loss	-	-	142,275	4,013	11,985	-	158,273
Reclassifications	-	53,777	(44,449)	-	(149,615)	-	(140,287)
Disposals and obsolescence	-	(380,992)	(2,563,205)	(210,121)	(1,917,830)	-	(5,072,148)
Effect of movement in exchange rate	-	(598,889)	(279,315)	(37,105)	(600,190)	-	(1,515,499)
Balance on December 31, 2020	<u>\$ -</u>	<u>21,640,958</u>	<u>50,988,697</u>	<u>1,021,535</u>	<u>24,678,033</u>	<u>-</u>	<u>98,329,223</u>
Balance on January 1, 2019	\$ -	17,315,572	45,237,334	1,257,084	19,093,365	-	82,903,355
Depreciation for the year	-	2,857,707	8,024,083	127,425	5,732,271	-	16,741,486
Impairment loss	-	1	12,970	-	2,308	-	15,279
Reclassifications	-	21,590	(89,005)	-	73,559	-	6,144
Disposals and obsolescence	-	(219,641)	(5,703,973)	(241,819)	(2,516,997)	-	(8,682,430)
Effect of movement in exchange rate	-	(507,784)	(1,193,242)	(23,846)	(535,427)	-	(2,260,299)
Balance on December 31, 2019	<u>\$ -</u>	<u>19,467,445</u>	<u>46,288,167</u>	<u>1,118,844</u>	<u>21,849,079</u>	<u>-</u>	<u>88,723,535</u>
<b>Carrying amounts :</b>							
Balance on December 31, 2020	<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 January 1, 2019	<u>\$ 6,384,886</u>	<u>31,164,126</u>	<u>26,375,195</u>	<u>187,494</u>	<u>13,102,426</u>	<u>10,391,635</u>	<u>87,605,762</u>
Balance on December 31, 2019	<u>\$ 7,754,662</u>	<u>35,828,969</u>	<u>20,873,939</u>	<u>277,311</u>	<u>12,267,078</u>	<u>3,246,801</u>	<u>80,248,760</u>

- (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>2020</u>	<u>2019</u>
Impairment loss	<u>\$ 158,273</u>	<u>15,279</u>

In October 2020, a fire broke out in Fuyang Technology Corp. (Fuyang), resulting in Fuyang to recognize an impairment loss of \$139,254 for the year ended December 31, 2020 due to some assets having carrying amounts which were higher than the recoverable amounts. The Group's impairment loss was recognized under other income and losses in the consolidated statement of comprehensive income. The recoverable amount of individual asset was estimated based on its value-in-use.

- (ii) KINSUS INTERCONNECT TECHNOLOGY CORP. and its subsidiaries completed a series of farmland purchases covering a total land area of 36,115.24 square meters in the name of KINSUS' s chairman instead of KINSUS, due to the restriction imposed by the local government.
- (iii) Based on the evaluation of the overall performance of machinery equipment and the consideration of future economic benefits, CASETEK CAYMAN and its subsidiaries had retired some of their dedicated equipment, resulting in loss on disposal of related assets amounting to \$353,082, recognized under other income and losses in the consolidated statement of comprehensive income. Please refer to Note 6(aa) for related information.

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(iv) In June 2020, the plants of CASETEK CAYMAN and its subsidiaries did not meet the definition of non-current assets held-for-sale, therefore, they were reclassified to property, plant, and equipment. Please refer to Notes 6(g) for details.

(v) Please refer to Note 6(aa) for gain and loss on the disposal of property, plant and equipment.

(vi) Please refer to Note 8 for the details of property, plant and equipment pledged as collateral.

(k) 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>
<b>Cost:</b>					
Balance on January 1, 2020	\$ 4,186,259	3,837,947	17,793	2,918	8,044,917
Additions	825,198	2,129,911	-	1,779	2,956,888
Reductions	(3,194)	(991,305)	-	(423)	(994,922)
Reclassification	44,565	-	-	-	44,565
Effect of changes in foreign exchange rates	(114,682)	(115,149)	-	(5)	(229,836)
Balance on December 31, 2020	<u>\$ 4,938,146</u>	<u>4,861,404</u>	<u>17,793</u>	<u>4,269</u>	<u>9,821,612</u>
Balance on January 1, 2019	\$ -	-	-	-	-
Effects of retrospective application	4,540,409	2,925,838	17,793	1,331	7,485,371
Additions	12,882	1,400,286	-	1,587	1,414,755
Reductions	(272,842)	(436,910)	-	-	(709,752)
Effect of changes in foreign exchange rates	(94,190)	(51,267)	-	-	(145,457)
Balance on December 31, 2019	<u>\$ 4,186,259</u>	<u>3,837,947</u>	<u>17,793</u>	<u>2,918</u>	<u>8,044,917</u>
<b>Accumulated depreciation:</b>					
Balance on January 1, 2020	\$ 788,316	1,360,026	6,888	1,085	2,156,315
Depreciation for the year	101,512	1,834,105	6,888	1,779	1,944,284
Reclassification	10,043	-	-	-	10,043
Reductions	(3,194)	(757,358)	-	(422)	(760,974)
Effect of changes in foreign exchange rate	(25,537)	(84,316)	-	(8)	(109,861)
Balance on December 31, 2020	<u>\$ 871,140</u>	<u>2,352,457</u>	<u>13,776</u>	<u>2,434</u>	<u>3,239,807</u>
Balance on January 1, 2019	\$ -	-	-	-	-
Effects of retrospective application	778,162	-	-	-	778,162
Depreciation for the year	33,701	1,503,443	6,888	1,093	1,545,125
Reductions	-	(107,848)	-	-	(107,848)
Effect of changes in foreign exchange rates	(23,547)	(35,569)	-	(8)	(59,124)
Balance on December 31, 2019	<u>\$ 788,316</u>	<u>1,360,026</u>	<u>6,888</u>	<u>1,085</u>	<u>2,156,315</u>
<b>Carrying amounts:</b>					
Balance on December 31, 2020	<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, 2019	<u>\$ 3,397,943</u>	<u>2,477,921</u>	<u>10,905</u>	<u>1,833</u>	<u>5,888,602</u>

In June 2020, the land use rights of CASETEK CAYMAN and its subsidiaries did not meet the definition of non-current assets held-for-sale, therefore, they were reclassified to right-of-use assets. Please refer to Notes 6(g) for details.

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## (l) Investment property

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

	<b>Buildings</b>
<b>Cost or deemed cost:</b>	
Balance on January 1, 2020	\$ 61,013
Effect of movement in exchange rate	(3,019)
Balance on December 31, 2020	<u>\$ 57,994</u>
Balance on January 1, 2019	\$ 62,509
Effect of movement in exchange rate	(1,496)
Balance on December 31, 2019	<u>\$ 61,013</u>
<b>Depreciation and impairment loss :</b>	
Balance on January 1, 2020	\$ 16,517
Depreciation for the year	3,013
Effect of movement in exchange rate	(952)
Balance on December 31, 2020	<u>\$ 18,578</u>
Balance on January 1, 2019	\$ 13,797
Depreciation for the year	3,051
Effect of movement in exchange rate	(331)
Balance on December 31, 2019	<u>\$ 16,517</u>
<b>Carrying amounts :</b>	
Balance on December 31, 2020	<u>\$ 39,416</u>
Balance on January 1, 2019	<u>\$ 48,712</u>
Balance on December 31, 2019	<u>\$ 44,496</u>

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

	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Rental income	\$ -	-
Direct operating expenses arising from investment property that generate rental income	<u>\$ 3,013</u>	<u>3,051</u>

(ii) As of December 31, 2020 and 2019, the fair value of investment property of the Group were \$79,461 and \$83,623, respectively. The fair value of investment property was based on the market price evaluation of the buildings located in the area.

(iii) As of December 31, 2020 and 2019, the aforesaid investment properties were not pledged as collateral.

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(m) 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>
<b>Costs:</b>			
Balance on January 1, 2020	\$ 1,720,354	1,433,887	3,154,241
Additions	-	282,931	282,931
Disposals	-	(321,511)	(321,511)
Reclassifications	-	1,182	1,182
Effect of changes in foreign exchange rate	(51,811)	(16,318)	(68,129)
Balance on December 31, 2020	<u>\$ 1,668,543</u>	<u>1,380,171</u>	<u>3,048,714</u>
Balance on January 1, 2019	\$ 1,746,024	1,488,815	3,234,839
Additions	-	115,322	115,322
Disposals	-	(159,115)	(159,115)
Reclassifications	-	11,566	11,566
Effect of changes in foreign exchange rate	(25,670)	(22,701)	(48,371)
Balance on December 31, 2019	<u>\$ 1,720,354</u>	<u>1,433,887</u>	<u>3,154,241</u>
<b>Amortization and impairment loss:</b>			
Balance on January 1, 2020	\$ 671,792	1,184,558	1,856,350
Amortization for the year	-	198,069	198,069
Disposals	-	(321,511)	(321,511)
Impairment loss	993,014	658	993,672
Effect of changes in foreign exchange rate	(37,430)	(27,411)	(64,841)
Balance on December 31, 2020	<u>\$ 1,627,376</u>	<u>1,034,363</u>	<u>2,661,739</u>
Balance on January 1, 2019	\$ 671,792	1,087,175	1,758,967
Amortization for the year	-	277,737	277,737
Disposals	-	(159,115)	(159,115)
Effect of changes in foreign exchange rate	-	(21,239)	(21,239)
Balance on December 31, 2019	<u>\$ 671,792</u>	<u>1,184,558</u>	<u>1,856,350</u>
<b>Carrying amounts:</b>			
Balance on December 31, 2020	<u>\$ 41,167</u>	<u>345,808</u>	<u>386,975</u>
Balance on January 1, 2019	<u>\$ 1,074,232</u>	<u>401,640</u>	<u>1,475,872</u>
Balance on December 31, 2019	<u>\$ 1,048,562</u>	<u>249,329</u>	<u>1,297,891</u>

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(i) Amortization recognized

For the years ended December 31, 2020 and 2019, the amortization of intangible assets had been recognized in accounts of the consolidated statement of comprehensive income as follows :

	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Operating cost	\$ 84,828	145,699
Operating expenses	113,241	132,038
	<b>\$ 198,069</b>	<b>277,737</b>

(ii) Goodwill impairment

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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Mechanics	\$ -	1,005,331
Consumer electronic	39,646	41,709
Others	1,521	1,522
	<b>\$ 41,167</b>	<b>1,048,562</b>

- 1) The goodwill generated from the Group's acquisition of RIH LI in 2011 was allocated to mechanics CGU, wherein the growth of operating income from the sales of goods of certain subsidiaries of RIH LI is expected to bring benefits to the Group. However, since the actual growth of operating results were not as expected, the Group had recognized the amount of difference, in which the carrying amount exceeded the recoverable amount, as an impairment loss, resulting in the carrying amount of the CGU to be equal to its recoverable amount.

The recoverable amount of goodwill deriving from the mechanics CGU was based on its value-in-use. Since the goodwill deriving from the mechanics CGU has a recoverable amount lower than the carrying amount, the Group had recognized an impairment loss of \$993,014 for the year ended December 31, 2020. There was no such situation for the year ended December 31, 2019. The recognized impairment loss had lowered the carrying amount of the respective CGU's allocated goodwill, and had been accounted for as other income and losses in the consolidated statement of comprehensive income. For more details, please refer to Note 6(aa).

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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Discount rate (before tax)	12.97 %	13.38 %

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

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

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

- 2) The recoverable amount of the customer electronic cash-generating unit was based on value in use. Key assumptions used in calculating the recoverable amount were as follows:
- a) Cash flow estimation was based on past experience, actual operating results and a five-year operating plan.
  - b) Projected revenue and gross profit ratio were extrapolated from management's forecast based on past operating results and future marketing development trends.
  - c) Pre-tax discount rate used in calculating the value in use was determined from weighted average cost of capital (WACC) of the Group.
- (iii) For the year ended December 31, 2020, the Group had recognized an impairment loss of \$658 regarding the part of intangible assets other than goodwill with recoverable amounts being lower than the carrying amounts. Please refer to Notes 6(aa) for the impairment loss recognized under other income and losses in the consolidated statement of comprehensive income. For the year ended December 31, 2019, the Group had not noted any indication of potential impairment loss based on its impairment evaluation.
- (iv) As of December 31, 2020 and 2019, the intangible assets were not pledged as collateral.
- (n) Other financial assets and other assets

Other financial assets and other assets were as follows :

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Other financial assets-current	\$ 40,943,545	3,564,920
Other financial assets-non-current	3,763,709	481,158
Other current assets	10,123,718	5,674,300
Other non-current assets	<u>60,744</u>	<u>50,065</u>
	<b><u>\$ 54,891,716</u></b>	<b><u>9,770,443</u></b>

- (i) Other financial assets are assets that do not qualify as cash equivalents which consisted of time deposits, restricted time deposits and guarantee deposits. Please refer to Note 8 for details.

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
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(ii) Other current assets consisted of prepayments, current tax asset, rights to the returned goods and others.

(iii) Other noncurrent assets consisted of prepayments on other long-term expenses and others.

(o) Short-term loans

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Unsecured bank loans	\$ 104,171,421	64,808,786
Accounts receivable factoring	1,071,468	-
Total	<b>\$ 105,242,889</b>	<b>64,808,786</b>
Interest rate	<b>0.30%~4.25%</b>	<b>0.60%~4.70%</b>

(i) For the year ended December 31, 2020, CASETEK CAYMAN and its subsidiaries entered accounts receivable factoring agreements with financial institutions. Please refer to Note 6(d) for more disclosures about the carrying amounts of transferred receivables and related financial liabilities that had not been derecognized but had been eliminated on the reporting date.

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

(p) Long-term loans

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Unsecured bank loans	\$ 17,004,672	9,192,450
Secured bank loans	9,786	-
	17,014,458	9,192,450
Less: current portion	(5,954,625)	(2,657,496)
Total	<b>\$ 11,059,833</b>	<b>6,534,954</b>
Interest rate	<b>0.35%~3.35%</b>	<b>0.60%~3.97%</b>

(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 \$3,498,130 and \$7,427,637 for the years ended December 31, 2020 and 2019, respectively. In addition, the Group proceeded from long-term loans of \$11,711,607 and \$4,928,900 for the years ended December 31, 2020 and 2019, respectively. Please refer to Note 6(aa) for interest expenses.

(ii) Collateral for bank loans

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

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(iii) Government low-interest loan

For the year ended December 31, 2020, 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 noncurrent liabilities, respectively.

(iv) Loan covenants

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

- 1) Current ratio (current assets/current liabilities): 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.

CASETEK CAYMAN was in compliance with the above financial covenants as of December 31, 2020 and 2019.

(q) Bonds payable

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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Ordinary corporate bonds issued	\$ 25,500,000	23,500,000
Unamortized discount on bonds payable	(21,818)	(19,661)
Bonds payable, end of the year	25,478,182	23,480,339
Less: current portion	(1,000,000)	(3,000,000)
	<b>\$ 24,478,182</b>	<b>20,480,339</b>
	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Interest expense	<b>\$ 217,205</b>	<b>190,068</b>

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

<u>Item</u>	<u>1<sup>st</sup> unsecured ordinary bonds issued in 2017</u>
1. Issuing amount	The Bonds are issued at \$7,000,000, which comprise Tranche A, Tranche B and Tranche C. The issuing amounts of Tranche A, Tranche B and Tranche C are \$3,000,000, \$2,000,000 and \$2,000,000, respectively.
2. Par value	Each unit is valued at \$1,000.
3. Offering price	The Bonds are issued by par value at the issuance date.
4. Issuance period	Each of Tranche A, Tranche B and Tranche C has 3-year term, 5-year term and 7-year term, respectively. The issuance period of Tranche A commences from July 13, 2017 and matures on July 13, 2020. The issuance period of Tranche B commences from July 13, 2017 and matures on July 13, 2022. The issuance period of Tranche C commences from July 13, 2017 and matures on July 13, 2024.
5. Coupon rate	Tranche A, B and C bear annual coupon rates of 0.91%, 1.06% and 1.20%, respectively.
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>2<sup>nd</sup> unsecured ordinary bonds issued in 2017</u>
1. Issuing amount	The Bonds are issued at \$8,000,000, which comprise Tranche A, Tranche B and Tranche C. The issuing amounts of Tranche A, Tranche B and Tranche C are \$1,000,000, \$4,500,000 and \$2,500,000, respectively.
2. Par value	Each unit is valued at \$1,000.
3. Offering price	The Bonds are issued by par value at the issuance date.
4. Issuance period	Each of Tranche A, Tranche B and Tranche C has 3-year term, 5-year term and 7-year term, respectively. The issuance period of Tranche A commences from January 10, 2018 and matures on January 10, 2021. The issuance period of Tranche B commences from January 10, 2018 and matures on January 10, 2023. The issuance period of Tranche C commences from January 10, 2018 and matures on January 10, 2025.

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<b>Item</b>	<b>2<sup>nd</sup> unsecured ordinary bonds issued in 2017</b>
5.Coupon rate	Tranche A, B and C bear annual coupon rates of 0.78%, 0.92% and 1.08%, respectively.
6.Repayment	Tranche A, Tranche B and Tranche C are repayable on maturity.
7.Interest payment	Interests are payable annually at coupon rate from the issuance date. The payment of each bond is rounded to the nearest dollar. If the repayment date and interest payment date are bank closing days, principal and interest shall be paid without extra interest on the next business day. If bondholders receive principal and interest past due the repayment date and interest payment date, there will no calculation of extra interest.
8.Guarantee	The Bonds are unsecured ordinary corporate bonds.

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

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

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On March 26, 2020, the Board of Directors approved to issue unsecured ordinary corporate bonds with the total maximum amount of 10 billion, which have been approved and declared effective by the Taipei Exchange (TPEX) on October 12, 2020, the offering information and main rights, were as follows :

<u>Item</u>	<u>1<sup>st</sup> unsecured ordinary bonds issued in 2020</u>
1.Issuing amount	The Bonds are issued at \$5,000,000.
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	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.
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>2<sup>nd</sup> unsecured ordinary bonds issued in 2020</u>
1.Issuing amount	The Bonds are issued at \$3,500,000, which comprise Tranche A, and Tranche. The issuing amounts of Tranche A, and Tranche B are \$2,200,000 and \$1,300,000, respectively.
2.Par value	Each unit is valued at \$1,000.
3.Offering price	The Bonds are issued by par value at the issuance date.
4.Issuance period	Each of Tranche A 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.

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<u>Item</u>	<u>2<sup>nd</sup> 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.

(r) Lease liabilities

The Group's lease liabilities were as follows :

	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Current	\$ <u>1,547,060</u>	<u>1,195,039</u>
Non-current	\$ <u>1,044,631</u>	<u>1,294,702</u>

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

The amounts recognized in profit or loss were as follows :

	<u>For the years ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Interest on lease liabilities	\$ <u>119,968</u>	<u>110,179</u>
Variable lease payments not included in the measurement of lease liabilities	\$ <u>16,598</u>	<u>15,034</u>
Income from sub-leasing right-of-use assets	\$ <u>847</u>	<u>834</u>
Expenses relating to short-term leases	\$ <u>369,443</u>	<u>481,796</u>
Expenses relating to leases of low-value, excluding short-term leases of low-value assets	\$ <u>8,237</u>	<u>1,232</u>
Covid-19 - related rent concessions	\$ <u>21,765</u>	<u>-</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>2020</u>	<u>2019</u>
Total cash outflow for leases	\$ <u>2,286,394</u>	<u>2,131,198</u>

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

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

(s) Employee benefits

(i) Defined benefit plans

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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Present value of defined benefit obligations	\$ 297,143	265,807
Fair value of plan assets	(183,237)	(170,414)
Net defined benefit liabilities	<b><u>\$ 113,906</u></b>	<b><u>95,393</u></b>
	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Short-term employee benefits liabilities	\$ 328,118	277,395
Cash-settled share-based payment liability	201,972	96,667
Total employee benefit liabilities	<b><u>\$ 530,090</u></b>	<b><u>374,062</u></b>

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

1) Composition of plan assets

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

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

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

2) Movements in present value of the defined benefit obligations

The movements in the present value of the defined benefit obligations for the years ended December 31, 2020 and 2019 were as follows:

	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Defined benefit obligation, January 1	\$ 265,807	243,843
Current service costs and interest	5,074	5,303
Re-measurements of the net defined benefit liability		
— Actuarial gains arose from changes in demographic assumptions	2,885	2,841
— Actuarial gains arose from changes in financial assumption	23,007	18,227
— Experience adjustments	(32)	(4,407)
Past service costs	402	-
Defined benefit obligation, December 31	<b>\$ 297,143</b>	<b>265,807</b>

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, 2020 and 2019 were as follows:

	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Fair value of plan assets, January 1	\$ 170,414	157,499
Interests revenue	1,481	1,953
Re-measurements of the net defined benefit liability		
— Experience adjustments	5,488	5,141
Contributions made	5,854	5,821
Fair value of plan assets, December 31	<b>\$ 183,237</b>	<b>170,414</b>

4) Expenses recognized in profit or loss

The Group's pension expenses recognized in profit or loss for the years ended December 31, 2020 and 2019 were as follows:

	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Current service cost	\$ 2,788	2,277
Net interest on net defined benefit liability	805	1,073
Past service costs	402	-
	<b>\$ 3,995</b>	<b>3,350</b>

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
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	<u>For the years ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Operating costs	\$ 151	219
Operating expenses	<u>3,844</u>	<u>3,131</u>
	<u>\$ 3,995</u>	<u>3,350</u>

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

The Group's net defined benefit liability recognized in other comprehensive income for the years ended December 31, 2020 and 2019 were as follows:

	<u>For the years ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Cumulative amount, January 1	\$ 90,267	78,747
Recognized during the year	<u>20,372</u>	<u>11,520</u>
Cumulative amount, December 31	<u>\$ 110,639</u>	<u>90,267</u>

- 6) Actuarial assumptions

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Discount rate	0.31%~0.63%	0.73%~1.34%
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 \$5,854 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 30 years.

- 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.

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
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As of December 31, 2020 and 2019, the changes in the principal actuarial assumptions will impact on the present value of defined benefit obligation as follows:

	<b>Impact on the present value of defined benefit obligation</b>	
	<b>Increase by 0.50%</b>	<b>Decrease by 0.50%</b>
December 31, 2020		
Discount rate	(24,376)	27,094
Future salary increase rate	26,184	(23,843)
December 31, 2019		
Discount rate	(22,905)	25,548
Future salary increase rate	24,517	(22,246)

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

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

(ii) Defined contribution plans

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

The costs of the pension contributions to the Labor Insurance Bureau for the years ended December 31, 2020 and 2019 were amounted to \$4,341,191 and \$5,364,424, respectively.

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

## (t) Income tax

- (i) The components of income tax expense for the years ended December 31, 2020 and 2019 were as follows :

	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Current income tax expense		
Current period incurred	6,064,459	6,444,793
Prior years income tax adjustment	(119,943)	(137,427)
Surtax on undistributed earnings	126,902	175,452
Deferred tax expense		
The origination of temporary differences	952,313	700,979
Income tax expense	<b>\$ 7,023,731</b>	<b>7,183,797</b>

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

	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Items that will not be reclassified subsequently to profit or loss		
Re-measurements of the net defined benefit plans	<b>\$ (1,455)</b>	<b>(538)</b>
Items that will be reclassified subsequently to profit or loss :		
Exchange differences on translation of foreign financial statements	<b>\$ 5,409</b>	<b>2,671</b>

- (iii) Income tax on pre-tax financial income reconciled with income tax expense for the years ended December 31, 2020 and 2019 was as follows:

	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Profit before income tax	<b>\$ 29,443,283</b>	<b>25,467,905</b>
Income tax on pre-tax financial income calculated at the domestic rates applicable to profits in the country concerned	9,936,039	7,989,442
Permanent differences	(1,204,536)	(569,778)
Changes in unrecognized temporary differences	(1,857,769)	(1,272,433)
Oversea dividends received	346,631	271,044
Prior years income tax adjustment	(119,943)	(137,427)
Surtax on undistributed earnings	126,902	175,452
Others	(203,593)	727,497
Income tax expense	<b>\$ 7,023,731</b>	<b>7,183,797</b>

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**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, 2020 and 2019, 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, 2020</u>	<u>December 31, 2019</u>
The aggregate temporary differences associated with investments in subsidiaries	\$ <u>73,931,936</u>	<u>61,665,954</u>
Unrecognized deferred tax liabilities	\$ <u>14,786,387</u>	<u>12,333,191</u>

2) Unrecognized deferred tax assets

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Deductible temporary differences	\$ 2,481,657	1,344,471
Tax losses	<u>2,150,354</u>	<u>2,692,113</u>
	\$ <u>4,632,011</u>	<u>4,036,584</u>

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

As of December 31, 2020, the Group had not recognized the prior years' loss carry-forwards as deferred tax assets, and the expiry years thereof were as follows:

<u>Company Name</u>	<u>Year of occurrence</u>	<u>Unused balance</u>	<u>Expiry year</u>
KINSUS and its subsidiaries	2012 ~ 2019	\$ 1,621,995	2022 ~ 2029
CASETEK CAYMAN and its subsidiaries	2016~2020	6,465,354	2021~2025
AZUREWAVE and its subsidiaries	2013~2020	788,948	2023~2030
AMA PRECISION	2011~2020	<u>106,344</u>	2021~2030
		<u>\$ 8,982,641</u>	

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
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3) Recognized deferred tax assets and liabilities

The movements in deferred tax assets and liabilities for the years ended December 31, 2020 and 2019 were as follows:

	<u>Gain on foreign investments</u>	<u>Others</u>	<u>Total</u>
<b>Deferred tax liabilities:</b>			
Balance on January 1, 2020	\$ 1,336,370	591,871	1,928,241
Recognized in (profit) loss	157,380	1,062,347	1,219,727
Recognized in other comprehensive income	5,409	-	5,409
Exchange differences on translation	<u>37,181</u>	<u>(64,262)</u>	<u>(27,081)</u>
Balance on December 31, 2020	<u>\$ 1,536,340</u>	<u>1,589,956</u>	<u>3,126,296</u>
Balance on January 1, 2019	\$ 1,399,745	138,507	1,538,252
Recognized in (profit) loss	(12,423)	470,499	458,076
Recognized in other comprehensive income	2,755	-	2,755
Exchange differences on translation	<u>(53,707)</u>	<u>(17,135)</u>	<u>(70,842)</u>
Balance on December 31, 2019	<u>\$ 1,336,370</u>	<u>591,871</u>	<u>1,928,241</u>

	<u>Provision for Contingent Service Cost</u>	<u>Gain on valuation of inventory</u>	<u>Unrealized expenses</u>	<u>Others</u>	<u>Total</u>
<b>Deferred tax assets:</b>					
Balance on January 1, 2020	\$ 134,292	749,321	2,129,725	292,275	3,305,613
Recognized in profit (loss)	10,650	348,658	(222,051)	130,157	267,414
Recognized in other comprehensive income	-	-	-	1,455	1,455
Exchange differences on translation	<u>-</u>	<u>(33,329)</u>	<u>(12,472)</u>	<u>(2,188)</u>	<u>(47,989)</u>
Balance on December 31, 2020	<u>\$ 144,942</u>	<u>1,064,650</u>	<u>1,895,202</u>	<u>421,699</u>	<u>3,526,493</u>
Balance on January 1, 2019	\$ 121,800	1,097,392	2,009,494	398,995	3,627,681
Recognized in profit (loss)	12,492	(334,172)	179,413	(100,636)	(242,903)
Recognized in other comprehensive income	-	-	-	622	622
Exchange differences on translation	<u>-</u>	<u>(13,899)</u>	<u>(59,182)</u>	<u>(6,706)</u>	<u>(79,787)</u>
Balance on December 31, 2019	<u>\$ 134,292</u>	<u>749,321</u>	<u>2,129,725</u>	<u>292,275</u>	<u>3,305,613</u>

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

(v) Status of approval of income tax

- 1) The Company's income tax returns through 2017 have been assessed and approved by the Tax Authority.
- 2) The tax returns of the Group's subsidiaries approved by the Tax Authority were as follows :

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

(u) Capital and other equity

(i) Ordinary shares

Reconciliation of shares outstanding for 2020 and 2019 was as follows:

<u>(In thousands of shares)</u>	<u>Ordinary Shares</u>	
	<u>For the years ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Beginning balance on January 1	2,611,092	2,612,377
Issuance of restricted shares of stock	52,411	-
Retirement of restricted shares of stock	(629)	(1,285)
Ending balance on December 31	<u>2,662,874</u>	<u>2,611,092</u>

For the year ended December 31, 2020, the Company issued 52,411 thousand restricted shares of stock, at par value of \$10, amounting to \$524,110. 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(v).

For the years ended December 31, 2020 and 2019, the Company had retired 629 and 1,285 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 2,662,874 and 2,611,092 thousand common shares of stock, as of December 31, 2020 and 2019, respectively. All share proceeds from outstanding capital have been collected.

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

As of December 31, 2020 and 2019, the restricted Company shares of stock issued to employees have expired, of which 0 and 300 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, 2020 and 2019, the Company has listed, in total, 709 and 790 thousand units of GDRs, respectively, on the Euro MTF market of the Luxembourg Stock Exchange. As each unit of these GDRs represents 5 common shares of the Company, the Company has listed Company shares totaling 3,544 and 3,949 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.

(iii) Capital surplus

The components of the capital surplus were as follows :

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
From issuance of share capital	\$ 66,397,897	65,571,841
From conversion of convertible bonds	11,073,663	11,073,663
From treasury stock transactions	47,865	23,614
Difference between consideration and carrying amount of subsidiaries acquired or disposed	2,432,574	2,432,387
Changes in ownership interest in subsidiaries	1,441,117	1,215,540
Employee stock options	1,304	1,304
Restricted stock to employees	1,204,010	323,835
Other	409,917	409,917
	<b><u>\$ 83,008,347</u></b>	<b><u>81,052,101</u></b>

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
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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.

1) Legal reserve

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

2) Special reserve

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, 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.

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
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3) Earnings distribution

On June 19, 2020, and June 21, 2019, the Company's shareholder's meeting resolved to appropriate the 2019 and 2018 earnings. These earnings were appropriated or distributed as follows :

	<b>For the years ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Common stock dividends per share (dollars)		
— Cash	<b>\$ 4.50</b>	<b>3.50</b>

(v) Other equity (net of tax)

	<b>Exchange differences on translation of foreign financial statements</b>	<b>Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income</b>	<b>Deferred compensation arising from issuance of restricted stock</b>	<b>Total</b>
Balance on January 1, 2020	\$ (10,982,396)	(303,654)	(8,287)	(11,294,337)
Exchange differences on foreign operation	(4,826,686)	-	-	(4,826,686)
Exchange differences on associates accounted for using the equity method	190	-	-	190
Unrealized gain from financial assets measured at fair value through other comprehensive income	-	92,665	-	92,665
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	153,680	-	153,680
Deferred compensation cost arising from issuance of restricted stock	-	-	(1,138,372)	(1,138,372)
Balance on December 31, 2020	<b>\$ (15,808,892)</b>	<b>(57,309)</b>	<b>(1,146,659)</b>	<b>(17,012,860)</b>
Balance on January 1, 2019	\$ (7,482,556)	(386,322)	(524,686)	(8,393,564)
Exchange differences on foreign operation	(3,493,889)	-	-	(3,493,889)
Losses reclassified to profit or loss on disposal of foreign operation	(5,719)	-	-	(5,719)
Exchange differences on associates accounted for using the equity method	(232)	-	-	(232)
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	79,232	-	79,232
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	3,436	-	3,436
Deferred compensation cost arising from issuance of restricted stock	-	-	516,399	516,399
Balance on December 31, 2019	<b>\$ (10,982,396)</b>	<b>(303,654)</b>	<b>(8,287)</b>	<b>(11,294,337)</b>

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
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## (vi) Non-controlling interests (net of tax)

	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Balance on January 1	\$ 35,580,451	36,417,945
Income (loss) attributable to non-controlling interests	2,211,954	(1,033,633)
Other comprehensive income attributable to non-controlling interests		
Exchange differences on foreign operation	(61,502)	(591,472)
Remeasurements of defined benefit plans	(8,022)	(3,815)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	(187)	-
Changes in ownership interest in subsidiaries	(151,814)	(504,846)
Changes in non-controlling interests	(1,224,939)	1,296,272
Balance on December 31	<u>\$ 36,345,941</u>	<u>35,580,451</u>

## (v) Share-based payment

Information on share-based payment transactions as of December 31, 2020 and 2019 were as follows:

	<b>Equity-settled share-based payment</b>	
	<b>Restricted stock to employee</b>	
	<b>Issued in 2020</b>	<b>Issued in 2016</b>
Thousand units granted	60,000	40,000
Contractual life	4 years	3 years
Vesting period	Note B	Note A
Actual turnover rate of employees	1.32%	8.65% and 3.10%
Estimated future turnover rate for each of the three years of employees	6.84%, 12.64%, 19.13% and 26.11%	-

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

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

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

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, and the registration procedures were completed.

Employees with restricted stock awards are entitled to purchase the Company's shares at the price of NT\$10 per share provided that these employees continue to work for the Company for the following three years. 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:

	<b>Equity-settled share-based payment</b>		
	<b>Restricted stock to employee</b>		
	<b>Issued in 2020</b>	<b>Issued in 2016</b>	<b>Issued in 2016</b>
	09/22/2020	09/15/2017	05/09/2017
Fair value at grant date			
Stock price at grant date	\$ 63.20	88.50	89.70
Exercise price	10.00	10.00	10.00
Expected life of the option	4 years	3 years	3 years
Current market price	63.20	88.50	89.70
Expected volatility	27.76%~31.92%	22.46%	33.31%
Expected dividend yield	-%	-%	-%
Risk-free interest rate	(Note A)	(Note B)	(Note C)

Note A : 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.

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

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

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
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(ii) Restricted stock to employee

For the years ended December 31, 2020 and 2019, 329 and 1,088 thousand shares of the restricted shares of stock issued to employees have expired, which were converted to capital surplus of \$3,076 and \$10,880, respectively. As of December 31, 2020 and 2019, the Company has deferred compensation cost arising from issuance of restricted stock of \$1,146,659 and \$8,287, respectively.

For the years ended December 31, 2020 and 2019, the Company reversed and recognized salary cost of \$51,730 and \$6,548 from the distribution of cash dividends to estimated non-vesting restricted shares of stock distributed to employees from prior period earnings. Such salary costs were debited/credited to retained earnings, respectively.

(iii) Expenses recognized in profit or loss

The Company incurred expenses of share-based arrangements for the years ended December 31, 2020 and 2019 as follows :

	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Expenses resulting from the issuance of restricted employee stock	\$ <b>649,807</b>	<b>300,495</b>

(w) Subsidiary's share-based payments

(i) Restricted stock to employee of AZUREWAVE

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

Employees with restricted stock awards are entitled to purchase shares at the price of NT\$10 per share provided that these employees continue to work for AZURE WAVE for the following three years. 20%, 40% and 40% of the restricted shares of stock is vested in year 1, 2 and 3, respectively. The restricted stock is kept by a trust, which is appointed by AZURE WAVE, before it is vested. These shares of stock shall not be sold, pledged, transferred, gifted, or by any other means of disposed to third parties during the custody period. These shares of stock are entitled to the same right as the holders of common stock once issued, except for those shares kept by a trust or shares that do not meet the vesting condition. If the shares remain unvested after the vesting period, AZURE WAVE will repurchase all the unvested shares at the issue price, and cancel the shares thereafter. As of December 31, 2018, AZURE WAVE retired 336 thousand shares of the restricted stock due to the turnover of its employees. Out of the above 336 thousand shares, 308 thousand shares had been cancelled in the same year; and the remaining 28 thousand shares were cancelled for the three months ended March

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31, 2019. For the year ended December 31, 2019, AZUREWAVE also retired 162 thousand shares of restricted employee stock due to the resignation of its employees. Out of the above 162 thousand shares, 60 thousand shares had been cancelled during the year, the remaining 102 thousand shares, which have the record date of capital decrease on December 27, 2019 and had yet to be cancelled as of December 31, 2019, were temporarily recognized as capital shares – pending cancellation and had been completely cancelled for the three months ended March 31, 2020.

For the year ended December 31, 2020, AZUREWAVE retired and cancelled 54 thousand shares of restricted employee stock due to the resignation of its employees, with the record date of capital decrease on March 25, 2020. The cancellation had been completed as of December 31, 2020.

For the years ended December 31, 2020 and 2019, AZUREWAVE recognized share-based compensation cost of \$1,160 and \$2,291, respectively. As of December 31, 2020, and 2019, AZUREWAVE has deferred compensation cost resulting from the issuance of restricted stock of \$0 and \$345, respectively.

(ii) Restricted stock to employee of ASROCK

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

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

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

Vesting period	<b>Restricted stock to employee</b>			
	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Total</b>
Original vested shares (In thousands units)	2,282	1,711	1,711	5,704
Estimated employee turnover rate	- %	3.89 %	2.14 %	
Vested shares after considering employee turnover rate (In thousands units)	2,282	1,645	1,674	5,601
Fair value	NT\$58.80	58.80	58.80	
Service costs	\$ 134,158	96,705	98,465	329,328

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
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The issuance of new restricted shares of stock by ASROCK should not be transferred within the vesting period of 3 years, while retaining the voting and dividend distribution rights. If an employee, with restricted stock awards, has resigned during the vesting period, the employee needs to return the restricted shares of stock and dividend received.

1) ASROCK RACK INCORPORATION

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

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

The aforesaid information of restricted stock to employee was follows :

Vesting period	<b>Restricted stock to employee</b>				
	<b>year 1</b>	<b>years 2</b>	<b>years 3</b>	<b>years 4</b>	<b>Total</b>
Original vested shares (In thousands units)	-	-	745	745	1,490
Estimated employee turnover rate	-	-	36.08 %	43.53 %	
Vested shares after considering employee turnover rate (In thousands units)	-	-	476	421	897
Fair value	-	-	5.53	5.53	
Service costs	\$ 1,474	1,461	1,449	575	4,959

On May 29, 2020, the Board of Directors of ASROCK approved a resolution passed during their meeting to award 1,500 thousand employee stock option. Each option certificate can purchase one ordinary share, delivered by issuing new shares. The option certificates are awarded to those employees who meet certain requirement of ASROCK and ASROCK RACK INCORPORATION. Duration is 18 months. One year after the issuance, the certificate owners can exercise a specific proportion of the option certificates. The exercise price of the option is \$22 (dollars) per share. After the issuance of the options, even if ASROCK RACK INCORPORATION has changed the total amount of the common shares, the price would not be changed.

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

<b>Grant date</b>	<b>Total shares issued (In thousands of shares)</b>	<b>Exercise price per share</b>
May 29, 2020	1,500	NT\$ 22

For the year ended December 31, 2020, the assumptions and pricing model adopted in this share-based payments were as follows :

	<b>For the year ended December 31 2020</b>
Expected volatility rate	30.95%
Risk-free interest rate	0.2763%
Expected duration of option	1.5 years
Weighted average stock price	NT\$11.72
Pricing model	Binomial options pricing model

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

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

	<b>For the year ended December 31 2020</b>	
	<b>Outstanding number of options</b>	<b>Weighted average exercise price</b>
Outstanding as of January 1 (In thousand units)	-	\$ -
Granted during the period	1,500	22
Exercising during the period	-	-
Outstanding as of December 31 (In thousand units)	<b>1,500</b>	<b>22</b>
Exercisable as of December 31 (In thousand units)	-	
Weighted average fair value of the options granted	<b>\$ 0.11</b>	

As of December 31, 2020, related information about outstanding options on the share-based payments was as follows :

	<b>Exercise price</b>	<b>Weighted average residual duration</b>
December 31, 2020		
Outstanding option	\$ 22	0.91 year

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2) ASROCK INDUSTRIAL COMPUTER CORPORATION

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

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

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

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

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

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

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

	<b>For the years ended December 31</b>			
	<b>2020</b>		<b>2019</b>	
	<b>Outstanding number of options</b>	<b>Weighted average exercise price</b>	<b>Outstanding number of options</b>	<b>Weighted average exercise price</b>
Outstanding as of January 1 (In thousand units)	1,500	\$ 10	-	\$ -
Granted during the period	-	-	1,500	10
Forfeited during the period	(65)	-	-	-
Exercising during the period	(685)	-	-	-
Outstanding as of December 31 (In thousand units)	<u>750</u>	10	<u>1,500</u>	10
Exercisable as of December 31 (In thousand units)	<u>-</u>		<u>-</u>	
Weighted average fair value of the options granted	<u>\$ -</u>		<u>\$ 0.81</u>	

As of December 31, 2020 and 2019, related information about outstanding options on the share-based payments was as follows :

	<b>Exercise price</b>	<b>Weighted average residual duration</b>
December 31, 2020		
Outstanding option	\$ 10	0.54 years
December 31, 2019		
Outstanding option	\$ 10	1.125 years

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

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

	<b>For the year ended December 31, 2019</b>
Stock price at grant date	NT\$17.24
Exercise price	NT\$10.00
Expected price volatility	26.96%
Risk-free interest rate	0.3874%
Expected life of the option	0.0795 years
Weighted average stock price	NT\$12.28

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
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- 3) ASROCK did not make any cancellations or amendments to share-based payment transactions for the year ended December 31, 2020.
- 4) The expenses resulting from share-based payment transactions were as follows :

	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Expense resulting from equity-settled share-based payment	\$ 24,440	76,519

(iii) Employee stock option of FUYANG TECHNOLOGY CORPORATION

As of December 31, 2020 and 2019, FUYANG TECHNOLOGY CORPORATION had the following share-based payment transaction:

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

- 1) Determining the fair value of equity instruments granted

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

	<b>For the year ended</b>	
	<b>December 31</b>	
	<b>2020</b>	
	<b>Employee stock option</b>	
	<b>issued in 2017</b>	
<u>Valuation model</u>		
Fair value at grant date	NT\$	1.54
Stock price at grant date	NT\$	8.05
Exercise price	NT\$	10.00
<u>Assumptions</u>		
Dividend yield	-	
Expected price volatility		32.81 %
Expected life of the option		4 years
Risk-free interest rate		0.73 %

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

2) Employee stock options

Information on employee stock options was as follows :

	<b>For the years ended December 31</b>			
	<b>2020</b>		<b>2019</b>	
	<b>Weighted- average exercise price</b>	<b>Units of stock option (In thousand units)</b>	<b>Weighted- average exercise price</b>	<b>Units of stock option (In thousand units)</b>
Outstanding as of January 1	\$ 8.05	8	8.05	8
Exercised during the year	-	-	-	-
Outstanding as of December 31		<u>8</u>		<u>8</u>
Exercisable as of December 31		<u>-</u>		<u>-</u>

3) The expenses resulting from share-based payment transactions for the years ended December 31, 2020 and 2019, were as follows :

	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Expenses resulting from employee stock option	<u>\$ 691</u>	<u>2,585</u>

(iv) Compensated restricted stock to employee of KINSUS

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

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
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Employees with restricted stock awards are entitled to purchase shares at the price of \$10 (dollars) per share, and the vesting conditions were as follows :

<u>Vesting conditions</u>	<u>Percentage of vesting shares</u>
One month from grant date	20 %
April 25, 2019	20 %
September 25, 2019	15 %
April 25, 2020	15 %
September 25, 2020	15 %
April 25, 2021	15 %

The restricted obligation before vested was as follows :

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

On August 28, 2018, KINSUS issued 4,841 shares of new employee restricted stock, and incurred 184,530 to capital surplus, of restricted stock of KINSUS. As of December 31, 2020, 541 thousand shares of employee restricted stock have expired, resulting in the capital surplus of KINSUS to increase by \$5,405. Subsequently, the deferred compensation cost of KINSUS arising from the issuance of its employee restricted stock amounted to \$2,535.

On March 18, 2019, KINSUS issued a total of 599 thousand shares of employee restricted stock, resulting in its capital surplus - restricted employee stock to increase by \$19,396. As of December 31, 2020, 51 thousand shares of employee restricted stock have expired, resulting in the capital surplus of KINSUS to increase by \$507. On December 31, 2020, KINSUS has the deferred compensation cost arising from the issuance of its employee restricted stock amounting to \$302.

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
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- 3) The expense resulting from the share-based payment transactions was as follows :

	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Expense resulting from equity-settled share-based payment	\$ <b>19,915</b>	<b>80,477</b>

- 4) KINSUS did not made any cancellations or amendments to share-based payment transactions for the years ended December 31, 2020 and 2019.

- (x) Earnings per share

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

	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
<b>Basic earnings per share</b>		
Profit attributable to ordinary shareholders	\$ <b>20,207,598</b>	<b>19,317,741</b>
Weighted-average number of ordinary shares	2,614,021	2,611,330
	\$ <b>7.73</b>	<b>7.40</b>
<b>Diluted earnings per share</b>		
Profit attributable to ordinary shareholders (diluted)	\$ <b>20,207,598</b>	<b>19,317,741</b>
Weighted-average number of ordinary shares	2,614,021	2,611,330
Effect of potentially dilutive ordinary shares		
Employee stock bonus	31,279	27,226
Weighted-average number of ordinary shares (diluted)	2,645,300	2,638,556
	\$ <b>7.64</b>	<b>7.32</b>

- (y) Revenue from contracts with customers

- (i) Disaggregation of revenue

	<b>For the year ended December 31, 2020</b>		
	<b>DMS</b>	<b>Strategic</b>	<b>Total</b>
		<b>Investment</b>	
Primary geographical markets :			
Europe	\$ 564,690,756	38,127,886	602,818,642
U.S.A.	494,350,699	32,125,791	526,476,490
Taiwan	82,849,952	12,255,813	95,105,765
China	34,988,867	44,533,820	79,522,687
Japan	26,305,242	1,855,247	28,160,489
Other countries	64,858,926	2,389,907	67,248,833
	\$ <b>1,268,044,442</b>	<b>131,288,464</b>	<b>1,399,332,906</b>

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

## (ii) Contract balances

	<b>December 31, 2020</b>	<b>December 31, 2019</b>	<b>January 1, 2019</b>
Notes receivable	\$ 6,612	20,232	45,327
Accounts receivable	224,136,586	207,994,571	200,619,185
Less: Allowance for impairment	179,507	1,676,398	1,780,928
Total	<b>\$ 223,963,691</b>	<b>206,338,405</b>	<b>198,883,584</b>
Contract liabilities	<b>\$ 1,354,471</b>	<b>1,942,418</b>	<b>1,363,197</b>

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

The amounts of revenue recognized for the years ended December 31, 2020 and 2019 that were included in the contract liability balance at the beginning of the period were \$1,275,946 and \$693,073, respectively.

The major change in the balance of contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received. There were no other significant changes for the years ended December 31, 2020 and 2019.

## (z) Remuneration of employees and directors

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

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For the years ended December 31, 2020 and 2019, remuneration of employees of \$1,633,000 and \$1,639,000, respectively, and remuneration of directors of \$162,000 and \$163,000, respectively, were estimated on the basis of the Company's net profit before tax, excluding the remuneration of employees and directors of each period, multiplied by the percentage of remuneration of employees and directors as specified in the Company's Articles of Incorporation. Such amounts were recognized as operating cost or operating expense for the years ended December 31, 2020 and 2019. Management is expecting that the differences, if any, between the actual distributed amounts and estimated amounts will be treated as changes in accounting estimates and charged to profit or loss. The number of shares to be distributed were calculated based on the closing price of the Company's ordinary shares, one day prior to Board of Directors meeting. There was no difference between the amounts approved in Board of Directors meeting and recognized for the years ended December 31, 2020 and 2019.

(aa) Non-operating income and expenses

(i) Interest income

The components of interest income were as follows:

	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Interest income from bank deposits	\$ 2,921,350	3,599,944

(ii) Other income

The components of other income were as follows:

	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Subsidy income	2,995,497	2,779,484
Dividend income	53,005	46,910
Rental income	895,910	887,908
Technical service income	530,005	569,067
Other income	708,524	292,255
	\$ 5,182,941	4,575,624

(iii) Other gains and losses

The components of other gain and losses were as follows:

	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Expected credit reversal gain	\$ -	41,186
Losses on disposals of property, plant and equipment	(358,641)	(8,710)
Gains on disposals of investments	-	5,892
Foreign exchange gains (losses)	1,265,538	(482,765)
Gains on lease modifications	9,468	2,522
Impairment loss on non-financial assets	(1,185,640)	(15,279)
Net gains on financial assets measured at fair value through profit or loss	4,285,651	4,046,018
	\$ 4,016,376	3,588,864

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

The components of finance costs were as follows:

	<u>For the years ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Interest expenses	1,761,453	3,189,505
Financial expense-bank fees and factoring fees, etc.	14,647	17,037
	<u>\$ 1,776,100</u>	<u>3,206,542</u>

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

	<u>For the years ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Cumulative adjustment		
Cumulative foreign exchange difference from current period	\$ (4,888,188)	(4,085,361)
Share of other associates accounted for using equity method	190	(232)
Reclassification to profit or loss on the disposal of other associates accounted for using equity method	-	(5,719)
Net change in fair value recognized in other comprehensive income	<u>\$ (4,887,998)</u>	<u>(4,091,312)</u>

## (ac) 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, 2020 and 2019, the accounts receivable from the Group's top three customers were amounted to \$169,485,057 and \$151,554,738, respectively, representing 76% and 73% of accounts receivable, respectively, which exposes the Group to credit risk.

## 3) Accounts receivable of credit risk

For credit risk exposure of notes and accounts receivables, please refer to Note 6(d).

Other financial assets at amortized cost includes other receivables and time deposits, etc.

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

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The loss allowance provision for the years ended December 31, 2020 and 2019 was determined as follows :

	<b>Other receivables</b>
Balance on January 1, 2020	\$ 17,002
Impairment loss recognized	2,211
Reversal of impairment loss	(519)
Effect of changes in foreign exchange rate	177
Balance on December 31, 2020	<b>\$ 18,871</b>
Balance on January 1, 2019	\$ 14,374
Impairment loss recognized	3,337
Reversal of impairment loss	(9)
Effect of changes in foreign exchange rate	(700)
Balance on December 31, 2019	<b>\$ 17,002</b>

(ii) Liquidity risk

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

	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>Within 1 year</b>	<b>1-2 years</b>	<b>More than 2 years</b>
<b>December 31, 2020</b>					
Non-derivative financial liabilities					
Secured bank loans	\$ 9,786	9,786	-	208	9,578
Unsecured bank loans	121,263,893	121,263,893	110,126,046	640,878	10,496,969
Accounts receivable factoring	1,071,468	1,071,468	1,071,468	-	-
Unsecured ordinary corporate bonds	25,500,000	25,500,000	1,000,000	2,000,000	22,500,000
Non-interest bearing liabilities	303,065,891	303,065,891	302,290,820	775,071	-
Lease liabilities	2,591,691	2,591,691	1,547,060	555,101	489,530
	<b>\$ 453,502,729</b>	<b>453,502,729</b>	<b>416,035,394</b>	<b>3,971,258</b>	<b>33,496,077</b>
<b>December 31, 2019</b>					
Non-derivative financial liabilities					
Unsecured bank loans	\$ 74,001,236	74,001,236	67,466,282	857,421	5,677,533
Unsecured ordinary corporate bonds	23,500,000	23,500,000	3,000,000	1,000,000	19,500,000
Non-interest bearing liabilities	249,747,416	249,747,416	248,854,746	892,670	-
Lease liabilities	2,489,741	2,489,741	1,195,039	914,164	380,538
	<b>\$ 349,738,393</b>	<b>349,738,393</b>	<b>320,516,067</b>	<b>3,664,255</b>	<b>25,558,071</b>

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

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## (iii) Market risk

## 1) Currency risk

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

(Unit: Foreign currency / NTD in Thousands)

	December 31, 2020			December 31, 2019		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 15,542,896	28.4965	442,918,136	18,131,819	29.980	543,591,934
USD:CNY	1,413,710	6.5249	40,285,818	433,187	6.9762	12,987,041
CNY:USD	2,900,784	0.1533	12,668,729	2,178,975	0.1433	9,364,077
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	16,003,254	28.497	456,036,728	17,505,328	29.980	524,809,733
USD:CNY	1,500,657	6.5249	42,763,505	368,450	6.9762	11,046,212
CNY:USD	3,005,781	0.1533	13,127,288	2,243,752	0.1433	9,642,454

## 2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable and other receivables, loans, accounts and other payables that are denominated in foreign currency. A 1% of appreciation or depreciation of each major foreign currency against the Group's functional currency as of December 31, 2020 and 2019 would have increased (decreased) the before-tax net income for the years ended December 31, 2020 and 2019 by \$153,153 and \$208,816, respectively. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for both periods.

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

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years ended December 31, 2020 and 2019, foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$1,265,538 and (\$482,765), respectively.

## (iv) Interest rate analysis

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

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

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If the interest rate increases / decreases by 1%, the Group's net income will decrease /increase by \$262,606 and \$267,850 for the years ended December 31, 2020 and 2019, 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>	<b>For the years ended December 31</b>			
	<b>2020</b>		<b>2019</b>	
	<b>Comprehensive Income (Loss) (net of tax)</b>	<b>Net Income (Loss) (net of tax)</b>	<b>Comprehensive Income (Loss) (net of tax)</b>	<b>Net Income (Loss) (net of tax)</b>
Increase 3%	\$ 30,066	340,892	25,745	139,822
Decrease 3%	\$ (30,066)	(340,892)	(25,745)	(139,822)

(vi) Fair value of financial instruments

1) Categories of financial instruments and fair value hierarchy

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

	<b>December 31, 2020</b>				
	<b>Book Value</b>	<b>Fair Value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b>Financial assets at fair value through profit or loss</b>					
Financial assets mandatorily measured at fair value through profit or loss	\$ 14,556,598	14,156,360	-	400,238	14,556,598
<b>Financial assets at fair value through other comprehensive income</b>					
Stock of listed companies	\$ 533,196	533,196	-	-	533,196
Stock of unlisted companies	149,143	-	-	149,143	149,143
Stock of overseas listed companies	250,064	250,064	-	-	250,064
Stock of overseas unlisted companies	69,808	-	-	69,808	69,808
Subtotal	\$ 1,002,211	783,260	-	218,951	1,002,211

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	<b>December 31, 2020</b>				
	<b>Book Value</b>	<b>Fair Value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b>Financial assets at amortized cost</b>					
Cash and cash equivalents	\$ 125,996,714	-	-	-	-
Notes and accounts receivable	223,963,691	-	-	-	-
Other receivables	2,015,489	-	-	-	-
Other financial assets	<u>44,707,254</u>	-	-	-	-
Subtotal	<u>\$ 396,683,148</u>	-	-	-	-
<b>Financial liabilities at amortized cost</b>					
Bank loans	\$ 122,257,347	-	-	-	-
Non-interest bearing liabilities	303,065,891	-	-	-	-
Lease liabilities	2,591,691	-	-	-	-
Unsecured ordinary corporate bonds	<u>25,478,182</u>	-	-	-	-
Subtotal	<u>\$ 453,393,111</u>	-	-	-	-
<b>December 31, 2019</b>					
	<b>Book Value</b>	<b>Fair Value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b>Financial assets at fair value through profit or loss</b>					
Financial assets mandatorily measured at fair value through profit or loss	\$ <u>7,357,795</u>	<u>7,010,079</u>	-	<u>347,716</u>	<u>7,357,795</u>
<b>Financial assets at fair value through other comprehensive income</b>					
Accounts receivables – fair value through other comprehensive income	\$ 7,495,000	7,495,000	-	-	7,495,000
Stock of listed companies	586,407	586,407	-	-	586,407
Stock of unlisted companies	150,000	-	-	150,000	150,000
Stock of overseas unlisted companies	<u>121,751</u>	-	-	<u>121,751</u>	<u>121,751</u>
Subtotal	<u>\$ 8,353,158</u>	<u>8,081,407</u>	-	<u>271,751</u>	<u>8,353,158</u>
<b>Financial assets at amortized cost</b>					
Cash and cash equivalents	\$ 145,795,913	-	-	-	-
Notes and accounts receivable	198,843,405	-	-	-	-
Other receivables	1,472,702	-	-	-	-
Other financial assets	<u>4,046,078</u>	-	-	-	-
Subtotal	<u>\$ 350,158,098</u>	-	-	-	-
<b>Financial liabilities at amortized cost</b>					
Bank loans	\$ 74,001,236	-	-	-	-
Non-interest bearing liabilities	249,747,416	-	-	-	-
Lease liabilities	2,489,741	-	-	-	-
Unsecured ordinary corporate bonds	<u>23,480,339</u>	-	-	-	-
Subtotal	<u>\$ 349,718,732</u>	-	-	-	-

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

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

a) Financial assets and liabilities measured at amortized cost

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

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

a) Non-derivative financial instruments

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

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

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

b) Derivative financial instruments

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

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

4) Transfers between Level 1 and Level 2

There have been no transfers from each level for the years ended December 31, 2020 and 2019.

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5) Reconciliation of Level 3 fair values

	<u>At fair value through profit or loss</u>	<u>Fair value through other comprehensive income</u>	
	<u>Non-derivative mandatorily measured at fair value through profit or loss</u>	<u>Unquoted equity instruments</u>	<u>Total</u>
Opening balance, January 1, 2020	\$ 347,716	271,751	619,467
Total gains and losses recognized:			
In profit or loss	(41,982)	-	(41,982)
In other comprehensive income	-	(13,665)	(13,665)
Purchased	94,504	-	94,504
Disposal	<u>-</u>	<u>(39,135)</u>	<u>(39,135)</u>
Ending Balance, December 31, 2020	<u>\$ 400,238</u>	<u>218,951</u>	<u>619,189</u>
Opening balance, January 1, 2019	\$ 202,971	282,075	485,046
Total gains and losses recognized:			
In profit or loss	(43,371)	-	(43,371)
In other comprehensive income	-	(10,324)	(10,324)
Purchased	<u>188,116</u>	<u>-</u>	<u>188,116</u>
Ending Balance, December 31, 2019	<u>\$ 347,716</u>	<u>271,751</u>	<u>619,467</u>

For the years ended December 31, 2020 and 2019, total gains and losses that were included in “other gains and losses” and “unrealized gains and losses from financial assets at fair value through other comprehensive income” were as follows:

	<u>For the years ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Total gains and losses recognized:		
In profit or loss, and presented in “other gains and losses”	<u>\$ (41,982)</u>	<u>(43,371)</u>
In other comprehensive income, and presented in “unrealized gains and losses from financial assets at fair value through other comprehensive income”	<u>\$ (13,665)</u>	<u>(10,323)</u>

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

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

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

Quantified information of significant unobservable inputs were as follows :

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through profit or loss-equity investments without an active market	Market Approach	<ul style="list-style-type: none"> <li>·The multiplier of price-to-book ratio (As of December 31, 2020 and 2019, were 1.2~2.3 and 1.0~2.6, respectively.)</li> <li>·Market illiquidity discount (As of December 31, 2020 and 2019, were 20%)</li> </ul>	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> <li>·the multiplier were higher (lower)</li> <li>·the market illiquidity discount were lower (higher).</li> </ul>
Financial assets at fair value through other comprehensive income-equity investments without an active market	Market Approach	<ul style="list-style-type: none"> <li>·The multiplier of price-to-book ratio (As of December 31, 2020 and 2019, were 1.4~1.5 and 1.9~6.2, respectively.)</li> <li>·Market illiquidity discount (As of December 31, 2020 and 2019, were 20%)</li> </ul>	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> <li>·the multiplier were higher (lower)</li> <li>·the market illiquidity discount were lower (higher).</li> </ul>
Financial assets at fair value through profit or loss-private fund	Net Asset Value Method	·Net Asset Value	Not applicable

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

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

	<u>Inputs</u>	<u>Fluctuation in inputs</u>	<u>Profit or loss</u>		<u>Other comprehensive income</u>	
			<u>Favorable</u>	<u>Unfavorable</u>	<u>Favorable</u>	<u>Unfavorable</u>
<b>December 31, 2020</b>						
Financial assets at fair value through profit or loss						
Equity investments without an active market	Multiplier of price-to-book ratio	1%	714	(714)	-	-
Equity investments without an active market	Market illiquidity discount	1%	714	(714)	-	-
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	Multiplier of price-to-book ratio	1%	-	-	2,190	(2,190)
Equity investments without an active market	Market illiquidity discount	1%	-	-	2,190	(2,190)

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

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

(vii) Offsetting of financial assets and financial liabilities

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

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

<b>December 31, 2020</b>						
<b>Financial assets subject to offsetting agreement or contract and have legally enforceable right to set off.</b>						
	Gross Assets (a)	Gross Liabilities Offset (b)	Net amounts presented (c)=(a)-(b)	Amounts not offset (d)		
				Financial Instruments (Note)	Cash collected as pledge	Net amounts (e)=(c)-(d)
Accounts Receivable and Payable	\$ 16,781,165	12,410,025	4,371,140	-	-	4,371,140
Other financial asset and short-term loan	\$ 14,247,483	14,247,483	-	-	-	-

  

<b>December 31, 2020</b>						
<b>Financial liabilities subject to offsetting agreement or contract and have legally enforceable right to set off.</b>						
	Gross Liabilities (a)	Gross Assets Offset (b)	Net amounts presented (c)=(a)-(b)	Amounts not offset (d)		
				Financial Instruments (Note)	Cash collected as pledge	Net amounts (e)=(c)-(d)
Accounts Receivable and Payable	\$ 12,410,025	12,410,025	-	-	-	-
Other financial asset and short-term loan	\$ 14,247,483	14,247,483	-	-	-	-

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

  

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

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

(ad) 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 deputized managements of core business departments for developing and monitoring the Group's risk management policies. Management reports regularly to the Board of Directors on its activities.

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

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

(iii) Credit risk

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

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

1) Accounts receivable and other receivables

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

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

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

2) Investment

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

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3) Guarantee

The Group's policies were prepared in accordance with Guidelines for Lending of Capital, Endorsements and Guarantees by Public Companies. Please refer to Note 9 and 13(a) Table 2 for details of endorsements and guarantees provided by the Group as of December 31, 2020 and 2019.

(iv) Liquidity risk

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

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

(v) Market risk

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

1) Currency risk

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

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

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

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

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2) Interest rate risk

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

3) Price floating risk on equity instruments

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

(ae) Capital management

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

For the year ended December 31, 2020, 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 Group's debt to equity ratios at the balance sheet date were as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Total liabilities	\$ 485,406,087	377,274,280
Less: cash and cash equivalents	<u>125,996,714</u>	<u>145,795,913</u>
Net debt	<b><u>\$ 359,409,373</u></b>	<b><u>231,478,367</u></b>
Total capital (Note)	<b><u>\$ 558,349,895</u></b>	<b><u>424,723,880</u></b>
Debt to equity ratio	<b><u>64.37%</u></b>	<b><u>54.50%</u></b>

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

Management believes that there were no significant changes in the Group's approach to capital management for the years ended December 31, 2020 and 2019.

(Continued)

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

(af) Financing activities not affecting current cash flow

For the years ended December 31, 2020 and 2019, reconciliation of liabilities arising from financing activities was as follows :

	January 1, 2020	Cash flows	Non-cash changes		December 31, 2020
			Foreign exchange movement	Other	
Long-term loans	\$ 9,192,450	8,213,477	(309,682)	(81,787)	17,014,458
Short-term loans	64,808,786	40,434,103	-	-	105,242,889
Bonds payable	23,480,339	1,994,000	-	3,843	25,478,182
Lease liabilities	2,489,741	(1,793,913)	(37,535)	1,933,398	2,591,691
Non-controlling interests	35,580,451	(466,667)	(61,502)	1,293,659	36,345,941
Total liabilities from financing activities	<u>\$135,551,767</u>	<u>48,381,000</u>	<u>(408,719)</u>	<u>3,149,113</u>	<u>186,673,161</u>

	January 1, 2019	Cash flows	Non-cash changes		December 31, 2019
			Foreign exchange movement	Other	
Long-term loans	\$ 11,900,203	(2,498,737)	(209,016)	-	9,192,450
Short-term loans	86,927,246	(22,118,460)	-	-	64,808,786
Bonds payable	14,986,762	8,490,500	-	3,077	23,480,339
Lease liabilities	2,945,584	(1,522,957)	(16,506)	1,083,620	2,489,741
Non-controlling interests	36,417,945	2,061,226	(591,472)	(2,307,248)	35,580,451
Total liabilities from financing activities	<u>\$153,177,740</u>	<u>(15,588,428)</u>	<u>(816,994)</u>	<u>(1,220,551)</u>	<u>135,551,767</u>

(7) Related-party transactions:

Key management personnel compensation :

	For the years ended December 31	
	2020	2019
Short-term employee benefits	\$ 437,873	316,229
Post-employment benefits	3,997	4,541
Share-based payments	153,645	61,495
	<u>\$ 595,515</u>	<u>382,265</u>

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

(Continued)



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

**(8) Pledged assets:**

As of December 31, 2020 and 2019, book value of pledged assets were as follows :

<u>Asset</u>	<u>Purpose of pledge</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts receivable (Note)	Accounts receivable factoring (listed as short-term loans)	\$ 1,077,681	-
Other financial asset-restricted deposit	Post-release duty deposits, customs duty, lease deposits, short-term loans, travel agency guarantee, etc.	111,289	203,219
Other financial asset-restricted deposit	Litigation pledge and provisional attachment guarantee	61,669	10,998
Property, plant and equipment	Bank loans	61,249	1,383,038
Other financial asset-guarantee deposits	Customs duty guarantee, rental deposits, and deposits for performance guarantee	191,147	42,985
		<u>\$ 1,503,035</u>	<u>1,640,240</u>

**(9) Commitments and contingencies:**

(a) Significant commitments and contingencies were as follows :

(i) Unused standby letters of credit

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
EUR	\$ -	29
JPY	7,000,234	1,029,071
USD	7,594	3,376

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
NTD	<u>\$ 16,391</u>	<u>34,263</u>

(iii) As of December 31, 2020, and 2019, the significant contracts for purchase of properties by the Group amounted to \$13,197,985 and \$15,002,411, of which \$5,314,270 and \$2,215,402, respectively, were unpaid.

(iv) As of December 31, 2020, and 2019, the Group provided endorsement guarantee for bank loans, including Group entities, amounting to \$341,958 and \$1,259,160, respectively.

(Continued)

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

- (v) As of December 31, 2020, and 2019, the Group issued a tariff guarantee of \$1,804,655 and \$1,764,424, respectively, to the bank for the purpose of importing goods.
- (b) Significant contingent liability :
- (i) In May 2017, QUALCOMM INCORPORATED filed a lawsuit against the Group for royalty payment under the license agreement in the U.S. District Court for the Southern District of California. In July 2017, the Group counterclaimed and the lawsuit has still been in cognizance. In April 2019, the Group has already compromised and both parties have revoked the lawsuit. It is not expected to have a material effect on the Group's operation.
- (ii) AIG Specialty Insurance Company filed a lawsuit against the Group, demanding for compensation for a batch of defect products that were received from the Group. A lawyer has been appointed to protect the Group's rights and interests. This case is still in progress as of the release date of the consolidated financial statements; therefore, no reasonable estimation can be made concerning this matter.
- (iii) Pursuant to a resolution made in the Casetek Cayman (Casetek)' s Extraordinary General Meeting on September 30, 2020, Casetek will complete a triangular merger with Pegatron Corporation and its 100% owned subsidiary, Pegasus Ace Limited, and Casetek will then go private and be delisting from the Taiwan Stock Exchange (TWSE). The date of merger is set on January 15, 2021. According to the merger agreement, except for any written request made by disagreeing shareholders regarding the consideration and the shares to be bought back, the tender offer the Group to buy non-controlling shareholders out would be \$87.5 (dollars) per share, \$14,274,713 in total payables.

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

**(11) Subsequent Events:**

On 29 January, 2021, the Group has approved a board resolution to authorize its indirect wholly-owned subsidiary, Ri Kai Computer Accessory Co., Ltd. (Ri Kai) to raise its capital, and to authorize another indirect wholly-owned subsidiary, Rih Li International Ltd. (Rih Li) to waive its pre-emptive right toward the capital increase of Ri Kai. Rih Li' s shareholding ratio in Ri Kai will decrease from 100% to 48.17% and Rih Li will lose control of Ri Kai.

(Continued)

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

**(12) Other:**

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

By item	For the years ended December 31						
	By function	2020			2019		
		Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Employee benefit							
Salary	\$ 55,097,165	16,514,093	71,611,258	50,726,332	14,442,619	65,168,951	
Health and labor insurance	4,197,204	918,595	5,115,799	4,385,633	952,320	5,337,953	
Pension	3,634,385	710,801	4,345,186	4,530,485	837,289	5,367,774	
Others	2,938,788	972,797	3,911,585	1,407,397	999,542	2,406,939	
Depreciation	16,304,363	1,815,270	18,119,633	16,455,096	1,831,515	18,286,611	
Amortization	84,828	113,241	198,069	145,699	132,038	277,737	

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

	For the years ended December 31	
	2020	2019
Depreciation in investment property	\$ <u>3,013</u>	<u>3,051</u>

**(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, 2020 (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

(Continued)

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

(b) Information on investees:

Please refer to Table 8 for the information on investees for the year ended December 31, 2020.

(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 Company Inc.		448,506,484	17.18 %

**(14) Segment information:**

(a) General Information

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

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

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

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

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

Please refer to Note 6(y) for the information on revenue for the years ended December 31, 2020 and 2019. The Group's operating segment information and reconciliation were as follows :

	2020			
	DMS	Strategic Investment Group	Adjustment and eliminations	Total
Revenue :				
Revenue from external customers	\$ 1,267,842,416	131,490,490	-	1,399,332,906
Intersegment revenues	<u>348,757</u>	<u>2,192,502</u>	<u>(2,541,259)</u>	<u>-</u>
Total revenue	<u>\$ 1,268,191,173</u>	<u>133,682,992</u>	<u>(2,541,259)</u>	<u>1,399,332,906</u>
Share of profit (loss) of associates and joint ventures accounted for using equity method	<u>\$ 1,968,126</u>	<u>1,395,991</u>	<u>(3,244,358)</u>	<u>119,759</u>
Other significant non-monetary items:				
Goodwill	<u>\$ -</u>	<u>41,167</u>	<u>-</u>	<u>41,167</u>
<b>Reportable segment profit or loss</b>	<u>\$ 25,181,868</u>	<u>7,505,773</u>	<u>(3,244,358)</u>	<u>29,443,283</u>
Assets:				
Investments accounted for using equity method	<u>\$ 41,697,501</u>	<u>124,814,885</u>	<u>(166,160,936)</u>	<u>351,450</u>
<b>Reportable segment assets</b>	<u>\$ 571,735,476</u>	<u>278,782,743</u>	<u>(166,171,610)</u>	<u>684,346,609</u>
<b>Reportable segment liabilities</b>	<u>\$ 408,938,082</u>	<u>76,478,680</u>	<u>(10,675)</u>	<u>485,406,087</u>
	2019			
	DMS	Strategic Investment Group	Adjustment and eliminations	Total
Revenue :				
Revenue from external customers	\$ 1,289,230,818	77,056,508	-	1,366,287,326
Intersegment revenues (losses)	<u>520,876</u>	<u>4,459,189</u>	<u>(4,980,065)</u>	<u>-</u>
Total revenue (loss)	<u>\$ 1,289,751,694</u>	<u>81,515,697</u>	<u>(4,980,065)</u>	<u>1,366,287,326</u>
Share of (loss) profit of associates and joint ventures accounted for using equity method	<u>\$ (808,944)</u>	<u>(984,482)</u>	<u>1,853,707</u>	<u>60,281</u>
Other significant non-monetary items:				
Goodwill	<u>\$ -</u>	<u>1,048,562</u>	<u>-</u>	<u>1,048,562</u>
<b>Reportable segment profit or loss</b>	<u>\$ 25,169,232</u>	<u>(1,555,034)</u>	<u>1,853,707</u>	<u>25,467,905</u>
Assets:				
Investments accounted for using equity method	<u>\$ 41,647,782</u>	<u>115,094,952</u>	<u>(156,486,641)</u>	<u>256,093</u>
<b>Reportable segment assets</b>	<u>\$ 492,727,088</u>	<u>234,288,174</u>	<u>(156,495,469)</u>	<u>570,519,793</u>
<b>Reportable segment liabilities</b>	<u>\$ 335,062,026</u>	<u>42,221,082</u>	<u>(8,828)</u>	<u>377,274,280</u>

(Continued)

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

(c) Geographic information

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

<u>Region</u>	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Taiwan	\$ 29,403,708	28,290,509
China	61,150,280	59,643,098
Others	<u>2,725,420</u>	<u>1,297,409</u>
Total	<u>\$ 93,279,408</u>	<u>89,231,016</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, pension fund assets, and rights arising from an insurance contract (non-current).

(d) Major Customer

Major customers from DMS in 2020 and 2019 were as follows:

<u>Customer</u>	<u>For the years ended December 31</u>	
	<u>2020</u>	<u>2019</u>
A	\$ 853,146,423	828,174,033
B	164,480,895	106,817,483
C	<u>88,371,083</u>	<u>61,543,760</u>
	<u>\$ 1,105,998,401</u>	<u>996,535,276</u>

## Notes to the Consolidated Financial Statements

Table 1: Loans to other parties  
December 31, 2020

													Expressed in thousands of NTD			
No. Note 1	Creditor	Borrower	General ledger Account (Note 2)	Is a related party	Maximum outstanding balance during the year ended December 31, 2020	Balance at December 31, 2020	Actual amount drawn down	Interest rate	Nature of loan (Note 3)	Amount of transactions with the (Note 4)	Reason for short-term financing (Note 5)	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 6)	Ceiling on total loans granted (Note 6)
													Item	Value		
1	MAINTEK COMPUTER (SUZHOU) CO., LTD.	COTEK ELECTRONICS (SUZHOU) CO., LTD.	Other Receivables	Y	1,424,825	1,424,825	1,424,825	2.59%	2	-	Fund accommodation	-	-	-	14,159,763	28,319,526
1	MAINTEK COMPUTER (SUZHOU) CO., LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	Other Receivables	Y	2,849,650	2,849,650	2,849,650	0.92%	2	-	Fund accommodation	-	-	-	11,327,810	28,319,526
2	ASUSPOWER CORPORATION	PEGATRON CORPORATION	Other Receivables	Y	5,414,335	5,414,335	5,414,335	0.00%	2	-	Fund accommodation	-	-	-	7,378,157	14,756,314
2	ASUSPOWER CORPORATION	PEGATRON SERVICE AUSTRALIA PTY. LTD.	Other Receivables	Y	219,637	-	-	0.00%	2	-	Fund accommodation	-	-	-	7,378,157	14,756,314
2	ASUSPOWER CORPORATION	ASUS INVESTMENT CO., LTD.	Other Receivables	Y	427,448	-	-	0.00%	2	-	Fund accommodation	-	-	-	7,378,157	14,756,314
3	STARLINK ELECTRONICS CORPORATION	ASUSPOWER INVESTMENT CO., LTD.	Other Receivables	Y	150,000	-	-	0.67%	2	-	Fund accommodation	-	-	-	190,983	190,983
4	CASETEK HOLDINGS LIMITED	PEGATRON CORPORATION	Other Receivables	Y	270,717	270,717	270,717	0.00%	2	-	Fund accommodation	-	-	-	6,244,207	6,244,207
5	KAEDAR TRADING LTD.	PEGATRON CORPORATION	Other Receivables	Y	512,937	-	-	0.00%	2	-	Fund accommodation	-	-	-	585,355	585,355
5	KAEDAR TRADING LTD.	PEGATRON VIETNAM COMPANY LIMITED	Other Receivables	Y	512,937	512,937	512,937	1.00%	2	-	Fund accommodation	-	-	-	585,355	585,355
6	Unihan Holding Ltd.	PEGATRON CORPORATION	Other Receivables	Y	826,399	-	-	0.00%	2	-	Fund accommodation	-	-	-	6,254,103	6,254,103
7	PROTEK (SHANGHAI) LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	Other Receivables	Y	4,274,475	4,274,475	4,274,475	0.92%	2	-	Fund accommodation	-	-	-	5,466,839	10,933,677
8	Azwave Holding (Samoa) Inc.	AIGALE CORPORATION (SHANGHAI)	Other Receivables	Y	28,497	28,497	-	0.00%	2	-	Cash flow adequacy	-	-	-	677,543	677,543
9	CASETEK HOLDINGS LIMITED(CAYMAN)	CASETEK SINGAPORE PTE. LTD.	Short-Term Accounts Receivable	Y	4,986,888	4,986,888	4,758,916	1.00%	2	-	Business operation	-	-	-	12,468,482	12,468,482
10	RIH LI International Limited	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	Long-Term Accounts Receivable	Y	9,973,775	9,973,775	9,973,775	1.00%	2	-	Business operation	-	-	-	36,792,362	36,792,362
11	RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	Long-Term Accounts Receivable	Y	5,459,188	5,459,188	5,459,188	1.00%	2	-	Business operation	-	-	-	8,502,453	8,502,453
11	RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	RI-MING (SHANGHAI) CO., LTD.	Short-Term Accounts Receivable	Y	1,091,838	-	-	1.00%	2	-	Business operation	-	-	-	8,502,453	8,502,453
11	RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	RI-PRO PRECISION MODEL (SHANGHAI) CO., LTD.	Long-Term Accounts Receivable	Y	131,021	131,021	131,021	1.00%	2	-	Business operation	-	-	-	8,502,453	8,502,453
12	RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	RI-PRO PRECISION MODEL (SHANGHAI) CO., LTD.	Short-Term Accounts Receivable	Y	218,368	-	-	1.00%	2	-	Business operation	-	-	-	5,365,642	5,365,642
12	RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	SHENG-RUI ELECTRONIC TECHNOLOGY (SHANGHAI) LIMITED	Short-Term Accounts Receivable	Y	262,041	262,041	262,041	1.00%	2	-	Business operation	-	-	-	5,365,642	5,365,642
12	RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	Long-Term Accounts Receivable	Y	3,493,880	2,620,410	2,620,410	1.00%	2	-	Business operation	-	-	-	5,365,642	5,365,642
13	KAI HE COMPUTER ACCESSORY (SUZHOU) CO., LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	Long-Term Accounts Receivable	Y	349,388	349,388	349,388	1.00%	2	-	Business operation	-	-	-	487,742	487,742
14	RI-MING (SHANGHAI) CO., LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	Long-Term Accounts Receivable	Y	655,103	305,715	305,715	1.00%	2	-	Business operation	-	-	-	10,267,030	10,267,030
15	RI KAI COMPUTER ACCESSORY CO., LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	Short-Term Accounts Receivable	Y	1,746,940	1,746,940	1,746,940	1.00%	2	-	Business operation	-	-	-	7,274,652	7,274,652

Note 1: The number column is organized as follows:

(1) Number 0 represents the issuer.

(2) Consolidated subsidiaries are organized in order from number 1.

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

Note 3 : Reference for the Nature of loan column

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

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

Note 4 : Fill in business contact amount if nature of loan conforms to situation 1.

Note 5 : Fill in the reasons and the use of the fund if nature of loan conforms to situation 2.

Note 6 : Calculation for the ceiling on total loans granted.





## Notes to the Consolidated Financial Statements

Table 2 Guarantees and endorsements for other parties  
December 31, 2020

No.	Relationship	Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of December 31, 2020	Outstanding endorsement/ guarantee amount at December 31, 2020		Actual amount drawn down	Amount of endorsements / guarantees secured with collateral	accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Expressed in thousands of NTD	
				(Note 4)	(Note 5)							endorsements/ guarantees to the party in Mainland China	endorsements/ guarantees to the party in Mainland China
(Note 1)	Endorser/ Guarantor	Party being endorsed / guaranteed	(Note 2)	(Note 3)	(Note 4)	(Note 5)			(Note 3)				
0	PEGATRON CORPORATION	PIOTEK COMPUTER (SUZHOU) CO., LTD.	(6)	32,518,916	418,899	-	-	0.00%	81,297,290	Y	N	Y	
1	KINSUS INTERCONNECT TECHNOLOGY CORP.	PIOTEK COMPUTER (SUZHOU) CO., LTD.	(6)	5,133,930	435,996	-	-	0.00%	12,834,826	Y	N	Y	
2	AZURE WAVE TECHNOLOGIES, INC.	AZURE LIGHTING TECHNOLOGIES, INC.	(2)	915,991	484,441	341,958	-	18.67%	915,991	Y	N	Y	

Note 1 : The number column is organized as follow:

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

Note 2 : Relationship with the endorser / guarantor:

- (1) Having business relationship.
- (2) The endorser / guarantor parent company directly and indirectly holds more than 50% of voting shares of the endorsed / guaranteed subsidiary.
- (3) The endorser / guarantor subsidiary which directly and indirectly be held more than 50% voting shares by the endorsed / guaranteed parent company.
- (4) The endorser / guarantor company and the endorsed / guaranteed party both be held more than 90% by the parent company.
- (5) Company that is mutually protected under contractual requirements based on the needs of the contractor.
- (6) Company that is endorsed by its shareholders in accordance with its shareholding ratio because of the joint investment relationship.
- (7) Performance guarantees for pre-sale contracts under the Consumer Protection Act.

Note 3 : Ceiling on total endorsements / guarantees

According to PEGATRON CORPORATION's policy of endorsements and guarantees, the total endorsements and guarantees of the Company to others should not exceed 50% of the Company's net assets.

According to KINSUS INTERCONNECT TECHNOLOGY CORP.'s policy of endorsements and guarantees, the total endorsements and guarantees of the Company to others should not exceed 50% of the Company's net assets.

According to AZURE WAVE TECHNOLOGIES, INC.'s policy of endorsements and guarantees, the total endorsements and guarantees of the Company to others should not exceed 50% of the Company's net assets.

Ceiling on endorsements/ guarantees provided for a single party

According to PEGATRON CORPORATION's policy of endorsements and guarantees, the total endorsements and guarantees of the Company to others should not exceed 20% of the Company's net assets.

According to KINSUS INTERCONNECT TECHNOLOGY CORP.'s policy of endorsements and guarantees, the total endorsements and guarantees of the Company to others should not exceed 20% of the Company's net assets.

According to AZURE WAVE TECHNOLOGIES, INC.'s policy of endorsements and guarantees, the total endorsements and guarantees of the Company to others should not exceed 50% of the Company's net assets.

Note 4 : If the amounts were based on foreign currencies, please refer to the spot exchange rate on the financial statement date. (exchange rate on December 31, 2020 is USD/NTD: 28.4965)

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

## Notes to the Consolidated Financial Statements

Table 3 Securities held as of December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures)  
December 31, 2020

Securities held by	Marketable securities (Note 1)			General ledger account	As of December 31, 2020				Expressed in thousands of NTD	
	Category	Item	Relationship (Note 2)		Number of shares	Book value(Note 3)	Ownership	Fair value(Note 3)	Maximum Ownership	Footnote
PEGATRON CORPORATION	Stock	ABILITY ENTERPRISE CO.,LTD.	-	financial asset measured at fair value through other comprehensive income-Non current	33,135,300	497,030	11.74%	497,030	11.74%	
"	Stock	Fubon Financial Holding Co., Ltd. Preferred Shares B	-	financial asset measured at fair value through profit or loss-Non current	3,500,000	218,750	0.53%	218,750	0.53%	
"	Fund	China Renewable Energy Fund, LP(CREF)	-	financial asset measured at fair value through profit or loss-Non current	-	328,865	13.46%	328,865	13.46%	
"	Stock	TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY	-	financial asset measured at fair value through profit or loss-Current	430,000	227,900	0.00%	227,900	0.00%	
"	Stock	DELTA ELECTRONICS, INC.	-	financial asset measured at fair value through profit or loss-Current	260,000	68,380	0.01%	68,380	0.01%	
"	Stock	MEDIATEK INC.	-	financial asset measured at fair value through profit or loss-Current	130,000	97,110	0.01%	97,110	0.01%	
"	Stock	Airtac International Group	-	financial asset measured at fair value through profit or loss-Current	55,000	49,500	0.03%	49,500	0.03%	
PROTEK (SHANGHAI) LTD.	Stock	LUXSHARE ICT CO., LTD.	-	financial asset measured at fair value through profit or loss-Current	39,845,105	9,437,126	0.57%	9,437,126	0.57%	
"	Bond	LUXSHARE ICT CO., LTD.(Convertible Bond)	-	financial asset measured at fair value through profit or loss-Current	170,816	93,738	-	93,738	- %	
ASUSPOWER INVESTMENT CO., LTD.	Stock	SPORTON INTERNATIONAL INC.	-	financial asset measured at fair value through profit or loss-Current	259,300	69,492	0.28%	69,492	0.28%	
"	Stock	WIN SEMICONDUCTORS CORP.	-	financial asset measured at fair value through profit or loss-Current	390,000	134,940	0.09%	134,940	0.09%	
"	Stock	Topoint Technology Co., Ltd.	-	financial asset measured at fair value through other comprehensive income-Non current	1,111,891	30,744	0.78%	30,744	0.78%	
"	Stock	ABILITY ENTERPRISE CO., LTD.	-	financial asset measured at fair value through other comprehensive income-Non current	6,495	97	0.00%	97	0.00%	
"	Stock	ZOWIE Technology Corporation	-	financial asset measured at fair value through other comprehensive income-Non current	90,973	-	0.46%	-	0.46%	
"	Stock	Syntronix CO., LTD.	-	financial asset measured at fair value through other comprehensive income-Non current	6,778	-	0.02%	-	0.02%	
"	Stock	Valens Semiconductor Ltd.	-	financial asset measured at fair value through profit or loss-Non current	4,667,570	63,669	3.98%	63,669	4.03%	
"	Stock	MedicusTek International Inc.	-	financial asset measured at fair value through profit or loss-Non current	1,136,363	-	1.61%	-	1.65%	
ASUS INVESTMENT CO., LTD.	Stock	SPEED TECH CORPORATION	-	financial asset measured at fair value through profit or loss-Current	8,000,000	749,600	4.72%	749,600	4.72%	
"	Stock	TAIWAN UNION TECHNOLOGY CORPORATION	-	financial asset measured at fair value through profit or loss-Current	277,000	33,517	0.10%	33,517	0.10%	
"	Stock	Lightel Technologies Inc.	-	financial asset measured at fair value through other comprehensive income-Non current	2,000,000	46,224	7.66%	46,224	7.66%	

## Notes to the Consolidated Financial Statements

				Expressed in thousands of NTD						
Marketable securities (Note 1)				As of December 31, 2020						
Securities held by	Category	Item	Relationship (Note 2)	General ledger account	Number of shares	Book value(Note 3)	Ownership	Fair value(Note 3)	Maximum Ownership	Footnote
ASUS INVESTMENT CO., LTD.	Stock	PT Sat Nusapersada Tbk	-	financial asset measured at fair value through other comprehensive income-Non current	531,434,100	250,065	10.00%	250,065	10.00%	
ASUSTEK INVESTMENT CO., LTD.	Stock	ACCTON TECHNOLOGY CORPORATION	-	financial asset measured at fair value through profit or loss-Current	30,000	9,480	0.01%	9,480	0.01%	
KINSUS INTERCONNECT TECHNOLOGY CORP.	Fund	Taishin Ta-Chong Money Market Fund	-	financial asset measured at fair value through profit or loss-Current	18,812,748	269,406	-	269,406	-	
"	Fund	FSITC Money Market	-	financial asset measured at fair value through profit or loss-Current	1,168,258	210,111	-	210,111	-	
"	Fund	Mega Diamond Money Market Fund	-	financial asset measured at fair value through profit or loss-Current	21,355,432	270,144	-	270,144	-	
"	Fund	Jih Sun Money Market	-	financial asset measured at fair value through profit or loss-Current	17,776,549	265,760	-	265,760	-	
KINSUS INVESTMENT CO., LTD.	Fund	Taishin Ta-Chong Money Market Fund	-	financial asset measured at fair value through profit or loss-Current	829,070	11,873	-	11,873	-	
"	Stock	Ethos Original Co., Ltd.	-	financial asset measured at fair value through other comprehensive income-Non current	5,000,000	50,000	7.49%	50,000	7.49%	
"	Stock	Li Chang Finery Inc.	-	financial asset measured at fair value through other comprehensive income-Non current	20,408	1,000	1.12%	1,000	1.12%	
PEGAVISION CORPORATION	Fund	Yuanta Wan Tai Money Market	-	financial asset measured at fair value through profit or loss-Current	33,387,514	509,333	-	509,333	-	
"	Fund	Yuanta De-Li Money Market Fund	-	financial asset measured at fair value through profit or loss-Current	3,493,908	57,436	-	57,436	-	
Lumens Digital Optics Inc. (Lumens Optics)	Fund	Fuh Hwa Money Market	-	financial asset measured at fair value through profit or loss-Current	73,096,336	1,063,113	-	1,063,113	-	
"	Fund	The RSIT Enhanced Money Market	-	financial asset measured at fair value through profit or loss-Current	9,435,278	113,768	-	113,768	-	
HUA-YUAN INVESTMENT LIMITED	Stock	Nuvoton Technology Corporation	-	financial asset measured at fair value through other comprehensive income-Non current	112,231	5,325	0.03%	5,325	0.06%	
"	Stock	Chicony Power Technology Co. Ltd.	-	financial asset measured at fair value through profit or loss-Current	611,644	43,182	0.16%	43,182	0.16%	
"	Stock	Ethos Original Co., Ltd.	-	financial asset measured at fair value through other comprehensive income-Non current	5,000,000	50,617	7.49%	50,617	7.49%	
"	Stock	Fusheng Precision CO., LTD.	-	financial asset measured at fair value through profit or loss-Current	800,000	138,800	0.61%	138,800	0.61%	
"	Stock	NEW SMART TECHNOLOGY CO., LTD.	-	financial asset measured at fair value through profit or loss-Current	500,000	7,704	4.05%	7,704	4.05%	
"	Stock	KING YUAN ELECTRONICS CO., LTD.	-	financial asset measured at fair value through profit or loss-Current	400,000	13,900	0.03%	13,900	0.03%	
RIH KUAN METAL CORPORATION	Stock	Ethos Original Co., Ltd.	-	financial asset measured at fair value through other comprehensive income-Non current	5,000,000	47,526	7.49%	47,526	7.49%	
RI KAI COMPUTER ACCESSORY CO., LTD.	Stock	JIANG SU KAI JIE CO., LTD.	-	financial asset measured at fair value through other comprehensive income-Non current	-	23,584	10.00%	23,584	10.00%	

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

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

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

## Notes to the Consolidated Financial Statements

Table 4: Individual securities acquired or disposed of with accumulated amount exceeding the lower of TWD300 million or 20% of the capital stock  
December 31, 2020

Investor	Marketable securities				Relationship with the investor	Balance as at January 1, 2020		Addition		Disposal				Balance as of December 31, 2020	
	Category	Item	General ledger account	Counterparty		Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Book Value	Gain (loss) on disposal	Number of shares	Amount
PEGAVISION CORPORATION	Fund	Yuanta Wan Tai Money Market	Financial asset measured at fair value through profit or loss- Current	-	-	11,778,166	179,017	112,658,656	1,717,000 (Note 4) 63 (Note 5)	91,049,308	1,387,298	1,386,747	551	33,387,514	509,333
CASETEK HOLDINGS LIMITED(CAYMAN)	Stock	RIH LI International Limited	Equity investments under equity method	-	-	735,499,000	33,790,237	80,000,000	2,279,720 (Note 4) 1,696,576 (Note 3)	-	-	1,190,310 (Note 2)	-	815,499,000	36,576,223
RIH LI International Limited	Capital	RI KAI COMPUTER ACCESSORY CO., LTD.	Equity investments under equity method	-	-	-	4,223,468	-	565,110 (Note 4) 2,021,402 (Note 2) 464,667 (Note 3)	-	-	-	-	-	7,274,647
AZURE WAVE TECHNOLOGIES, INC.	Stock	Azwave Holding (Samoa) Inc.	Equity investments under equity method	-	-	50,177,000	1,176,074	10,000,000	302,430 (Note 4)	-	-	80,860 (Note 3)	-	60,177,000	1,693,858
PROTEK (SHANGHAI) LTD.	Stock	LUXSHARE ICT CO., LTD.	Financial asset measured at fair value through profit or loss- Current	-	-	22,135,035	3,300,137	17,970,070	296,214 (Note 2) 2,501,470 (Note 4)	260,000	44,004	15,295	28,709	39,845,105	9,437,126
PEGATRON CORPORATION	Stock	PEGATRON VIETNAM COMPANY LIMITED	Equity investments under equity method	-	-	-	-	-	3,650,814 (Note 5) 870,094 (Note 4)	-	-	5,817 (Note 2) 14,980 (Note 3)	-	-	849,297

Note 1 : If the securities is invested in foreign currency, the amount in the table has been transferred to NTD. (The exchange rate as of December 31, 2020: USD/NTD: 28.4965)

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

Note 3 : The amount is exchange gains or losses.

Note 4 : Which is investment added this year.

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

## 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, 2020

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	If the counter-party is a related party, disclose the previous transfer information					References for determining price	Expressed in thousands of NTD	
						Relationship with the Company	Owner	Relationship with the Company	Date of transfer	Amount		Purpose of acquisition and current condition	Others
PEGATRON CORPORATION	Land and plants	109/3/27	1,300,000	Payment in full	DJIYA ENERGY SAVING TECHNOLOGY INC.	None	None	None	None	None	After bargaining, the price will be approved by the chairman of the board of directors to determine.	For business use	On the basis of the contract
DIGITEK (CHONGQING) LTD.	Plants	109/12/11	644,152	Payment in full	Chongqing Bonded Port Development And Management Group Co.,Ltd.	None	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	On the basis of the contract
PEGATRON VIETNAM COMPANY LIMITED	Land use rights	109/12/31	652,767	Unpaid	HAI PHONG INDUSTRIAL PARK JOINT STOCK COMPANY (HPIPJSC)	None	None	None	None	None	After bargaining, the price will be approved by the chairman of the board of directors to determine.	For business use	On the basis of the contract

## Notes to the Consolidated Financial Statements

Table 6: Related-party transactions for purchases and sales with amounts exceeding the lower of NTS100 million or 20% of the capital stock  
December 31, 2020

Expressed in thousands of NTD

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction		Differences in transaction terms compared to third party transactions			Notes/accounts receivable (payable)		Footnote	
			Purchases (sales)	Amount	Percentage of total	Credit term	Unit price	Credit term	Balance		total notes/accounts receivable (payable)
PEGATRON CORPORATION	ASIA ROCK TECHNOLOGY LIMITED	Note 2	Sale	(413,850)	(0.03%)	(Note 4) Open Account 90 days	-	-	103,113	0.02%	
PEGATRON CORPORATION	PEGATRON Czech s.r.o.	Note 2	Sale	(1,394,133)	(0.11%)	(Note 4) 120 days on delivery	-	-	86,279	0.02%	
PEGATRON CORPORATION	AZURE WAVE TECHNOLOGIES, INC.	Note 2	Purchase	184,705	0.02%	Open Account 60 days	-	-	(55,833)	(0.01%)	
PEGATRON CORPORATION	PEGAGLOBE (KUNSHAN) CO., LTD.	Note 2	Purchase	86,145,124	7.02%	(Note 4) Open Account 60 days	-	-	(108,888,894)	(28.66%)	
PEGATRON CORPORATION	MAINTEK COMPUTER (SUZHOU) CO., LTD.	Note 2	Purchase	4,822,764	0.39%	(Note 4) Open Account 60 days	-	-	-	- %	
PEGATRON CORPORATION	DIGITEK (CHONGQING) LTD.	Note 2	Purchase	8,231,450	0.67%	(Note 4) Open Account 60 days	-	-	(12,594,314)	(3.31%)	
PEGATRON CORPORATION	PEGATRON TECHNOLOGY SERVICE INC.	Note 2	Sale	(189,429)	(0.02%)	90 days on delivery	-	-	52,725	0.01%	
PEGATRON CORPORATION	CASETEK COMPUTER (SUZHOU) CO., LTD.	Note 2	Purchase	292,746	0.02%	Open Account 60 days	-	-	(65,345)	(0.02%)	
PEGATRON CORPORATION	COTEK ELECTRONICS (SUZHOU) CO., LTD.	Note 2	Purchase	5,488,874	0.45%	(Note 4) Open Account 60 days	-	-	(2,571,161)	(0.68%)	
PEGATRON CORPORATION	POWTEK (SHANGHAI) LTD.	Note 2	Sale	(3,691,433)	(0.30%)	120 days on delivery	-	-	1,365,137	0.33%	
PEGATRON CORPORATION	PT. PEGATRON TECHNOLOGY INDONESIA	Note 2	Purchase	2,459,408	0.20%	(Note 4) 120 days on delivery	-	-	(4,992,591)	(2.18%)	
PEGATRON CORPORATION	FUYANG TECHNOLOGY CORPORATION	Note 2	Purchase	141,775	0.01%	Open Account 60 days	-	-	(23,578)	(0.01%)	
PEGATRON TECHNOLOGY SERVICE INC.	PEGATRON CORPORATION	Note 1	Purchase	189,429	40.48%	90 days on delivery	-	-	(52,725)	(58.04%)	
PEGATRON Czech s.r.o.	PEGATRON CORPORATION	Note 1	Purchase	1,394,133	84.20%	120 days on delivery	-	-	(86,279)	(51.76%)	
POWTEK (SHANGHAI) LTD.	PEGATRON CORPORATION	Note 1	Purchase	3,691,433	99.59%	120 days on delivery	-	-	(1,365,137)	(100.00%)	
PROTEK (SHANGHAI) LTD.	PEGAGLOBE (KUNSHAN) CO., LTD.	Note 3	Sale	(79,673,475)	(15.35%)	Open Account 90 days	-	-	20,929,812	36.83%	
PROTEK (SHANGHAI) LTD.	PEGAGLOBE (KUNSHAN) CO., LTD.	Note 3	Purchase	737,027	0.14%	Open Account 60 days	-	-	(202,258)	(0.20%)	
PROTEK (SHANGHAI) LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	Note 3	Purchase	607,830	0.12%	Open Account 60 days	-	-	(141,371)	(0.14%)	
PROTEK (SHANGHAI) LTD.	KAEDAR ELECTRONICS (KUNSHAN) CO., LTD.	Note 3	Purchase	152,732	0.03%	Open Account 60 days	-	-	(54,954)	(0.06%)	
PROTEK (SHANGHAI) LTD.	COTEK ELECTRONICS (SUZHOU) CO., LTD.	Note 3	Purchase	213,643	0.04%	Open Account 60 days	-	-	(169,368)	(0.17%)	
PEGAGLOBE (KUNSHAN) CO., LTD.	PEGATRON CORPORATION	Note 1	Sale	(86,145,124)	(24.04%)	Open Account 60 days	-	-	108,888,894	98.38%	
PEGAGLOBE (KUNSHAN) CO., LTD.	PROTEK (SHANGHAI) LTD.	Note 3	Sale	(737,027)	(0.21%)	Open Account 60 days	-	-	202,258	0.18%	
PEGAGLOBE (KUNSHAN) CO., LTD.	PROTEK (SHANGHAI) LTD.	Note 3	Purchase	79,673,475	22.81%	Open Account 90 days	-	-	(20,929,812)	(17.33%)	
PEGAGLOBE (KUNSHAN) CO., LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	Note 3	Purchase	595,423	0.17%	Open Account 60 days	-	-	(197,823)	(0.16%)	
MAINTEK COMPUTER (SUZHOU) CO., LTD.	COTEK ELECTRONICS (SUZHOU) CO., LTD.	Note 3	Purchase	422,007	0.15%	Open Account 60 days	-	-	(124,635)	(0.18%)	
MAINTEK COMPUTER (SUZHOU) CO., LTD.	COTEK ELECTRONICS (SUZHOU) CO., LTD.	Note 3	Sale	(2,475,873)	(0.88%)	Open Account 60 days	-	-	659,502	1.21%	
MAINTEK COMPUTER (SUZHOU) CO., LTD.	CASETEK COMPUTER (SUZHOU) CO., LTD.	Note 3	Purchase	3,178,470	1.13%	Open Account 60 days	-	-	(588,010)	(0.84%)	
MAINTEK COMPUTER (SUZHOU) CO., LTD.	PEGATRON CORPORATION	Note 1	Sale	(4,822,764)	(1.71%)	Open Account 60 days	-	-	-	- %	
MAINTEK COMPUTER (SUZHOU) CO., LTD.	PIOTEK COMPUTER (SUZHOU) CO., LTD.	Note 3	Purchase	170,362	0.06%	Open Account 60 days	-	-	(17,810)	(0.03%)	
COTEK ELECTRONICS (SUZHOU) CO., LTD.	MAINTEK COMPUTER (SUZHOU) CO., LTD.	Note 3	Sale	(422,007)	(3.18%)	Open Account 60 days	-	-	124,635	4.26%	
COTEK ELECTRONICS (SUZHOU) CO., LTD.	MAINTEK COMPUTER (SUZHOU) CO., LTD.	Note 3	Purchase	2,475,873	24.02%	Open Account 60 days	-	-	(659,502)	(20.34%)	
COTEK ELECTRONICS (SUZHOU) CO., LTD.	CASETEK COMPUTER (SUZHOU) CO., LTD.	Note 3	Purchase	150,124	1.46%	Open Account 60 days	-	-	(6,586)	(0.20%)	
COTEK ELECTRONICS (SUZHOU) CO., LTD.	PEGATRON CORPORATION	Note 1	Sale	(5,488,874)	(41.40%)	Open Account 60 days	-	-	2,571,161	87.81%	
COTEK ELECTRONICS (SUZHOU) CO., LTD.	PROTEK (SHANGHAI) LTD.	Note 3	Sale	(213,643)	(1.61%)	Open Account 60 days	-	-	169,368	5.78%	
DIGITEK (CHONGQING) LTD.	KAI-CHUAN ELECTRONICS (CHONGQING) CO., LTD.	Note 3	Purchase	533,496	81.43%	Open Account 60 days	-	-	(133,324)	(0.85%)	
DIGITEK (CHONGQING) LTD.	PEGATRON CORPORATION	Note 1	Sale	(8,231,450)	(7.93%)	Open Account 60 days	-	-	12,594,314	99.35%	

## 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 transactions			Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total	Credit term	Unit price	Credit term	Balance	total notes/accounts receivable (payable)	
DIGITEK (CHONGQING) LTD.	CASETEK COMPUTER (SUZHOU) CO., LTD.	Note 3	Purchase	232,392	0.24%	Open Account 60 days	-	-	(45,775)	(0.29%)	
CASETEK COMPUTER (SUZHOU) CO., LTD.	MAINTEK COMPUTER (SUZHOU) CO., LTD.	Note 3	Sale	(3,178,470)	(73.69%)	Open Account 60 days	-	-	588,010	73.69%	
CASETEK COMPUTER (SUZHOU) CO., LTD.	PEGATRON CORPORATION	Note 1	Sale	(292,746)	(6.79%)	Open Account 60 days	-	-	65,345	8.19%	
CASETEK COMPUTER (SUZHOU) CO., LTD.	KAEDAR ELECTRONICS (KUNSHAN) CO., LTD.	Note 3	Purchase	270,017	9.93%	Open Account 60 days	-	-	(62,275)	(8.49%)	
CASETEK COMPUTER (SUZHOU) CO., LTD.	DIGITEK (CHONGQING) LTD.	Note 3	Sale	(232,392)	(5.39%)	Open Account 60 days	-	-	45,775	5.74%	
CASETEK COMPUTER (SUZHOU) CO., LTD.	COTEK ELECTRONICS (SUZHOU) CO., LTD.	Note 3	Sale	(150,124)	(3.48%)	Open Account 60 days	-	-	6,586	0.83%	
CORE-TEK (SHANGHAI) LIMITED	PROTEK (SHANGHAI) LTD.	Note 3	Sale	(207,873)	(100.00%)	Open Account 60 days	-	-	23,024	100.00%	
KAEDAR ELECTRONICS (KUNSHAN) CO., LTD.	CASETEK COMPUTER (SUZHOU) CO., LTD.	Note 3	Sale	(270,017)	(36.46%)	Open Account 60 days	-	-	62,275	26.68%	
KAEDAR ELECTRONICS (KUNSHAN) CO., LTD.	PROTEK (SHANGHAI) LTD.	Note 3	Sale	(152,732)	(20.62%)	Open Account 60 days	-	-	54,954	23.54%	
KAI-CHUAN ELECTRONICS (CHONGQING) CO., LTD.	DIGITEK (CHONGQING) LTD.	Note 3	Sale	(533,496)	(75.87%)	Open Account 60 days	-	-	133,324	55.30%	
PT. PEGATRON TECHNOLOGY INDONESIA	PEGATRON CORPORATION	Note 1	Sale	(2,459,408)	(10.17%)	120 days on delivery	-	-	4,992,591	100.00%	
PIOTEK COMPUTER (SUZHOU) CO., LTD.	PIOTEK (HK) TRADING LIMITED	Note 3	Sale	(158,961)	(8.29%)	Open Account 60 days	-	-	15,246	2.60%	
PIOTEK COMPUTER (SUZHOU) CO., LTD.	MAINTEK COMPUTER (SUZHOU) CO., LTD.	Note 3	Sale	(170,362)	(8.89%)	Open Account 60 days	-	-	17,810	3.04%	
PIOTEK (HK) TRADING LIMITED	PIOTEK COMPUTER (SUZHOU) CO., LTD.	Note 3	Purchase	158,961	100.00%	Open Account 60 days	Incomparable due to different product specification	No comparable non-related party	(15,246)	(100.00%)	
KINSUS INTERCONNECT TECHNOLOGY CORP.	KINSUS INTERCONNECT TECHNOLOGY (SUZHOU) CORP	Note 2	Purchase	2,643,768	25.01%	Open Account 30 days	Incomparable due to different product specification	Open Account 30~90 days	(240,327)	(13.85)%	
KINSUS INTERCONNECT TECHNOLOGY (SUZHOU) CORP	KINSUS INTERCONNECT TECHNOLOGY CORP.	Note 1	Sale	(2,643,768)	(81.82%)	Open Account 30 days	Incomparable due to different product specification	No comparable non-related party	240,327	75.47%	
PEGAVISION CORPORATION	Pegavision Japan Inc.	Note 2	Sale	(1,596,570)	(41.61%)	Open Account 90 days	Same as other clients	Telex transfer-Open Account 90 days	354,934	42.24%	
PEGAVISION CORPORATION	Gemvision Technology (Zhejiang) Limited.	Note 2	Sale	(547,066)	(14.26%)	Open Account 180 days	Same as other clients	Telex transfer-Open Account 90 days	219,266	26.09%	
Pegavision Japan Inc.	PEGAVISION CORPORATION	Note 1	Purchase	1,596,570	100.00%	Open Account 90 days	No other comparable vendors	No other comparable vendors	(354,934)	(100.00%)	
Gemvision Technology (Zhejiang) Limited.	PEGAVISION CORPORATION	Note 1	Purchase	547,066	100.00%	Open Account 180 days	No other comparable vendors	No other comparable vendors	(219,266)	(100.00%)	
MEGA MERIT LIMITED	RI-MING (SHANGHAI) CO., LTD.	Note 3	Purchase	3,270,900	25.56%	Open Account 90~120 days	-	-	-	- %	
MEGA MERIT LIMITED	RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	Note 3	Purchase	4,232,217	33.08%	Open Account 60~90 days	-	-	-	- %	
MEGA MERIT LIMITED	RI KAI COMPUTER ACCESSORY CO., LTD.	Note 3	Purchase	2,643,496	20.66%	Open Account 60~90 days	-	-	-	- %	
MEGA MERIT LIMITED	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	Note 3	Purchase	2,395,342	18.72%	Open Account 60~90 days	-	-	(609,483)	(95.78%)	
MEGA MERIT LIMITED	RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	Note 3	Purchase	251,086	1.96%	Open Account 60~90 days	-	-	(26,359)	(4.14%)	
MEGA MERIT LIMITED	CASETEK SINGAPORE PTE. LTD.	Note 3	Sale	(645,616)	(4.90%)	Open Account 60~90 days	-	-	-	- %	
CASETEK SINGAPORE PTE. LTD.	MEGA MERIT LIMITED	Note 3	Purchase	645,616	1.23%	Open Account 60~90 days	-	-	-	- %	
CASETEK SINGAPORE PTE. LTD.	RI-MING (SHANGHAI) CO., LTD.	Note 3	Purchase	4,922,253	9.38%	Open Account 90~120 days	-	-	(1,604,125)	(7.76%)	
CASETEK SINGAPORE PTE. LTD.	RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	Note 3	Purchase	5,193,120	9.89%	Open Account 60~90 days	-	-	(1,654,279)	(8.00%)	

## Notes to the Consolidated Financial Statements

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Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions			Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total	Credit term	Unit price	Credit term	Balance	total notes/accounts receivable (payable)	
CASETEK SINGAPORE PTE. LTD.	RI KAI COMPUTER ACCESSORY CO., LTD.	Note 3	Purchase	4,152,885	7.91%	Open Account 60~90 days	-	-	(1,405,989)	(6.80%)	
CASETEK SINGAPORE PTE. LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	Note 3	Purchase	3,987,972	7.60%	Open Account 30~90 days	-	-	(3,222,242)	(15.58%)	
RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	MEGA MERIT LIMITED	Note 3	Sale	(253,810)	(12.71%)	Open Account 60~90 days	-	-	26,359	23.07%	
RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	Note 3	Sale	(114,423)	(5.73%)	Open Account 30~60 days	-	-	5,101	4.46%	
SHENG-RUI ELECTRONIC TECHNOLOGY (SHANGHAI) LIMITED	RI-MING (SHANGHAI) CO., LTD.	Note 3	Sale	(715,976)	(33.20%)	Open Account 30~60 days	-	-	149,322	19.71%	
SHENG-RUI ELECTRONIC TECHNOLOGY (SHANGHAI) LIMITED	RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	Note 3	Sale	(1,330,884)	(61.71%)	Open Account 30~60 days	-	-	584,805	77.18%	
SHENG-RUI ELECTRONIC TECHNOLOGY (SHANGHAI) LIMITED	RI KAI COMPUTER ACCESSORY CO., LTD.	Note 3	Sale	(109,834)	(5.09%)	Open Account 30~60 days	-	-	23,453	3.09%	
RI-MING (SHANGHAI) CO., LTD.	RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	Note 3	Sale	(218,749)	(1.75%)	Open Account 30~60 days	-	-	34,794	1.06%	
RI-MING (SHANGHAI) CO., LTD.	RI KAI COMPUTER ACCESSORY CO., LTD.	Note 3	Sale	(290,974)	(2.33%)	Open Account 30~60 days	-	-	89,678	2.73%	
RI-MING (SHANGHAI) CO., LTD.	RIH KUAN METAL CORPORATION	Note 3	Sale	(3,261,276)	(26.07%)	Open Account 90~120 days	-	-	1,138,464	34.70%	
RI-MING (SHANGHAI) CO., LTD.	MEGA MERIT LIMITED	Note 3	Sale	(3,337,262)	(26.68%)	Open Account 90~120 days	-	-	-	- %	
RI-MING (SHANGHAI) CO., LTD.	CASETEK SINGAPORE PTE. LTD.	Note 3	Sale	(4,856,572)	(38.82%)	Open Account 90~120 days	-	-	1,604,125	48.89%	
RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	RI-MING (SHANGHAI) CO., LTD.	Note 3	Purchase	214,929	4.89%	Open Account 30~60 days	-	-	(33,825)	(2.43%)	
RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	RI-MING (SHANGHAI) CO., LTD.	Note 3	Sale	(1,221,020)	(11.46%)	Open Account 30~60 days	-	-	134,959	7.51%	
RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	MEGA MERIT LIMITED	Note 3	Sale	(4,313,475)	(40.47%)	Open Account 60~90 days	-	-	-	- %	
RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	CASETEK SINGAPORE PTE. LTD.	Note 3	Sale	(5,115,683)	(47.99%)	Open Account 60~90 days	-	-	1,654,279	92.01%	
RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	Note 3	Purchase	114,364	3.33%	Open Account 30~60 days	-	-	(5,101)	(0.25%)	
RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	PROTEK (SHANGHAI) LTD.	Note 3	Sale	(607,830)	(5.59%)	Open Account 60 days	-	-	141,371	2.46%	
RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	PEGAGLOBE (KUNSHAN) CO., LTD.	Note 3	Sale	(595,423)	(5.47%)	Open Account 60 days	-	-	197,823	3.44%	
RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	Note 3	Sale	(454,466)	(4.18%)	Open Account 30~60 days	-	-	13,251	0.23%	
RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	MEGA MERIT LIMITED	Note 3	Sale	(2,403,071)	(22.09%)	Open Account 60~90 days	-	-	609,483	10.61%	
RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	RIH KUAN METAL CORPORATION	Note 3	Sale	(1,501,334)	(13.80%)	Open Account 60~90 days	-	-	795,024	13.84%	
RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	CASETEK SINGAPORE PTE. LTD.	Note 3	Sale	(3,887,644)	(35.74%)	Open Account 30~90 days	-	-	3,222,242	56.09%	
RIH KUAN METAL CORPORATION	RI-MING (SHANGHAI) CO., LTD.	Note 3	Purchase	3,254,465	34.95%	Open Account 90~120 days	-	-	(1,138,464)	(31.92%)	
RIH KUAN METAL CORPORATION	RI KAI COMPUTER ACCESSORY CO., LTD.	Note 3	Purchase	4,516,736	48.51%	Open Account 60~90 days	-	-	(1,624,471)	(45.55%)	
RIH KUAN METAL CORPORATION	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	Note 3	Purchase	1,525,261	16.38%	Open Account 60~90 days	-	-	(795,024)	(22.29%)	
RI KAI COMPUTER ACCESSORY CO., LTD.	MEGA MERIT LIMITED	Note 3	Sale	(2,697,243)	(23.85%)	Open Account 60~90 days	-	-	-	- %	
RI KAI COMPUTER ACCESSORY CO., LTD.	CASETEK SINGAPORE PTE. LTD.	Note 3	Sale	(4,098,605)	(36.25%)	Open Account 60~90 days	-	-	1,405,989	45.91%	
RI KAI COMPUTER ACCESSORY CO., LTD.	RIH KUAN METAL CORPORATION	Note 3	Sale	(4,501,900)	(39.81%)	Open Account 60~90 days	-	-	1,624,471	53.05%	



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Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total	Credit term	Unit price	Credit term	Balance	
FUYANG TECHNOLOGY CORPORATION	FUYANG ELECTRONICS (SUZHOU) CO., LTD.	Note 2	Purchase	391,339	29.53% (Note 4)	Open Account 60 days	-	-	(68,089)	(89.83%)
FUYANG TECHNOLOGY CORPORATION	PEGATRON CORPORATION	Note 3	Sale	(141,775)	(7.88%)	Open Account 60 days	-	-	23,578	7.62%
FUYANG ELECTRONICS (SUZHOU) CO., LTD.	FUYANG TECHNOLOGY CORPORATION	Note 1	Sale	(391,339)	(77.50%)	Open Account 60 days	-	-	68,089	45.20%
ASIAROCK TECHNOLOGY LIMITED	ASIAROCK TECHNOLOGY LIMITED	Note 2	Purchase	10,937,317	98.60%	Open Account 60 days	No other comparable vendors	No other comparable vendors	(2,365,594)	(100.00%)
ASIAROCK TECHNOLOGY LIMITED	ASROCK AMERICA, INC.	Note 2	Sale	(4,066,728)	(32.33%)	Open Account 90 days	Same as other clients	Same as other clients	1,442,790	70.77%
ASIAROCK TECHNOLOGY LIMITED	ASROCK EUROPE B.V.	Note 2	Sale	(3,388,098)	(26.94%)	Open Account 45 days	Same as other clients	Same as other clients	146,728	7.20%
ASRock Industrial Computer Corporation	ASIAROCK TECHNOLOGY LIMITED	Note 3	Purchase	358,050	58.91%	Open Account 60 days	No other comparable vendors	No other comparable vendors	(73,402)	(29.86%)
ASRock Industrial Computer Corporation	ASROCK EUROPE B.V.	Note 3	Sale	(108,254)	(10.94%)	Open Account 60 days	Same as other clients	Same as other clients	10,984	16.67%
ASRock Rack Incorporation	ASIAROCK TECHNOLOGY LIMITED	Note 3	Purchase	3,300,364	93.56%	Open Account 60 days	No other comparable vendors	No other comparable vendors	(530,362)	(94.06%)
ASRock Rack Incorporation	ASIAROCK TECHNOLOGY LIMITED	Note 3	Sale	(121,530)	(2.83%)	Open Account 60 days	Same as other clients	Same as other clients	-	- %
ASRock Rack Incorporation	ASROCK AMERICA, INC.	Note 3	Sale	(100,963)	(2.35%)	Open Account 90 days	Same as other clients	Same as other clients	86,077	22.68%
ASIAROCK TECHNOLOGY LIMITED	PEGATRON CORPORATION	Note 1	Purchase	413,850	2.80%	Open Account 90 days	No other comparable vendors	No other comparable vendors	(103,113)	(3.49%)
ASIAROCK TECHNOLOGY LIMITED	ASIAROCK TECHNOLOGY LIMITED	Note 1	Sale	(10,937,317)	(69.67%)	Open Account 60 days	Same as other clients	Same as other clients	2,365,594	79.15%
ASROCK AMERICA, INC.	ASIAROCK TECHNOLOGY LIMITED	Note 1	Purchase	4,066,728	97.58%	Open Account 90 days	No other comparable vendors	No other comparable vendors	(1,442,790)	(94.37%)
ASROCK EUROPE B.V.	ASIAROCK TECHNOLOGY LIMITED	Note 1	Purchase	3,388,098	96.90%	Open Account 45 days	No other comparable vendors	No other comparable vendors	(146,728)	(93.04%)
AZURE WAVE TECHNOLOGIES (SHANGHAI) INC.	AZURE WAVE TECHNOLOGIES, INC.	Note 1	Sale	(1,338,613)	(14.00%)	Open Account 30~60 days	-	No comparable non-related party	271,623	24.00%
AZURE WAVE TECHNOLOGIES, INC.	PEGATRON CORPORATION	Note 1	Sale	(184,705)	(3.00%)	Open Account 60 days	-	-	55,833	2.56%
AZURE WAVE TECHNOLOGIES, INC.	AZURE WAVE TECHNOLOGIES (SHANGHAI) INC.	Note 2	Purchase	1,338,613	26.00%	Open Account 30~60 days	-	shorter than non-related party	(266,206)	(16.00%)
Lumens Digital Optics Inc. (Lumens Optics)	Lumens Integration Inc.	Note 2	Sale	(363,014)	(35.00%)	Open Account 75 days	-	-	89,908	42.44%
Lumens Integration Inc.	Lumens Digital Optics Inc. (Lumens Optics)	Note 1	Purchase	363,014	92.00%	Open Account 75 days	-	-	(89,908)	(95.34%)

Note1 : Parent company

Note2 : Subsidiary measured by equity method.

Note3 : Affiliate

Note4 : To avoid counting the sales revenue twice, the Company has subtracted the repeated part of purchase and sales.

# Notes to the Consolidated Financial Statements

Table 7: Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of capital stock  
December 31, 2020

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2020	Turnover rate	Overdue Receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
PEGATRON CORPORATION	COTEK ELECTRONICS (SUZHOU) CO., LTD.	Subsidiary measured by equity method	1,719,652	3.22 Times	-	-	-	-
"	PROTEK (SHANGHAI) LTD.	Subsidiary measured by equity method	93,386,147	3.10 Times	-	-	-	-
"	POWTEK (SHANGHAI) LTD.	Subsidiary measured by equity method	1,365,137	4.86 Times	-	-	-	-
"	PEGAGLOBE (KUNSHAN) CO., LTD.	Subsidiary measured by equity method	94,709,929	3.77 Times	-	-	9,978,200	-
"	DIGITEK (CHONGQING) LTD.	Subsidiary measured by equity method	15,441,939	3.70 Times	-	-	2,093,197	-
"	ASIA ROCK TECHNOLOGY LIMITED	Subsidiary measured by equity method	103,113	3.28 Times	-	-	-	-
"	PT. PEGATRON TECHNOLOGY INDONESIA	Subsidiary measured by equity method	6,824,592	2.83 Times	-	-	-	-
"	MAINTEK COMPUTER (SUZHOU) CO., LTD.	Subsidiary measured by equity method	14,762,096 (Note 2)	5.26 Times	-	-	-	-
ASUSPOWER CORPORATION	PEGATRON CORPORATION	Parent Company	5,414,335	N/A (Note 1)	-	-	-	-
CASETEK HOLDINGS LIMITED	PEGATRON CORPORATION	Parent Company	270,717	N/A (Note 1)	-	-	-	-
KAEDAR TRADING LTD.	PEGATRON VIETNAM COMPANY LIMITED	Affiliate	512,937	N/A (Note 1)	-	-	-	-
DIGITEK (CHONGQING) LTD.	PEGATRON CORPORATION	Parent Company	12,594,314	4.59 Times	-	-	2,892,396	-
COTEK ELECTRONICS (SUZHOU) CO., LTD.	PEGATRON CORPORATION	Parent Company	2,571,161	5.18 Times	-	-	534,035	-
"	MAINTEK COMPUTER (SUZHOU) CO., LTD.	Affiliate	124,635	4.61 Times	-	-	-	-
"	PROTEK (SHANGHAI) LTD.	Affiliate	169,368	2.51 Times	-	-	-	-
PEGAGLOBE (KUNSHAN) CO., LTD.	PEGATRON CORPORATION	Subsidiary measured by equity method	108,888,894	4.31 Times	-	-	13,462,769	-
"	PROTEK (SHANGHAI) LTD.	Affiliate	202,258	4.58 Times	-	-	-	-
PROTEK (SHANGHAI) LTD.	PEGATRON CORPORATION	Subsidiary measured by equity method	35,448,023	3.96 Times	-	-	17,196,951	-
"	PEGAGLOBE (KUNSHAN) CO., LTD.	Affiliate	20,929,812	3.84 Times	-	-	-	-
"	RI SHAN COMPUTER ACCESSORY (JIA SHAN)	Affiliate	4,274,475	N/A (Note 1)	-	-	-	-
MAINTEK COMPUTER (SUZHOU) CO., LTD.	COTEK ELECTRONICS (SUZHOU) CO., LTD.	Affiliate	659,502	7.42 Times	-	-	-	-
"	COTEK ELECTRONICS (SUZHOU) CO., LTD.	Affiliate	1,424,825	N/A (Note 1)	-	-	-	-
"	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	Affiliate	2,849,650	N/A (Note 1)	-	-	-	-
PT. Pegatron Technology Indonesia	PEGATRON CORPORATION	Subsidiary measured by equity method	4,992,591	4.93 Times	-	-	1,752,789	-
CASETEK COMPUTER (SUZHOU) CO., LTD.	MAINTEK COMPUTER (SUZHOU) CO., LTD.	Affiliate	588,010	6.04 Times	-	-	-	-
KAI-CHUAN ELECTRONICS (CHONGQING) CO., LTD.	DIGITEK (CHONGQING) LTD.	Affiliate	133,324	2.35 Times	-	-	-	-
CASETEK HOLDINGS LIMITED(CAYMAN)	MEGA MERIT LIMITED	Parent Company	421,834	N/A (Note 1)	-	-	-	-
"	CASETEK SINGAPORE PTE. LTD.	Parent Company	4,758,916	N/A (Note 1)	-	-	-	-
RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	Affiliate	5,459,188	N/A (Note 1)	-	-	-	-
"	RI-PRO PRECISION MODEL (SHANGHAI) CO., LTD.	Affiliate	131,027	N/A (Note 1)	-	-	-	-
SHENG-RUI ELECTRONIC TECHNOLOGY (SHANGHAI) LIMITED	RI-MING (SHANGHAI) CO., LTD.	Affiliate	149,322	5.59 Times	-	-	-	-
"	RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	Affiliate	584,805	4.28 Times	-	-	-	-
RI-MING (SHANGHAI) CO., LTD.	RIH KUAN METAL CORPORATION	Affiliate	1,138,464	2.49 Times	-	-	189,473	-
"	CASETEK SINGAPORE PTE. LTD.	Affiliate	1,604,125	6.17 Times	-	-	441,582	-
"	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	Affiliate	305,710	N/A (Note 1)	-	-	-	-
RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	CASETEK SINGAPORE PTE. LTD.	Affiliate	1,654,279	6.31 Times	-	-	287,872	-

## Notes to the Consolidated Financial Statements

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2020	Turnover rate	Overdue Receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	Affiliate	2,620,396	N/A (Note 1)	-	-	-	-
"	SHENG-RUI ELECTRONIC TECHNOLOGY (SHANGHAI) LIMITED	Affiliate	262,054	N/A (Note 1)	-	-	-	-
"	RI-MING (SHANGHAI) CO., LTD.	Affiliate	134,959	10.35 Times	-	-	-	-
RIH LI International Limited	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	Parent Company	9,973,775	N/A (Note 1)	-	-	-	-
"	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	Parent Company	245,526	N/A (Note 1)	-	-	-	-
RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	PEGAGLOBE (KUNSHAN) CO., LTD.	Affiliate	197,823	3.48 Times	-	-	64,431	-
"	MEGA MERIT LIMITED	Affiliate	609,483	5.85 Times	-	-	-	-
"	PROTEK (SHANGHAI) LTD.	Affiliate	141,371	4.30 Times	-	-	29,095	-
RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	CASETEK SINGAPORE PTE. LTD.	Affiliate	3,222,242	2.46 Times	-	-	134,219	-
"	RIH KUAN METAL CORPORATION	Affiliate	795,024	3.84 Times	-	-	-	-
RI KAI COMPUTER ACCESSORY CO., LTD.	CASETEK SINGAPORE PTE. LTD.	Affiliate	1,405,989	5.94 Times	-	-	287,786	-
"	RIH KUAN METAL CORPORATION	Affiliate	1,624,471	4.87 Times	-	-	415,251	-
"	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	Affiliate	1,746,949	N/A (Note 1)	-	-	-	-
KAI HE COMPUTER ACCESSORY (SUZHOU) CO., LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	Affiliate	349,396	N/A (Note 1)	-	-	-	-
ASROCK INCORPORATION	ASROCK AMERICA, INC.	Parent Company	1,442,790	3.25 Times	-	-	54,946	-
"	ASROCK EUROPE B.V.	Parent Company	146,728	19.92 Times	-	-	105,765	-
ASIA ROCK TECHNOLOGY LIMITED	ASROCK INCORPORATION	Subsidiary measured by equity method	2,365,594	5.90 Times	-	-	-	-
"	ASRock Rack Incorporation	Affiliate	530,362	5.32 Times	-	-	210,783	-
KINSUS INTERCONNECT TECHNOLOGY	KINSUS INTERCONNECT TECHNOLOGY CORP.	Subsidiary measured by equity method	240,327	10.04 Times	-	-	-	-
PEGAVISION CORPORATION	Pegavision Japan Inc.	Parent Company	354,934	6.36 Times	-	-	179,695	-
"	GEMVISION TECHNOLOGY (ZHEJIANG) LIMITED	Parent Company	219,266	4.04 Times	-	-	-	-
FUYANG TECHNOLOGY CORPORATION	FUYANG ELECTRONICS (SUZHOU) CO., LTD.	Parent Company	281,641	1.59 Times	-	-	-	-
AZUREWAVE TECHNOLOGIES (SHANGHAI) INC.	AZURE WAVE TECHNOLOGIES, INC.	Subsidiary measured by equity method	271,623	7.79 Times	-	-	189,251	-

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, 2020

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2020			Net profit (loss) of the investee for the year ended December 31, 2020	Investment income (loss) recognised by the Company for the year ended December 31, 2020	Footnote
				Balance as at December 31, 2020	Balance as at December 31, 2019	Number of shares	Ownership	Book value			
				Expressed in thousands of NTD							
PEGATRON CORPORATION	ASUSPOWER INVESTMENT CO., LTD.	Taipei	Investment holding	13,033,429	13,033,429	932,844,700	100.00%	15,815,279	987,784	987,784	
"	ASUS INVESTMENT CO., LTD.	Taipei	Investment holding	16,184,982	16,184,982	979,254,600	100.00%	16,462,641	944,586	944,586	
"	ASUSTEK INVESTMENT CO., LTD.	Taipei	Investment holding	14,593,543	14,593,543	951,278,300	100.00%	14,444,927	280,975	280,975	
"	Pegatron Holding Ltd.	Cayman Islands	Investment holding	33,462,716	33,462,716	961,906,463	100.00%	87,961,996	11,786,759	11,785,957	
"	PEGATRON USA, INC.	CA, USA	Repairing and marketing center in Northern America	16,085	16,085	50,000	100.00%	17,573	150	150	
"	PEGATRON HOLLAND HOLDING B.V.	Wijchen, NETHERLANDS	Investment holding	1,278,287	1,278,287	-	100.00%	2,871,157	(5,317)	(5,317)	
"	AMA PRECISION INC.	Taipei	Research and design of computer components	408,394	408,394	33,500,000	100.00%	431,765	(3,742)	(3,742)	
"	AZURE WAVE TECHNOLOGIES, INC.	New Taipei City	Manufacture of office machine, electrical components, computer and related products. Sale of precision instrument and photographic equipment.	525,750	525,750	35,750,000	23.76%	431,985	304,098	72,270	
"	Unihan Holding Ltd.	Cayman Islands	Investment holding	5,823,962	6,659,684	170,110,010	100.00%	6,256,129	643,195	644,136	
"	CASETEK HOLDINGS LIMITED(CAYMAN)	Cayman Islands	Investment holding	442,409	442,409	4,808,794	1.16%	396,426	1,265,617	14,596	
"	PEGATRON SERVICE AUSTRALIA PTY. LTD.	Australia	Investment holding	30,955	30,955	6,000,000	100.00%	187,831	43,798	43,798	
"	PT. PEGATRON TECHNOLOGY INDONESIA	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%	1,199,588	127,266	133,393	
"	PEGATRON VIETNAM COMPANY LIMITED	Vietnam	Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts	870,095	-	-	100.00%	849,297	(5,817)	(5,817)	
"	PEGATRON TECHNOLOGY HAI PHONG COMPANY LIMITED	Vietnam	Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts	178,755	-	-	100.00%	105,944	(67,582)	(67,582)	
"	PEGATRON TECHNOLOGY INDIA PRIVATE LIMITED	India	Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts	215,713	-	54,994,500	99.99%	211,238	(3,294)	(3,294)	
"	PEGASUS ACE LIMITED	Cayman Islands	Investment holding	3	-	100	100.00%	-	(3)	(3)	
ASUSPOWER INVESTMENT CO., LTD.	STARLINK ELECTRONICS CORPORATION	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%	238,729	2,163	Not required to disclose	
"	KINSUS INTERCONNECT TECHNOLOGY CORP.	Taoyuan	Manufacture of computer components. Sale and manufacture of electronic materials. Enterprise management consulting.	727,473	727,473	55,556,221	12.32%	3,159,459	541,998	Not required to disclose	
"	ASROCK INCORPORATION	Taipei	Manufacture of data processing equipment, storage equipment and wireless communication equipment. Installation and sale of computer and electronic materials.	82,626	82,626	2,791,000	2.31%	159,655	1,362,573	Not required to disclose	
"	AZURE WAVE TECHNOLOGIES, INC.	New Taipei City	Manufacture of office machine, electrical components, computer and related products. Sale of precision instrument and photographic equipment.	154,000	154,000	7,000,000	4.65%	84,531	304,098	Not required to disclose	
"	Lumens Digital Optics Inc. (Lumens Optics)	Hsinchu	Development, manufacture and sale of projector and related product.	508,932	508,932	10,043,490	50.22%	1,127,244	235,640	Not required to disclose	
"	PEGAVISION CORPORATION	Taoyuan	Manufacture of medical equipment	70,721	70,721	5,480,121	7.83%	359,787	709,511	Not required to disclose	
"	ASUSPOWER CORPORATION	Virgin Islands	Investment holding and commercial affairs	3,752,682	3,752,682	109,000,000	31.23%	7,680,662	770,247	Not required to disclose	
"	PEGATRON TECHNOLOGY SERVICE INC.	Kentucky, USA	Repairing and marketing center in Northern America	94,475	94,475	2,800	100.00%	1,150,383	61,366	Not required to disclose	
"	PEGATRON LOGISTIC SERVICE INC.	CA, USA	Transferring and marketing center in Northern America	30	30	1,000	100.00%	11,338	-	Not required to disclose	
"	Huawei Investment Co., Ltd.	Taipei	Investment holding	48,780	48,780	-	48.78%	349,983	267,708	Not required to disclose	
"	PEGA INTERNATIONAL LIMITED	Taipei	Design service and commercial affairs	31,885	31,885	-	100.00%	32,818	1,129	Not required to disclose	
"	PEGATRON JAPAN Inc.	Japan	Repairing and marketing center in Japan	27,287	27,287	-	100.00%	612,655	258,242	Not required to disclose	
"	PEGATRON Mexico, S.A. DE C.V.	Chihuahua, Mexico	Repairing and marketing center in Mexico	231,424	231,424	-	40.51%	120,521	(3,663)	Not required to disclose	

## Notes to the Consolidated Financial Statements

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2020			Expressed in thousands of NTD		Footnote
				Balance as at December 31, 2020	Balance as at December 31, 2019	Number of shares	Ownership	Book value	Net profit (loss) of the investee for the year ended December 31, 2020	Investment income (loss) recognised by the Company for the year ended December 31, 2020	
ASUSPOWER INVESTMENT CO., LTD.	PEGATRON SERVICE SINGAPORE PTE. LTD.	Singapore	Repairing and marketing center in Singapore	23,990	23,990	1,000,000	100.00%	410,766	46,867	Not required to disclose	
"	PT. PEGATRON TECHNOLOGY INDONESIA	Indonesia	Data storage and processing equipment, manufacturing wired and wireless communication equipment, and whole selling of computer equipment and electronic components	31	31	1	0.00%	30	127,266	Not required to disclose	
"	PEGATRON TECHNOLOGY INDIA PRIVATE LIMITED	India	Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts	22	-	5,500	0.01%	21	(3,294)	Not required to disclose	
ASUS INVESTMENT CO., LTD.	STARLINK ELECTRONICS CORPORATION	New Taipei City	Manufacture of computer components and industrial plastics. Sale and manufacture of electronic materials.	90,000	90,000	9,000,000	30.00%	143,237	2,163	Not required to disclose	
"	KINSUS INTERCONNECT TECHNOLOGY CORP.	Taoyuan	Manufacture of computer components. Sale and manufacture of electronic materials. Enterprise management consulting.	938,098	938,098	60,128,417	13.34%	3,419,478	541,998	Not required to disclose	
"	ASROCK INCORPORATION	Taipei	Manufacture of data storage, data processing equipment and communication equipment. Sale of computer equipment and electronic material.	155,718	155,718	57,217,754	47.43%	3,273,125	1,362,573	Not required to disclose	
"	Lumens Digital Optics Inc. (Lumens Optics)	Hsinchu	Development, manufacture and sale of projector and related product.	7,338	7,338	587,079	2.94%	65,892	235,640	Not required to disclose	
"	ASUSPOWER CORPORATION	Virgin Islands	Investment holding and commercial affairs	3,488,741	3,488,741	103,000,000	29.51%	7,257,647	770,247	Not required to disclose	
"	ASFLY TRAVEL SERVICE LIMITED	Taipei	Travel industry	6,000	6,000	-	100.00%	3,210	(9,204)	Not required to disclose	
"	HUA-YUAN INVESTMENT LIMITED	Taipei	Investment holding	500,000	500,000	-	100.00%	536,627	2,217	Not required to disclose	
"	PEGATRON Mexico, S.A. DE C.V.	Chihuahua, Mexico	Repairing and marketing center in Mexico	369,938	369,938	-	59.49%	176,989	(3,663)	Not required to disclose	
"	FUYANG TECHNOLOGY CORPORATION	Hsinchu	Manufacture of wire, cable and electronic components. Sale of electronic material.	464,711	464,711	32,088,436	17.83%	149,421	(655,137)	Not required to disclose	
ASUSTEK INVESTMENT CO., LTD.	STARLINK ELECTRONICS CORPORATION	New Taipei City	Manufacture of computer components and industrial plastics. Sale and manufacture of electronic materials.	60,000	60,000	6,000,000	20.00%	95,492	2,163	Not required to disclose	
"	KINSUS INTERCONNECT TECHNOLOGY CORP.	Taoyuan	Manufacture of computer components. Sale and manufacture of electronic materials. Enterprise management consulting.	794,252	794,252	58,233,091	12.92%	3,311,686	541,998	Not required to disclose	
"	ASROCK INCORPORATION	Taipei	Manufacture of data processing equipment, storage equipment and wire communication equipment. Installation and sale of computer and electronic materials.	223,939	223,939	7,453,405	6.18%	426,370	1,362,573	Not required to disclose	
"	AZURE WAVE TECHNOLOGIES, INC.	New Taipei City	Manufacture of office machine, electrical components, computer and related products. Sale of precision instrument and photographic equipment.	98,487	98,487	6,696,930	4.45%	80,895	304,098	Not required to disclose	
"	Lumens Digital Optics Inc. (Lumens Optics)	Hsinchu	Development, manufacture and sale of projector and related product.	5,117	5,117	409,427	2.05%	45,953	235,640	Not required to disclose	
"	PEGAVISION CORPORATION	Taoyuan	Manufacture of medical equipment	64,292	64,292	4,934,434	7.05%	323,961	709,511	Not required to disclose	
"	ASUSPOWER CORPORATION	Virgin Islands	Investment holding and commercial affairs	4,652,885	4,652,885	137,000,000	39.26%	9,655,548	770,247	Not required to disclose	
"	FUYANG TECHNOLOGY CORPORATION	Hsinchu	Manufacture of wire, cable and electronic components. Sale of electronic materials.	929,422	929,422	64,176,872	35.65%	298,757	(655,137)	Not required to disclose	
PEGATRON SERVICE SINGAPORE PTE. LTD.	PEGATRON SERVICE KOREA LLC.	Korea	Repairing and marketing center in Korea	42,745	42,745	360,000	100.00%	219,945	17,510	Not required to disclose	
Pegatron Holding Ltd.	MAGNIFICENT BRIGHTNESS LIMITED	Virgin Islands	Investment holding and commercial affairs	7,419,943	7,419,943	177,961,090	100.00%	28,132,754	2,686,586	Not required to disclose	
"	PROTEK GLOBAL HOLDINGS LTD.	Virgin Islands	Investment holding and commercial affairs	8,531,810	8,531,810	308,100,000	100.00%	36,398,184	5,450,503	Not required to disclose	
"	ASLINK PRECISION CO., LTD.	Cayman Islands	Investment holding and commercial affairs	5,562,708	5,562,708	199,711,968	100.00%	13,749,703	2,553,700	Not required to disclose	
"	DIGITEK GLOBAL HOLDINGS LIMITED	Virgin Islands	Investment holding and commercial affairs	1,397,711	1,397,711	49,050,000	100.00%	6,207,123	1,029,556	Not required to disclose	
"	COTEK HOLDINGS LIMITED	Virgin Islands	Investment holding and commercial affairs	1,966,686	1,966,686	81,275,000	100.00%	1,484,771	(33,576)	Not required to disclose	
"	TOP QUARK LIMITED	HongKong	Investment holding	301,906	301,906	9,550,000	100.00%	156,965	(7,985)	Not required to disclose	
"	POWTEK HOLDINGS LIMITED	Virgin Islands	Investment holding and commercial affairs	374,601	374,601	8,050,000	100.00%	1,136,162	178,545	Not required to disclose	
"	PIOTEK HOLDINGS LTD.(CAYMAN)	Cayman Islands	Investment holding	2,629,471	2,629,471	92,000,000	49.00%	318,251	(226,191)	Not required to disclose	

## Notes to the Consolidated Financial Statements

				Initial investment amount		Shares held as at December 31, 2020			Expressed in thousands of NTD		
Investor	Investee	Location	Main business activities	Balance as at December 31, 2020	Balance as at December 31, 2019	Number of shares	Ownership	Book value	Net profit (loss) of the investee for the year ended December 31, 2020	Investment income (loss) recognised by the Company for the year ended December 31, 2020	Footnote
Pegatron Holding Ltd.	GRAND UPRIGHT TECHNOLOGY LTD.	Samoa	Investment holding and commercial affairs	37,793	37,793	5,000,000	100.00%	363,284	(1,256)	Not required to disclose	
KINSUS INTERCONNECT TECHNOLOGY CORP.	KINSUS CORP. (USA)	CA, USA	Design substrate, analyze market strategy, development new customer and new technology.	14,248	14,248	500,000	100.00%	60,404	10,113	Not required to disclose	
"	KINSUS HOLDING (SAMOA) LIMITED	Samoa	Investment holding	4,739,216	4,739,216	166,308,720	100.00%	2,082,682	203,085	Not required to disclose	
"	KINSUS INVESTMENT CO., LTD.	Taoyuan	Investment holding	1,600,000	1,600,000	160,000,000	100.00%	2,275,089	(19,969)	Not required to disclose	
KINSUS INVESTMENT CO., LTD.	PEGAVISION CORPORATION	Taoyuan	Manufacture of medical equipment	252,455	252,455	21,233,736	30.33%	1,394,060	715,359	Not required to disclose	
"	FUYANG TECHNOLOGY CORPORATION	Hsinchu	Manufacture of wire, cable and electronic components. Sale of electronic material.	929,422	929,422	64,176,872	35.65%	298,789	(655,137)	Not required to disclose	
KINSUS HOLDING (SAMOA) LIMITED	KINSUS HOLDING (CAYMAN) LIMITED	Cayman Islands	Investment holding	2,051,748	2,051,748	72,000,000	100.00%	1,751,452	318,455	Not required to disclose	
"	PIOTEK HOLDINGS LTD.(CAYMAN)	Cayman Islands	Investment holding	2,687,476	2,687,476	95,755,000	51.00%	331,243	(226,182)	Not required to disclose	
PIOTEK HOLDINGS LTD. (CAYMAN)	PIOTEK HOLDING LIMITED	Virgin Islands	Investment holding	3,984,973	3,984,973	139,840,790	100.00%	649,492	(226,182)	Not required to disclose	
PIOTEK HOLDING LIMITED	PIOTEK (H.K.) TRADING LIMITED	HongKong	Commercial affairs	741	741	200,000	100.00%	71,840	(4,768)	Not required to disclose	
PEGAVISION CORPORATION	PEGAVISION HOLDINGS CORPORATION	Samoa	Investment holding	-	103,442	-	-%	-	10,150	Not required to disclose	Note 2
"	AQUAMAX CORPORATION	Taoyuan	Sale of medical equipment	40,000	-	4,000,000	100.00%	37,675	(2,328)	Not required to disclose	
"	PEGAVISION JAPAN INC.	Japan	Sale of medical equipment	2,736	2,736	198	100.00%	45,842	19,805	Not required to disclose	
AQUAMAX CORPORATION	Aquanmax Vision Corporation	CA, USA	Sale of medical equipment	17,098	-	6,000,000	100.00%	15,076	(2,101)	Not required to disclose	
FUYANG TECHNOLOGY CORPORATION	FUYANG FLEX HOLDING LTD.	Cayman Islands	Investment holding and commercial affairs	1,357,292	1,357,292	44,000,000	100.00%	240,818	(320,793)	Not required to disclose	
ASROCK INCORPORATION	ASRock Rack Incorporation	Taipei	Manufacture and sale of computer related	291,278	291,066	19,479,035	62.05%	387,739	316,192	Not required to disclose	
"	ASIAROCK TECHNOLOGY LIMITED	Virgin Islands	Investment holding	1,320,886	1,320,886	40,000,000	100.00%	3,563,486	106,141	Not required to disclose	
"	Leader Insight Holdings Ltd.	Virgin Islands	Investment holding	71,559	71,559	2,100,000	100.00%	35,743	57,493	Not required to disclose	
"	ASRock Industrial Computer Corporation	Taipei	Manufacture and sale of computer related	239,683	235,822	23,895,700	66.96%	344,649	76,944	Not required to disclose	
"	Yabo Trading Co., Ltd.	HongKong	International trade	551	551	150,000	100.00%	552	-	Not required to disclose	
ASIAROCK TECHNOLOGY LIMITED	ASROCK EUROPE B.V.	NETHERLANDS	Sale of data storage devices and electronic materials	5,528	5,528	200,000	100.00%	577,095	99,007	Not required to disclose	
"	CalRock Holdings, LLC.	CA, USA	Renting offices	56,993	56,993	2,000,000	100.00%	62,515	(1,035)	Not required to disclose	
"	Orbweb Inc. (BVI)	Virgin Islands	Installation of computer equipment and sale of computer related product.	28,497	28,497	4,000,000	27.59%	-	(22,375)	Not required to disclose	
Leader Insight Holdings Ltd.	First place International Ltd.	Virgin Islands	Investment holding	58,418	58,418	2,050,000	100.00%	35,700	57,493	Not required to disclose	
First place International Ltd.	ASROCK AMERICA, INC.	CA, USA	Sale of data storage devices and electronic	56,993	56,993	2,000,000	100.00%	34,744	57,492	Not required to disclose	
Lumens Digital Optics Inc. (Lumens Optics)	Lumens Integration Inc.	CA, USA	Purchase and sale on computer product and computer related product.	34,509	34,509	1,222,000	100.00%	58,798	36,365	Not required to disclose	
"	Lumens Digit Image Inc.	Samoa	Investment holding	7,124	7,124	250,000	100.00%	8,151	(9,481)	Not required to disclose	
ASUSPOWER CORPORATION	CASETEK HOLDINGS LIMITED(CAYMAN)	Cayman Islands	Investment holding	10,054,907	10,054,907	245,016,988	58.87%	18,515,289	1,265,617	Not required to disclose	
PEGATRON TECHNOLOGY SERVICE INC.	PEGATRON SERVICOS DE INFORMÁTICA LTDA.	Brasil	Repairing service	18,523	18,523	-	100.00%	7,157	(1,279)	Not required to disclose	
Unihan Holding Ltd.	CASETEK HOLDINGS LIMITED	Virgin Islands	Investment holding and commercial affairs	4,670,599	4,670,599	115,375,668	100.00%	6,244,207	637,768	Not required to disclose	
CASETEK HOLDINGS LIMITED	SLITEK HOLDINGS LIMITED	Samoa	Investment holding and commercial affairs	34,481	34,481	1,210,000	100.00%	2,691	(10,854)	Not required to disclose	
"	KAEDAR HOLDINGS LIMITED	HongKong	Investment holding and commercial affairs	712,413	712,413	25,000,000	100.00%	1,235,674	54,980	Not required to disclose	
"	KAEDAR TRADING LTD.	Samoa	Investment holding and commercial affairs	142,483	142,483	5,000,000	100.00%	585,355	47,942	Not required to disclose	
AMA PRECISION INC.	AMA Holdings Limited	Samoa	Investment holding	169,744	169,744	-	-	-	-	Not required to disclose	Note 1
AZURE WAVE TECHNOLOGIES, INC.	Azwave Holding (Samoa) Inc.	Samoa	Investment holding	1,888,113	1,585,683	60,177,000	100.00%	1,693,858	297,289	Not required to disclose	
"	EZWAVE TECHNOLOGIES, INC.	New Taipei City	Information product service industry	5,015	5,015	500,000	100.00%	(22,396)	(714)	Not required to disclose	
"	AZURE LIGHTING TECHNOLOGIES, INC.	New Taipei City	Sale of electronic materials	25,000	25,000	2,000,000	100.00%	32,115	2,259	Not required to disclose	
"	Azurewave Technologies (USA) INC.	CA, USA	Market development	19,820	19,820	650,000	100.00%	1,802	1,096	Not required to disclose	
CASETEK HOLDINGS LIMITED(CAYMAN)	RIH LI International Limited	Samoa	Investment holding	28,516,563	26,236,843	815,499,000	100.00%	36,576,223	300,261	Not required to disclose	
"	RIH KUAN METAL CORPORATION	Taipei	Sales of iron and aluminum products	287,291	287,291	30,000,000	100.00%	704,584	178,156	Not required to disclose	
"	APLUS PRECISION LIMITED	Cayman Islands	Investing and trading	916,295	916,295	38,300,000	100.00%	483,555	20,098	Not required to disclose	
"	MEGA MERIT LIMITED	Samoa	Trading activities	28,497	28,497	1,000,000	100.00%	33,949	163,721	Not required to disclose	
"	CASETEK SINGAPORE PTE. LTD.	Singapore	Trading activities	20,802	20,802	730,000	100.00%	899,671	958,047	Not required to disclose	
APLUS PRECISION LIMITED	UNITED NEW LIMITED	Samoa	Investing and trading	1,091,416	1,091,416	38,300,000	100.00%	483,855	20,098	Not required to disclose	
RIH KUAN METAL CORPORATION	Riteng USA, Inc.	CA, USA	Market Research	6,554	6,554	230,000	100.00%	7,901	307	Not required to disclose	

Note 1 : It was written off in the second quarter of 2020.

Note 2 : Based on the consideration of the Group's reorganization, delisting application of PEGAVISION HOLDINGS CORPORATION had been completed on September 2, 2020.

Note 3 : Income and expenses for each statement of comprehensive income are translated at average exchange rates of 2020, the others are translated at the spot exchange rate on the financial statement date.

## Notes to the Consolidated Financial Statements

Table 9: Information on investments in Mainland China  
December 31, 2020

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, 2020	Amount remitted from Taiwan to Mainland China / Amount remitted		Accumulated amount of remittance from Taiwan as of December 31, 2020	Net income of investee for the year ended December 31, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2020 [ Note2, (2) ]	Book value of investments in Mainland China as of December 31, 2020	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2020
					Remitted to Mainland China	Remitted back to Taiwan						
					Expressed in thousands of NTD / other currency (dollars)							
MAINTEK COMPUTER (SUZHOU) CO., LTD. (Note 5)	Manufacture, develop and research and sale of power supplier, new electronic component, computer case, and computer system. Repair of laptop, motherboard and related product.	6,514,015 USD 228,590,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	5,038,181 USD 176,800,000	-	-	5,038,181 USD 176,800,000	2,686,628 USD 90,725,545	100%	2,686,628 USD 90,725,545	28,319,526 USD 993,789,609	-
PROTEK (SHANGHAI) LTD.	Develop and research, manufacture, assemble, repair, sale and design of satellite communication equipment, satellite navigation receive equipment and essential component. Sale of cellphone, medium and large sized computer, protable computer, printing machine and electrical component.	8,776,922 USD 308,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	8,776,922 USD 308,000,000	-	-	8,776,922 USD 308,000,000	5,450,561 USD 184,061,587	100%	5,450,561 USD 184,061,587	36,445,591 USD 1,278,949,715	-
PIOTEK COMPUTER (SUZHOU) (Note 7)	Develop and research, manufacture and sale of new type of precision electrical component, circuit board and related product. The company also provides after sale service.	4,750,367 USD 166,700,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	1,295,060 USD 45,446,280	-	-	1,295,060 USD 45,446,280	(221,341) (USD 7,474,540)	68.67%	(151,985) (USD 5,132,438)	396,646 USD 13,919,117	-
COTEK ELECTRONICS	Develop, manufacture and sale of new electrical component, plugs and corresponding precision mold. The company also provides after sale service.	2,308,217 USD 81,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	1,966,259 USD 69,000,001	-	-	1,966,259 USD 69,000,001	(34,399) (USD 1,161,632)	100%	(34,399) (USD 1,161,632)	1,498,817 USD 52,596,535	-
RUNTOP (SHANGHAI) CO., LTD.	Manufacture and sale of computer components, digital automatic data processing machine, accessories of multimedia computer, power supplier, network switch and data machine.	199,476 USD 7,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	300,481 USD 10,544,482	-	-	300,481 USD 10,544,482	(7,879) (USD 266,067)	100%	(7,879) (USD 266,067)	156,915 USD 5,506,478	-
POWTEK (SHANGHAI) LTD.	Sale of computer motherboard, computer, laptop, service machine and computer related items. The company also provides after sale service.	227,972 USD 8,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	374,601 USD 13,145,510	-	-	374,601 USD 13,145,510	178,614 USD 6,031,683	100%	178,614 USD 6,031,683	1,135,794 USD 39,857,323	-
DIGITEK (CHONGQING) LTD.	Research and development, manufacture, sale of satellite communication equipment, satellite navigation receive equipment, cellphone, internet related equipment, computer, video decoding equipment, car-used electrical equipment and component. The company also provides export, proxy, repair services.	1,396,329 USD 49,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	1,396,329 USD 49,000,000	-	-	1,396,329 USD 49,000,000	1,029,582 USD 34,768,275	100%	1,029,582 USD 34,768,275	6,227,849 USD 218,547,874	-
PEGAGLOBE (KUNSHAN) CO., LTD.	Manufacture of satellite navigation receiving equipment, cellphone, core equipment, internet detection equipment, large and medium sized computer, easy to carry computers, high end service equipment, large volume light driver and their component.	5,528,321 USD 194,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	5,528,321 USD 194,000,000	-	-	5,528,321 USD 194,000,000	2,553,460 USD 86,228,547	100%	2,553,460 USD 86,228,547	13,752,917 USD 482,617,743	-
CASETEK COMPUTER (SUZHOU)	Manufacture, development and research and sale of computer, computer system and its component. The company also provides after sale service.	1,595,804 USD 56,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	1,595,804 USD 56,000,000	-	-	1,595,804 USD 56,000,000	516,741 USD 17,449,963	100%	516,741 USD 17,449,963	2,784,900 USD 97,727,798	-
KAEDAR ELECTRONICS (KUNSHAN) CO., LTD.	Manufacture of plastic injection products.	498,689 USD 17,500,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	698,366 USD 24,507,092	-	-	698,366 USD 24,507,092	54,938 USD 1,855,202	100%	54,938 USD 1,855,202	1,181,396 USD 41,457,597	-

## 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, 2020	Amount remitted from Taiwan to Mainland China / Amount remitted		Accumulated amount of remittance from Taiwan as of December 31, 2020	Net income of investee for the year ended December 31, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2020 [ Note2, (2) ]	Book value of investments in Mainland China as of December 31, 2020	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2020
					Remitted to Mainland China	Remitted back to Taiwan						
CORE-TEK (SHANGHAI) LIMITED	Research, manufacture and sale of laptop components and precision equipment. Design non-metal molds and electronic devices. The company also provides after sale service and consulting service.	341,958 USD 12,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	341,958 USD 12,000,000	-	-	341,958 USD 12,000,000	2,727 USD 92,101	100%	2,727 USD 92,101	204,521 USD 7,177,069	-
KAI-CHUAN ELECTRONICS (CHONGQING) CO., LTD.	Research and develop, manufacture and inspect computer and implication system. Manufacture molds, precision molds, plastic components. Sale of automatic products.	284,965 USD 10,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	284,965 USD 10,000,000	-	-	284,965 USD 10,000,000	25,198 USD 850,907	100%	25,198 USD 850,907	302,197 USD 10,604,691	-
Zhangjiagang East High-tech LTD.	Process, sale and transportation of steel.	170,979 USD 6,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	34,196 USD 1,200,000	-	-	34,196 USD 1,200,000	(54,151) (USD 1,828,631)	20%	(10,830) (USD 365,726)	1,468 USD 51,504	-
FUYANG ELECTRONICS (SUZHOU) CO., LTD. (Note 13)	Research and develop, manufacture, test, repair and sale of Multilayer flexible board and computer number signal processor.	1,253,846 USD 44,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	1,253,846 USD 44,000,000	-	-	1,253,846 USD 44,000,000	(320,624) (USD 10,827,253)	67.22%	(215,524) (USD 7,278,080)	238,535 USD 8,370,684	-
HONGJIE (SHANGHAI) PACKING LIMITED (Note 14)	Manufacture of all kinds of paper boxes, paper materials, paper plastics, cushioning material, tray, etc.	142,483 USD 5,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	26,581 USD 932,769	-	-	26,581 USD 932,769	-	-	-	-	-
HONGJIE (SUZHOU) PACKING LIMITED (Note 14)	Manufacture of all kinds of paper boxes, paper materials, paper plastics, cushioning material, tray, etc.	379,288 USD 13,309,984	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	171,713 USD 6,025,762	-	-	171,713 USD 6,025,762	-	-	-	-	-
Suzhou Eslite Packaging LTD. (Note 14)	Manufacture of all kinds of paper boxes, paper materials, paper plastics, cushioning material, tray, etc.	145,332 USD 5,100,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	32,969 USD 1,156,954	-	-	32,969 USD 1,156,954	-	-	-	-	-
HONGJIE (CHONGQING) PACKING LIMITED (Note 14)	Manufacture of all kinds of paper boxes, paper materials, paper plastics, cushioning material, tray, etc.	14,248 USD 500,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	2,180 USD 76,500	-	-	2,180 USD 76,500	-	-	-	-	-
Hongruisheng (Chengdu) packaging LTD. (Note 12)	Manufacture of all kinds of paper boxes, paper materials, paper plastics, cushioning material, tray, etc.	74,376 USD 2,610,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	18,038 USD 633,000	-	-	18,038 USD 633,000	-	-	-	-	-
Heilongjiang Hongjie Packaging LTD. (Note 11)	Manufacture of all kinds of paper boxes, paper materials, paper plastics, cushioning material, tray, etc.	70,101 USD 2,460,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	12,618 USD 442,800	-	-	12,618 USD 442,800	-	-	-	-	-
Suzhou Lianshuo Electronics LTD. (Note 6)	Manufacture of plugs	199,032 USD 6,984,441	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	218,176 USD 7,656,224	-	-	218,176 USD 7,656,224	-	-	-	-	-
Shanghai Yiding Electronics LTD. (Note 8)	Research and develop, manufacture and sale of portable micro computer, laptop and related products.	883,392 USD 31,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	558,531 USD 19,600,000	-	-	558,531 USD 19,600,000	-	-	-	-	-
Jinhong Precision Mold (Suzhou) Co., Ltd. (Note 10)	Design, process, sale and manufacture of non-metal molds. Manufacture and sale of precision molds, standard molds, plastic and hardware.	25,647 USD 900,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	48,871 USD 1,715,000	-	-	48,871 USD 1,715,000	-	-	-	-	-
Honghua Technology (Suzhou) LTD. (Note 9)	Manufacture, research and develop, process non-metal molds, precision molds, standard molds, hardware components, new version of photoelectric trigger, disk driver and their components. Manufacture of number camera, essential components and providing after sale service.	182,378 USD 6,400,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	89,365 USD 3,136,000	-	-	89,365 USD 3,136,000	-	-	-	-	-



## 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, 2020	Amount remitted from Taiwan to Mainland China / Amount remitted		Accumulated amount of remittance from Taiwan as of December 31, 2020	Net income of investee for the year ended December 31, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2020 [ Note2, (2) ]	Book value of investments in Mainland China as of December 31, 2020	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2020
					Remitted to Mainland China	Remitted back to Taiwan						
KAI HE COMPUTER ACCESSORY (SUZHOU) CO., LTD (Note 19)	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.	1,538,811 USD 54,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	1,538,811 USD 54,000,000	-	-	1,538,811 USD 54,000,000	14,053 USD 474,548	100%	14,053 USD 474,548	487,742 USD 17,115,854	-
RI TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD. (Note 19)	Designing, manufacturing and selling electronic components and providing after-sales services, idle equipments leasing, commission agency, trading services and their relevant corresponding services.	4,416,929 USD 154,999,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	4,416,929 USD 154,999,000	-	-	4,416,929 USD 154,999,000	173,244 USD 5,850,333	100%	173,244 USD 5,850,333	8,502,447 USD 298,368,105	-
RI PRO PRECISION MODEL (SHANGHAI) CO., LTD. (Note 19)	Designing, manufacturing and selling electronic components and providing after-sales services, idle equipments leasing, commission agency, trading services and their relevant corresponding services.	85,490 USD 3,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	85,490 USD 3,000,000	-	-	85,490 USD 3,000,000	6,004 USD 202,744	100%	6,004 USD 202,744	16,685 USD 585,510	-
RI MING (SHANGHAI) CO., LTD. (Note 19)	Designing, manufacturing and selling electronic components and providing after-sales services, idle equipments leasing, commission agency, trading services and their relevant corresponding services.	2,878,147 USD 101,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	2,878,147 USD 101,000,000	-	-	2,878,147 USD 101,000,000	356,881 USD 12,051,627	100%	356,881 USD 12,051,627	10,267,023 USD 360,290,651	-
SHENG RUI ELECTRONIC TECHNOLOGY (SHANGHAI) LIMITED (Note 19)	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.	284,965 USD 10,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	284,965 USD 10,000,000	-	-	284,965 USD 10,000,000	377,901 USD 12,761,436	100%	377,901 USD 12,761,436	750,208 USD 26,326,331	-
RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD. (Note 19)	Designing, manufacturing and selling electronic components and providing after-sales services, idle equipments leasing, commission agency, trading services and their relevant corresponding services.	142,483 USD 5,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	142,483 USD 5,000,000	-	-	142,483 USD 5,000,000	194,038 USD 6,552,540	100%	194,038 USD 6,552,540	5,365,638 USD 188,291,126	-
RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD (Note 19)	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.	6,269,230 USD 220,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	6,269,230 USD 220,000,000	-	-	6,269,230 USD 220,000,000	(2,804,119) (USD 94,693,136)	100%	(2,804,119) (USD 94,693,136)	(4,313,836) (USD 151,381,273)	-
RI KAI COMPUTER ACCESSORY CO., LTD. (Note 19)	Designing, manufacturing and selling electronic components and providing after-sales services, idle equipments leasing, commission agency, trading services and their relevant corresponding services.	3,087,588 USD 108,349,735	The investment is the surplus from investing in Mainland China.	- USD 0	-	-	- USD 0	2,100,580 USD 70,935,092	100%	2,100,580 USD 70,935,092	7,274,647 USD 255,282,097	-

### 2. Limitation on investment in Mainland China

Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020 (Note 16 and 19)	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) (Note 15 and 19)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 4)
30,279,960 USD 1,062,585,218	34,821,371 USD 1,221,952,546	119,364,312

# Notes to the Consolidated Financial Statements

US dollar exchange rate : year end exchange rate 28.4965 ; average exchange rate 29.6127

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

- (1) Through company in the third area, the Company transferred money to invest in the investee in Mainland China.
- (2) Through setting up company in the third area, the Company then invest in the investee in Mainland China.
- (3) Through investing in the third area, the Company then reinvest in the investee in Mainland China.

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

- (1) If the company is under preparation status, there is no income or loss.
- (2) The basis for investment income (loss) recognition can be classified to three categories:
  1. Financial statements are audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.
  2. Financial statements which were based on the audited and attested by R.O.C. parent company's CPA.
  3. Others: The financial statements of significant subsidiaries were audited by CPA; and the self-assessed financial statements of non-significant subsidiaries were not audited by CPA.

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

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

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

Note 6 : Suzhou Lianshuo Electronics LTD. has completed liquidation process. As of December 31, 2020, the funds have not been remitted.

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

Note 8 : The Group has disposed of shares of Indeed Holdings Limited(indirectly invested in Shanghai Yiding Electronics LTD.). As of December 31, 2020, the funds have not been remitted.

Note 9 : Honghua Technology (Suzhou) LTD. has completed liquidation process. As of December 31, 2020, the funds have not been remitted.

Note10 : The Group has disposed shares of Jinhong Precision Mold Industrial (Suzhou) Co., Ltd. . As of December 31, 2020, the funds have not been remitted.

Note 11 : The Group has disposed shares of Heilongjiang Hongjie Packaging LTD. . As of December 31, 2020, the funds have not been remitted.

Note 12 : Hongruisheng (Chengdu) packaging LTD. has completed liquidation process. As of December 31, 2020, the funds have not been remitted.

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

Note 14 : The Group has disposed all shares of E-Packng. As of December 31, 2020, 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 USD14,144,172, with the approval from the Investment Commission of MOEA.

Note 16 : The difference of USD7,566,844 between the accumulated amounts of remittance from Taiwan to Mainland China as of December 31, 2020 was the actual amount of investment in Mainland China made by China Renewable Energy Fund, LP(CREF).

Note 17 : The company, which hasn't contributed yet, applied for the approval of the capital contribution of Pegaglobe Investment(Jiangsu)Co.,Ltd, resulting in the contribution amount, approved by the Investment Commission of MOEA, increased by USD 100,000,000.

Note 18 : CASETEK COMPUTER (SUZHOU) CO., LTD. remitted USD20,000,000 to CASETEK HOLDINGS LIMITED. the remittance have not been remitted back to Taiwan as of December 31, 2020

Note 19 : Due to the merger of CASETEK HOLDINGS LIMITED (CAYMAN), the Group made a disclosure on the information on investment in mainland China of the merged company. However, the information will not be included in the amount of outward investment from Taiwan to Mainland China and the investment amount approved by the Investment Commission of MOEA since the related quota submitted to the Investment Commission of MOEA has not been approved.

# Notes to the Consolidated Financial Statements

Table 10: Business relationships and significant intercompany transactions  
December 31, 2020

Expressed in thousands of NTD

No. (Note 1)	Company name	Counterparty	Transaction				
			Relationship (Note 2)	General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	PEGATRON CORPORATION	ASIAROCK TECHNOLOGY LIMITED	1	Sales	413,850	Open Account 90 days	0.03%
0	PEGATRON CORPORATION	ASIAROCK TECHNOLOGY LIMITED	1	Account Receivables	103,113	Open Account 90 days	0.02%
0	PEGATRON CORPORATION	PEGATRON Czech s.r.o.	1	Sales	1,394,133	120 days on delivery	0.10%
2	PEGATRON CORPORATION	COTEK ELECTRONICS (SUZHOU) CO., LTD.	1	Account Receivables	1,719,652	Open Account 90 days	0.25%
2	PEGATRON CORPORATION	PROTEK (SHANGHAI) LTD.	1	Account Receivables	93,386,147	Open Account 60 days	13.65%
2	PEGATRON CORPORATION	MAINTEK COMPUTER (SUZHOU) CO., LTD.	1	Account Receivables	14,762,096	Open Account 90 days	2.16%
2	PEGATRON CORPORATION	PEGAGLOBE (KUNSHAN) CO., LTD.	1	Account Receivables	94,709,929	Open Account 90 days	13.84%
2	PEGATRON CORPORATION	DIGITEK (CHONGQING) LTD.	1	Account Receivables	15,441,939	Open Account 60 days	2.26%
4	PEGATRON CORPORATION	PEGATRON TECHNOLOGY SERVICE INC.	1	Sales	189,429	90 days on delivery	0.01%
4	PEGATRON CORPORATION	PT. PEGATRON TECHNOLOGY INDONESIA	1	Account Receivables	6,824,592	120 days on delivery	1.00%
4	PEGATRON CORPORATION	POWTEK (SHANGHAI) LTD.	1	Sales	3,691,433	120 days on delivery	0.26%
4	PEGATRON CORPORATION	POWTEK (SHANGHAI) LTD.	1	Account Receivables	1,365,137	120 days on delivery	0.20%
5	PT. PEGATRON TECHNOLOGY INDONESIA	PEGATRON CORPORATION	2	Account Receivables	4,992,591	120 days on delivery	0.73%
5	PT. PEGATRON TECHNOLOGY INDONESIA	PEGATRON CORPORATION	2	Sales	2,459,408	120 days on delivery	0.18%
7	PROTEK (SHANGHAI) LTD.	PEGATRON CORPORATION	2	Account Receivables	35,448,023	Open Account 60 days	5.18%
8	PROTEK (SHANGHAI) LTD.	PEGAGLOBE (KUNSHAN) CO., LTD.	3	Sales	79,673,475	Open Account 60 days	5.69%
7	PROTEK (SHANGHAI) LTD.	PEGAGLOBE (KUNSHAN) CO., LTD.	3	Account Receivables	20,929,812	Open Account 60 days	3.06%
7	PROTEK (SHANGHAI) LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	3	Other Receivables	4,274,475	Mutual Agreement	0.62%
8	PEGAGLOBE (KUNSHAN) CO., LTD.	PEGATRON CORPORATION	2	Sales	86,145,124	Open Account 60 days	6.16%
8	PEGAGLOBE (KUNSHAN) CO., LTD.	PEGATRON CORPORATION	2	Account Receivables	108,888,894	Open Account 60 days	15.91%
10	PEGAGLOBE (KUNSHAN) CO., LTD.	PROTEK (SHANGHAI) LTD.	3	Sales	737,027	Open Account 60 days	0.05%
10	PEGAGLOBE (KUNSHAN) CO., LTD.	PROTEK (SHANGHAI) LTD.	3	Account Receivables	202,258	Open Account 60 days	0.03%
11	MAINTEK COMPUTER (SUZHOU) CO., LTD.	PEGATRON CORPORATION	2	Sales	4,822,764	Open Account 60 days	0.34%
11	MAINTEK COMPUTER (SUZHOU) CO., LTD.	COTEK ELECTRONICS (SUZHOU) CO., LTD.	3	Sales	2,475,873	Open Account 60 days	0.18%
11	MAINTEK COMPUTER (SUZHOU) CO., LTD.	COTEK ELECTRONICS (SUZHOU) CO., LTD.	3	Account Receivables	659,502	Open Account 60 days	0.10%
11	MAINTEK COMPUTER (SUZHOU) CO., LTD.	COTEK ELECTRONICS (SUZHOU) CO., LTD.	3	Other Receivables	1,424,825	Mutual Agreement	0.21%
13	MAINTEK COMPUTER (SUZHOU) CO., LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	3	Account Receivables	2,849,650	Mutual Agreement	0.42%
14	COTEK ELECTRONICS (SUZHOU) CO., LTD.	PEGATRON CORPORATION	2	Sales	5,488,874	Open Account 60 days	0.39%
14	COTEK ELECTRONICS (SUZHOU) CO., LTD.	PEGATRON CORPORATION	2	Account Receivables	2,571,161	Open Account 60 days	0.38%
14	COTEK ELECTRONICS (SUZHOU) CO., LTD.	MAINTEK COMPUTER (SUZHOU) CO., LTD.	3	Sales	422,007	Open Account 60 days	0.03%
14	COTEK ELECTRONICS (SUZHOU) CO., LTD.	MAINTEK COMPUTER (SUZHOU) CO., LTD.	3	Account Receivables	124,635	Open Account 60 days	0.02%
14	COTEK ELECTRONICS (SUZHOU) CO., LTD.	PROTEK (SHANGHAI) LTD.	3	Sales	213,643	Open Account 60 days	0.02%
14	COTEK ELECTRONICS (SUZHOU) CO., LTD.	PROTEK (SHANGHAI) LTD.	3	Account Receivables	169,368	Open Account 60 days	0.02%
15	DIGITEK (CHONGQING) LTD.	PEGATRON CORPORATION	2	Sales	8,231,450	Open Account 60 days	0.59%
15	DIGITEK (CHONGQING) LTD.	PEGATRON CORPORATION	2	Account Receivables	12,594,314	Open Account 60 days	1.84%
17	KAI-CHUAN ELECTRONICS (CHONGQING) CO., LTD.	DIGITEK (CHONGQING) LTD.	3	Sales	533,496	Open Account 60 days	0.04%
17	KAI-CHUAN ELECTRONICS (CHONGQING) CO., LTD.	DIGITEK (CHONGQING) LTD.	3	Account Receivables	133,324	Open Account 60 days	0.02%
18	CASETEK COMPUTER (SUZHOU) CO., LTD.	MAINTEK COMPUTER (SUZHOU) CO., LTD.	3	Sales	3,178,470	Open Account 60 days	0.23%
18	CASETEK COMPUTER (SUZHOU) CO., LTD.	MAINTEK COMPUTER (SUZHOU) CO., LTD.	3	Account Receivables	588,010	Open Account 60 days	0.09%
18	CASETEK COMPUTER (SUZHOU) CO., LTD.	DIGITEK (CHONGQING) LTD.	3	Sales	232,392	Open Account 60 days	0.02%
18	CASETEK COMPUTER (SUZHOU) CO., LTD.	COTEK ELECTRONICS (SUZHOU) CO., LTD.	3	Sales	150,124	Open Account 60 days	0.01%
20	CASETEK COMPUTER (SUZHOU) CO., LTD.	PEGATRON CORPORATION	2	Sales	292,746	Open Account 60 days	0.02%
21	CORE TEK (SHANGHAI) LIMITED	PROTEK (SHANGHAI) LTD.	3	Sales	207,873	Open Account 60 days	0.01%
23	PIOTEK COMPUTER (SUZHOU) CO., LTD.	PIOTEK (H.K.) TRADING LIMITED	3	Sales	158,961	Open Account 60 days	0.01%
23	PIOTEK COMPUTER (SUZHOU) CO., LTD.	MAINTEK COMPUTER (SUZHOU) CO., LTD.	3	Sales	170,362	Open Account 60 days	0.01%
25	KINSUS INTERCONNECT TECHNOLOGY (SUZHOU) CORP	KINSUS INTERCONNECT TECHNOLOGY CORP.	2	Sales	2,643,768	Open Account 30 days	0.19%
25	KINSUS INTERCONNECT TECHNOLOGY (SUZHOU) CORP	KINSUS INTERCONNECT TECHNOLOGY CORP.	2	Account Receivables	240,327	Open Account 30 days	0.04%
26	PEGAVISION CORPORATION	Pegavision Japan Inc.	1	Sales	1,596,570	Open Account 90 days	0.11%
26	PEGAVISION CORPORATION	Pegavision Japan Inc.	1	Account Receivables	354,934	Open Account 90 days	0.05%
26	PEGAVISION CORPORATION	GEMVISION TECHNOLOGY (ZHEJIANG) LIMITED	1	Sales	547,066	Open Account 180 days	0.04%
26	PEGAVISION CORPORATION	GEMVISION TECHNOLOGY (ZHEJIANG) LIMITED	1	Account Receivables	219,266	Open Account 180 days	0.03%
27	MEGA MERIT LIMITED	CASETEK SINGAPORE PTE. LTD.	3	Sales	645,616	Open Account 60-90 days	0.05%
28	CASETEK HOLDINGS LIMITED(CAYMAN)	MEGA MERIT LIMITED	1	Other Receivables	421,834	Mutual Agreement	0.06%
28	CASETEK HOLDINGS LIMITED(CAYMAN)	CASETEK SINGAPORE PTE. LTD.	1	Short-term Receivables	4,758,916	Mutual Agreement	0.70%
29	RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	3	Long-Term Accounts Receivable	5,459,188	Mutual Agreement	0.80%
31	RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	3	Sales	114,423	Open Account 30-60 days	0.01%
31	RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	MEGA MERIT LIMITED	3	Sales	253,810	Open Account 60-90 days	0.02%
31	RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	RI PRO PRECISION MODEL (SHANGHAI) CO., LTD.	3	Long-Term Accounts Receivable	131,027	Mutual Agreement	0.02%
32	SHENG-RUI ELECTRONIC TECHNOLOGY (SHANGHAI) LIMITED	RI-MING (SHANGHAI) CO., LTD.	3	Sales	715,976	Open Account 30-60 days	0.05%

## Notes to the Consolidated Financial Statements

No. (Note 1)	Company name	Counterparty	Transaction				
			Relationship (Note 2)	General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
32	SHENG-RUI ELECTRONIC TECHNOLOGY (SHANGHAI) LIMITED	RI-MING (SHANGHAI) CO., LTD.	3	Account Receivables	149,322	Open Account 30-60 days	0.02%
32	SHENG-RUI ELECTRONIC TECHNOLOGY (SHANGHAI) LIMITED	RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	3	Sales	1,330,884	Open Account 30-60 days	0.10%
32	SHENG-RUI ELECTRONIC TECHNOLOGY (SHANGHAI) LIMITED	RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	3	Account Receivables	584,805	Open Account 30-60 days	0.09%
32	SHENG-RUI ELECTRONIC TECHNOLOGY (SHANGHAI) LIMITED	RI KAI COMPUTER ACCESSORY CO., LTD.	3	Sales	109,834	Open Account 30-60 days	0.01%
33	RI-MING (SHANGHAI) CO., LTD.	RIH KUAN METAL CORPORATION	3	Sales	3,261,276	Open Account 90-120 days	0.23%
33	RI-MING (SHANGHAI) CO., LTD.	RIH KUAN METAL CORPORATION	3	Account Receivables	1,138,464	Open Account 90-120 days	0.17%
33	RI-MING (SHANGHAI) CO., LTD.	MEGA MERIT LIMITED	3	Sales	3,337,262	Open Account 90-120 days	0.24%
35	RI-MING (SHANGHAI) CO., LTD.	CASETEK SINGAPORE PTE. LTD.	3	Sales	4,856,572	Open Account 90-120 days	0.35%
35	RI-MING (SHANGHAI) CO., LTD.	CASETEK SINGAPORE PTE. LTD.	3	Account Receivables	1,604,125	Open Account 90-120 days	0.23%
35	RI-MING (SHANGHAI) CO., LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	3	Long-term Receivables	305,710	Mutual Agreement	0.04%
35	RI-MING (SHANGHAI) CO., LTD.	RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	3	Sales	218,749	Open Account 30-60 days	0.02%
35	RI-MING (SHANGHAI) CO., LTD.	RI KAI COMPUTER ACCESSORY CO., LTD.	3	Sales	290,974	Open Account 30-60 days	0.02%
36	RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	MEGA MERIT LIMITED	3	Sales	4,313,475	Open Account 60-90 days	0.31%
38	RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	CASETEK SINGAPORE PTE. LTD.	3	Sales	5,115,683	Open Account 60-90 days	0.37%
38	RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	CASETEK SINGAPORE PTE. LTD.	3	Account Receivables	1,654,279	Open Account 60-90 days	0.24%
38	RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	3	Long-term Receivables	2,620,396	Mutual Agreement	0.38%
38	RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	SHENG-RUI ELECTRONIC TECHNOLOGY (SHANGHAI) LIMITED	3	Short-term Receivables	262,054	Mutual Agreement	0.04%
38	RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	RI-MING (SHANGHAI) CO., LTD.	3	Sales	1,221,020	Open Account 30-60 days	0.09%
38	RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	RI-MING (SHANGHAI) CO., LTD.	3	Account Receivables	134,959	Open Account 30-60 days	0.02%
40	RIH LI International Limited	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	1	Long-term Receivables	9,973,775	Mutual Agreement	1.46%
40	RIH LI International Limited	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	1	Long-term Receivables	245,526	Mutual Agreement	0.04%
41	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	PROTEK (SHANGHAI) LTD.	3	Account Receivables	141,371	Open Account 60 days	0.02%
41	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	PROTEK (SHANGHAI) LTD.	3	Sales	607,830	Open Account 60 days	0.04%
41	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	PEGAGLOBE (KUNSHAN) CO., LTD.	3	Account Receivables	197,823	Open Account 60 days	0.03%
41	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	PEGAGLOBE (KUNSHAN) CO., LTD.	3	Sales	595,423	Open Account 60 days	0.04%
41	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	3	Sales	454,466	Open Account 30-60 days	0.03%
43	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	MEGA MERIT LIMITED	3	Sales	2,403,071	Open Account 60-90 days	0.17%
43	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	MEGA MERIT LIMITED	3	Account Receivables	609,483	Open Account 60-90 days	0.09%
43	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	RIH KUAN METAL CORPORATION	3	Sales	1,501,334	Open Account 60-90 days	0.11%
43	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	RIH KUAN METAL CORPORATION	3	Account Receivables	795,024	Open Account 60-90 days	0.12%
43	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	CASETEK SINGAPORE PTE. LTD.	3	Sales	3,887,644	Open Account 30-90 days	0.28%
43	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	CASETEK SINGAPORE PTE. LTD.	3	Account Receivables	3,222,242	Open Account 30-90 days	0.47%
45	RI KAI COMPUTER ACCESSORY CO., LTD.	MEGA MERIT LIMITED	3	Sales	2,697,243	Open Account 60-90 days	0.19%
47	RI KAI COMPUTER ACCESSORY CO., LTD.	CASETEK SINGAPORE PTE. LTD.	3	Sales	4,098,605	Open Account 60-90 days	0.29%
47	RI KAI COMPUTER ACCESSORY CO., LTD.	CASETEK SINGAPORE PTE. LTD.	3	Account Receivables	1,405,989	Open Account 60-90 days	0.21%
47	RI KAI COMPUTER ACCESSORY CO., LTD.	RIH KUAN METAL CORPORATION	3	Sales	4,501,900	Open Account 60-90 days	0.32%
47	RI KAI COMPUTER ACCESSORY CO., LTD.	RIH KUAN METAL CORPORATION	3	Account Receivables	1,624,471	Open Account 60-90 days	0.24%
47	RI KAI COMPUTER ACCESSORY CO., LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	3	Short-Term Accounts Receivable	1,746,949	Mutual Agreement	0.26%
48	KAI HE COMPUTER ACCESSORY (SUZHOU) CO., LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	3	Long-term Receivables	349,396	Mutual Agreement	0.05%
49	FUYANG TECHNOLOGY CORPORATION	PEGATRON CORPORATION	2	Sales	141,775	Open Account 60 days	0.01%
49	FUYANG TECHNOLOGY CORPORATION	FUYANG ELECTRONICS (SUZHOU) CO., LTD.	1	Account Receivables	281,641	Open Account 60 days	0.04%
51	FUYANG ELECTRONICS (SUZHOU) CO., LTD.	FUYANG TECHNOLOGY CORPORATION	2	Sales	391,339	Open Account 60 days	0.03%
53	ASROCK INCORPORATION	ASROCK AMERICA, INC.	1	Sales	4,066,728	Open Account 90 days	0.29%
53	ASROCK INCORPORATION	ASROCK AMERICA, INC.	1	Account Receivables	1,442,790	Open Account 90 days	0.21%
53	ASROCK INCORPORATION	ASROCK EUROPE B.V.	1	Sales	3,388,098	Open Account 45 days	0.24%
53	ASROCK INCORPORATION	ASROCK EUROPE B.V.	1	Account Receivables	146,728	Open Account 45 days	0.02%
54	ASIAROCK TECHNOLOGY LIMITED	ASROCK INCORPORATION	2	Sales	10,937,317	Open Account 60 days	0.78%
54	ASIAROCK TECHNOLOGY LIMITED	ASROCK INCORPORATION	2	Account Receivables	2,365,594	Open Account 60 days	0.35%
54	ASIAROCK TECHNOLOGY LIMITED	ASRock Rack Incorporation	3	Sales	358,050	Open Account 60 days	0.03%
54	ASIAROCK TECHNOLOGY LIMITED	ASRock Industrial Computer Corporation	3	Sales	3,300,364	Open Account 90 days	0.24%
54	ASIAROCK TECHNOLOGY LIMITED	ASRock Industrial Computer Corporation	3	Account Receivables	530,362	Open Account 90 days	0.08%
55	ASRock Industrial Computer Corporation	ASROCK AMERICA, INC.	3	Sales	100,963	Open Account 90 days	0.01%
55	ASRock Industrial Computer Corporation	ASIAROCK TECHNOLOGY LIMITED	3	Sales	121,530	Open Account 60 days	0.01%
56	ASRock Rack Incorporation	ASROCK EUROPE B.V.	3	Sales	108,254	Open Account 60 days	0.01%
57	AZURE WAVE TECHNOLOGIES, INC.	PEGATRON CORPORATION	2	Sales	184,705	Open Account 60 days	0.01%
58	ASUSPOWER CORPORATION	PEGATRON CORPORATION	2	Other Receivables	5,414,335	Mutual Agreement	0.79%
59	CASETEK HOLDINGS LIMITED	PEGATRON CORPORATION	2	Other Receivables	270,717	Mutual Agreement	0.04%
60	KAEDAR TRADING LTD.	PEGATRON VIETNAM COMPANY LIMITED	3	Other Receivables	512,937	Mutual Agreement	0.07%
63	AZURE WAVE TECHNOLOGIES (SHANGHAI) INC.	AZURE WAVE TECHNOLOGIES, INC.	2	Sales	1,338,613	Open Account 30-60 days	0.10%

## Notes to the Consolidated Financial Statements

No. (Note 1)	Company name	Counterparty	Transaction				Percentage of consolidated total operating revenues or total assets (Note 3)
			Relationship (Note 2)	General ledger account	Amount	Transaction terms	
63	AZURE WAVE TECHNOLOGIES (SHANGHAI) INC.	AZURE WAVE TECHNOLOGIES, INC.	2	Account Receivables	271,623	Open Account 30-60 days	0.04%
64	Lumens Digital Optics Inc. (Lumens Optics)	Lumens Integration Inc.	1	Sales	363,014	Open Account 60-90 days	0.03%
66	KAEDAR ELECTRONICS (KUNSHAN) CO., LTD.	CASETEK COMPUTER (SUZHOU) CO., LTD.	3	Sales	270,017	Open Account 60 days	0.02%
68	KAEDAR ELECTRONICS (KUNSHAN) CO., LTD.	PROTEK (SHANGHAI) LTD.	3	Sales	152,732	Open Account 60 days	0.01%

Note 1: The information of transactions between the Company and the consolidated subsidiaries should be noted in "Number" column.

- (1) Number 0 represents the Company.
- (2) The consolidated subsidiaries are numbered in order from number 1.

Note 2: The transaction relationships with the counterparties are as follows:

- (1) The Company to the consolidated subsidiary.
- (2) The consolidated subsidiary to the Company.
- (3) The consolidated subsidiary to another consolidated subsidiary.

Note 3: In calculating the ratio, the transaction amount is divided by consolidated total assets for balance sheet accounts and is divided by consolidated total revenues for income statement accounts.

Note 4: We only disclose Revenue and Accounts Receivables amount for significant inter-company transactions.

Note 5: All the transactions which amount is lower than materiality will not be disclosed.