

**PEGATRON CORPORATION****Parent Company Only Financial Statements****With Independent Auditors' Report  
For the Years Ended December 31, 2022 and 2021**

Address : 5F., No.76, Ligong St., Beitou District, Taipei City 112, Taiwan  
Telephone : 886-2-8143-9001

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

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安侯建業聯合會計師事務所  
KPMG

台北市110615信義路5段7號68樓(台北101大樓)  
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,  
Xinyi Road, Taipei City 110615, Taiwan (R.O.C.)

電話 Tel + 886 2 8101 6666  
傳真 Fax + 886 2 8101 6667  
網址 Web kpmg.com/tw

## Independent Auditors' Report

To the Board of Directors of Pegatron Corporation:

### Opinion

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

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

### Basis for Opinion

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

### Key Audit Matters

Based on our professional judgment, key audit matters pertain to the most important matters in the audit of financial statements for the year ended December 31, 2022 of Pegatron Corporation. Those matters have been addressed in our audit opinion on the said financial statements and during the formation of our audit opinion. However, we do not express an opinion on these matters individually. The key audit matters that, in our professional judgment, should be communicated are as follows:

#### 1. Revenue recognition

The accounting principles on the recognition of revenues are discussed in Note 4(n) of the notes to financial statements.

(a) Key audit matters:

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

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

(b) Auditing procedures performed:

- Vouching external documents with records on ledger to confirm whether the counterparty involved in the sales transaction is the same with that involved in the cash collection.
- Random sampling of material sales contracts and examining the transaction terms in order to evaluate the accuracy of the timing for recognition of revenues.
- Performing cut-off test for revenues during the periods before and after the balance sheet date.

2. Inventory valuation

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

(a) Key audit matters:

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

(b) Auditing procedures performed:

- Analyze the amount of obsolete inventory and inventory market price decline between 2022 and 2021 and understand reasons of the difference.
- Obtain an inventory aging analysis and randomly select items to verify the accuracy for age of inventory.
- Obtain the most recent selling price for finished goods and replacement cost for raw material, and recalculate net realizable value with selling expense rate to check whether the net realizable value measurement adopted by the Company is reasonable.

**Other Matter**

We did not audit the financial statements of certain investees, which represented investments in other entities accounted for using the equity method of the Company. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those investees, is based solely on the reports of other auditors. The investments in those investees accounted for using the equity method constituting 5.94% and 5.21% of total assets at December 31, 2022 and 2021, respectively, and the related share of profit of subsidiaries, associates and joint ventures accounted for using the equity method constituting 43.97% and 24.04% of total profit before tax for the years then ended respectively.

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

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

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

Those charged with governance (including the Audit Committee) are responsible for overseeing Pegatron Corporation's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

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

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)

March 14, 2023

#### **Notes to Readers**

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

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

**PEGATRON CORPORATION****Balance Sheets****December 31, 2022 and 2021****(Expressed in Thousands of New Taiwan Dollars)**

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

See accompanying notes to financial statements.

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

## PEGATRON CORPORATION

## Balance Sheets (CONT'D)

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
<b>Liabilities and Equity</b>					
<b>Current liabilities:</b>					
2100	Short-term loans (Note 6(l))	\$ 51,484,097	7	48,168,420	7
2130	Current contract liabilities (Note 6(u))	725,074	-	733,952	-
2150	Notes and accounts payable	182,173,167	23	243,070,527	32
2180	Accounts payable to related parties (Note 7)	267,478,322	34	215,469,688	29
2219	Other payables (Notes 6(p), 7 and 9)	21,344,266	3	19,247,973	2
2230	Current tax liabilities	1,633,966	-	63,504	-
2281	Current lease liabilities (Note 6(o))	134,186	-	103,027	-
2321	Bonds payable, current portion (Note 6(n))	4,500,000	1	2,000,000	-
2322	Long-term loans payable, current portion (Note 6(m))	1,467,983	-	336,111	-
2399	Other current liabilities (Notes 6(m) and 7)	33,002,523	4	22,782,716	3
		<u>563,943,584</u>	<u>72</u>	<u>551,975,918</u>	<u>73</u>
<b>Non-Current liabilities:</b>					
2530	Bonds payable (Note 6(n))	30,376,992	4	34,869,595	5
2540	Long-term loans (Note 6(m))	3,455,414	1	2,823,149	-
2570	Deferred tax liabilities (Note 6(q))	290,000	-	-	-
2580	Non-current lease liabilities (Note 6(o))	339,569	-	328,299	-
2650	Credit balance of investments accounted for using equity method (Note 6(g))	-	-	9,563	-
2670	Other non-current liabilities (Notes 6(m), (p) and 7)	119,704	-	125,772	-
		<u>34,581,679</u>	<u>5</u>	<u>38,156,378</u>	<u>5</u>
	<b>Total liabilities</b>	<u>598,525,263</u>	<u>77</u>	<u>590,132,296</u>	<u>78</u>
<b>Equity (Notes 6(r) and (s)):</b>					
3100	Share capital	<u>26,676,337</u>	<u>3</u>	<u>26,691,316</u>	<u>4</u>
<b>Capital surplus:</b>					
3210	Capital surplus, premium on capital stock	78,703,620	10	78,057,441	10
3280	Capital surplus, others (Notes 6(j) and (w))	<u>4,648,384</u>	<u>1</u>	<u>5,263,867</u>	<u>1</u>
		<u>83,352,004</u>	<u>11</u>	<u>83,321,308</u>	<u>11</u>
<b>Retained earnings:</b>					
3310	Legal reserve	17,721,898	2	15,698,039	2
3320	Special reserve	20,918,849	3	15,866,201	2
3350	Unappropriated retained earnings	<u>41,419,117</u>	<u>5</u>	<u>46,661,789</u>	<u>6</u>
		<u>80,059,864</u>	<u>10</u>	<u>78,226,029</u>	<u>10</u>
<b>Other equity interest:</b>					
3410	Exchange differences on translation of foreign financial statements (Note 6(j))	(7,603,630)	(1)	(21,363,627)	(3)
3420	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	79,970	-	444,778	-
3491	Deferred compensation cost arising from issuance of restricted stock (Note 6(w))	<u>(68,877)</u>	<u>-</u>	<u>(712,701)</u>	<u>-</u>
		<u>(7,592,537)</u>	<u>(1)</u>	<u>(21,631,550)</u>	<u>(3)</u>
3500	Treasury stock	<u>(7,103)</u>	<u>-</u>	<u>(2,558)</u>	<u>-</u>
	<b>Total equity</b>	<u>182,488,565</u>	<u>23</u>	<u>166,604,545</u>	<u>22</u>
	<b>Total liabilities and equity</b>	<u>\$ 781,013,828</u>	<u>100</u>	<u>756,736,841</u>	<u>100</u>

See accompanying notes to financial statements.



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

Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

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

		For the years ended December 31			
		2022		2021	
		Amount	%	Amount	%
4110	<b>Operating revenue (Notes 6(u) and 7)</b>	\$ 1,237,258,843	100	1,169,584,218	100
4170	Less: Sales returns and allowances	<u>4,872,775</u>	-	<u>1,451,116</u>	-
	<b>Operating revenue, net</b>	1,232,386,068	100	1,168,133,102	100
5000	<b>Cost of sales (Notes 6(f), (o), (p), (s), (v) and 7)</b>	<u>1,203,048,944</u>	<u>98</u>	<u>1,152,860,663</u>	<u>99</u>
5900	<b>Gross profit from operations</b>	29,337,124	2	15,272,439	1
5910	Less: Unrealized profit (loss) from sales	<u>387,516</u>	-	<u>10,301</u>	-
5950	<b>Gross profit from operations</b>	<u>28,949,608</u>	<u>2</u>	<u>15,262,138</u>	<u>1</u>
6000	<b>Operating expenses (Notes 6(d), (o), (p), (s), (v) and 7):</b>				
6100	Selling expenses	2,621,605	-	1,969,383	-
6200	General and administrative expenses	2,664,612	-	2,621,126	-
6300	Research and development expenses	<u>8,428,067</u>	<u>1</u>	<u>8,298,282</u>	<u>1</u>
6300	<b>Total operating expenses</b>	<u>13,714,284</u>	<u>1</u>	<u>12,888,791</u>	<u>1</u>
	<b>Net operating income</b>	<u>15,235,324</u>	<u>1</u>	<u>2,373,347</u>	-
	<b>Non-operating income and expenses:</b>				
7100	Interest income (Note 6(w))	304,242	-	120,434	-
7010	Other income (Notes 6(w) and 7)	873,138	-	892,562	-
7020	Other gains and losses (Notes 6(w) and 7)	(1,166,606)	-	1,071,465	-
7050	Finance costs (Notes 6(d), (n), (o) and (w))	(1,015,034)	-	(576,389)	-
7070	Share of profit of subsidiaries, associates and joint ventures accounted for using equity method, net (Note 6(g))	<u>3,680,616</u>	<u>-</u>	<u>17,182,275</u>	<u>1</u>
	<b>Total non-operating income and expenses</b>	<u>2,676,356</u>	<u>-</u>	<u>18,690,347</u>	<u>1</u>
	<b>Profit from continuing operations before tax</b>	17,911,680	1	21,063,694	1
7950	Less: Income tax expenses (Note 6(q))	<u>2,815,500</u>	-	<u>518,051</u>	-
	<b>Profit for the year</b>	<u>15,096,180</u>	<u>1</u>	<u>20,545,643</u>	<u>1</u>
8300	<b>Other comprehensive income (Note 6(r)):</b>				
8310	<b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>				
8311	Gains (losses) on remeasurements of defined benefit plans	1,053	-	8,010	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(342,950)	-	518,567	-
8330	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	2,040	-	4,507	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
	<b>Total components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>	<u>(339,857)</u>	<u>-</u>	<u>531,084</u>	<u>-</u>
8360	<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>				
8380	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	13,759,997	1	(3,722,550)	-
8399	Income tax related to components of other comprehensive income (loss) that will be reclassified to profit or loss	-	-	-	-
	<b>Total components of other comprehensive income (loss) that will be reclassified to profit or loss</b>	<u>13,759,997</u>	<u>1</u>	<u>(3,722,550)</u>	<u>-</u>
8300	<b>Other comprehensive income, net</b>	<u>13,420,140</u>	<u>1</u>	<u>(3,191,466)</u>	-
8500	<b>Total comprehensive income for the year</b>	<u>\$ 28,516,320</u>	<u>2</u>	<u>17,354,177</u>	<u>1</u>
	<b>Earnings per share, net of tax (Note 6(t))</b>				
9750	<b>Basic earnings per share</b>	<u>\$ 5.66</u>		<u>7.71</u>	
9850	<b>Diluted earnings per share</b>	<u>\$ 5.60</u>		<u>7.62</u>	

See accompanying notes to financial statements.

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

## PEGATRON CORPORATION

## Statements of Changes in Equity

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

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

See accompanying notes to financial statements.

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

Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	For the years ended December 31	
	2022	2021
<b>Cash flows from operating activities:</b>		
<b>Profit before tax</b>	\$ 17,911,680	21,063,694
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation expense	1,273,319	1,180,153
Amortization expense	52,496	74,454
Expected credit loss (reversal gain)	59,020	(16,136)
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	220,707	(96,293)
Interest expense	1,002,488	566,392
Interest income	(304,242)	(120,434)
Dividend income	(66,075)	(36,480)
Compensation cost arising from employee stock options	614,728	972,947
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	(3,680,616)	(17,182,275)
Gain on disposal of property, plant and equipment	(6,213)	(999)
Property, plant and equipment charged to expenses	11,063	27,250
Gain on disposal of intangible assets	-	(19)
Other payables	-	1,635,444
Unrealized loss (profit) from sales	387,516	10,301
Amortization of issuance costs on bonds payable	7,397	5,813
Effect of movement in exchange rate	-	243,271
Gain on lease remeasurement	-	(7)
Government grants income	(18,136)	(13,232)
<b>Total adjustments to reconcile profit (loss)</b>	<u>(446,548)</u>	<u>(12,749,850)</u>
<b>Changes in operating assets and liabilities:</b>		
<b>Changes in operating assets:</b>		
Increase in financial assets at fair value through profit or loss	(467,759)	(171,232)
Increase in notes and accounts receivable	(25,426,944)	(65,905,736)
Decrease in other receivables	367,206	31,916
Increase in inventories	(9,563,948)	(4,275,035)
Decrease in other current assets	177,697	110,367
Decrease in other financial assets	22,296,990	10,573,982
<b>Total changes in operating assets</b>	<u>(12,616,758)</u>	<u>(59,635,738)</u>
<b>Changes in operating liabilities:</b>		
Decrease (increase) in contract liabilities	(8,878)	9,244
Decrease (increase) in notes and accounts payable	(8,888,726)	78,619,481
Decrease in other payables	(652,548)	(256,832)
(Decrease) increase in other current liabilities	10,219,725	(345,159)
Increase in other non-current liabilities	(695)	17,814
<b>Total changes in operating liabilities</b>	<u>668,878</u>	<u>78,044,548</u>
<b>Total changes in operating assets and liabilities</b>	<u>(11,947,880)</u>	<u>18,408,810</u>
<b>Total adjustments</b>	<u>(12,394,428)</u>	<u>5,658,960</u>
Cash inflow generated from operations	5,517,252	26,722,654
Interest received	319,808	158,804
Dividends received	66,075	2,727,059
Interest paid	(839,025)	(545,762)
Income taxes paid	(719,954)	(733,158)
<b>Net cash flows from operating activities</b>	<u>4,344,156</u>	<u>28,329,597</u>

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

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

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

See accompanying notes to financial statements.

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

**PEGATRON CORPORATION**

**Notes to the Financial Statements**

**For the years ended December 31, 2022 and 2021**

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

**(1) Company history**

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

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

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

The accompanying non-consolidated financial statements were authorized for issue by the Board of Directors on March 14, 2023.

**(3) New standards, amendments and interpretations adopted:**

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

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

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

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

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

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

(Continued)

**PEGATRON CORPORATION**  
**Notes to the Financial Statements**

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

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

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

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

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

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

(Continued)

**PEGATRON CORPORATION**  
**Notes to the Financial Statements**

- Amendments to IFRS16 “Requirements for Sale and Leaseback Transactions”

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

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

(a) Statement of compliance

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

(b) Basis of preparation

(i) Basis of measurement

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

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

(ii) Functional and presentation currency

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

(c) Foreign currency

(i) Foreign currency transaction

Transactions in foreign currencies are translated into the respective functional currencies of Company entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Nonmonetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

(Continued)

**PEGATRON CORPORATION**  
**Notes to the Financial Statements**

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

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

(ii) Foreign operations

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

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

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

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

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

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

(Continued)



**PEGATRON CORPORATION**  
**Notes to the Financial Statements**

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

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

(e) Cash and cash equivalents

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

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

(f) Financial assets

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

(i) Financial assets

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

1) Financial assets measured at amortized cost

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

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

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**PEGATRON CORPORATION**  
**Notes to the Financial Statements**

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

2) Fair value through other comprehensive income (FVOCI )

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

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

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

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

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

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

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

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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**PEGATRON CORPORATION**  
**Notes to the Financial Statements**

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

4) Business model assessment

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

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

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

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

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

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

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

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

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**PEGATRON CORPORATION**  
**Notes to the Financial Statements**

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

6) Impairment of financial assets

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

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

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

Loss allowance for accounts receivables is measured at an amount equal to lifetime ECL.

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

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

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

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

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

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

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

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**PEGATRON CORPORATION**  
**Notes to the Financial Statements**

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

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

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

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

7) Derecognition of financial assets

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

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

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**PEGATRON CORPORATION**  
**Notes to the Financial Statements**

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

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

3) Treasury shares

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

4) Financial liabilities

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

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

5) Derecognition of financial liabilities

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

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

(Continued)

**PEGATRON CORPORATION**  
**Notes to the Financial Statements**

6) Offsetting of financial assets and liabilities

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

7) Interest rate benchmark reform

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

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

When changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Company will first update the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. Thereafter, the Company will apply applied the policies on accounting for modifications to the additional changes.

(g) Inventories

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

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

(h) Subsidiaries

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

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

(Continued)

**PEGATRON CORPORATION**  
**Notes to the Financial Statements**

(i) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent cost

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

(iii) Depreciation

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

Land is not depreciated.

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

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

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

(iv) Reclassification to investment property

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

(j) Leases

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

(Continued)



**PEGATRON CORPORATION**  
**Notes to the Financial Statements**

(i) As a lessee

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

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

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

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

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

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

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

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

(Continued)

**PEGATRON CORPORATION**  
**Notes to the Financial Statements**

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

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

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

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

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

(ii) As a lessor

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

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

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

(Continued)

**PEGATRON CORPORATION**  
**Notes to the Financial Statements**

(k) Intangible assets

(i) Recognition and measurement

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

(ii) Subsequent expenditure

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

(iii) Amortization

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

The estimated useful lives for current and comparative periods are as follows:

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

(l) Impairment of non-financial assets

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

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

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

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

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

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

(Continued)

**PEGATRON CORPORATION**  
**Notes to the Financial Statements**

(m) Provisions

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

(n) Revenue from contracts with customers

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

(i) Sale of good

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

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

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

(ii) Services

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

(iii) Financing components

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

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**PEGATRON CORPORATION**  
**Notes to the Financial Statements**

(o) Government grants

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

The Company is using market interest rate to calculate the fair value of the loan, and recognizes the difference between the amount received and the fair value as deferred revenues. The deferred revenues will then be amortized as other income on a systematic basis.

(p) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

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

(Continued)

**PEGATRON CORPORATION**  
**Notes to the Financial Statements**

(iii) Short-term employee benefits

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

(q) Share-based payment

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

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

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

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

(r) Income Taxes

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

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

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

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

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**PEGATRON CORPORATION**  
**Notes to the Financial Statements**

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

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

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

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

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

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

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

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

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**PEGATRON CORPORATION**  
**Notes to the Financial Statements**

All transaction costs relating to business combination are recognized immediately as expenses when incurred, except for the issuance of debt or equity instruments.

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

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

(t) Earnings per share

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

(u) Operating segments

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

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

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

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

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

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

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**PEGATRON CORPORATION**  
**Notes to the Financial Statements**

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic:

- Valuation of inventories

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

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

(a) Cash and cash equivalents

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

(i) The above cash and cash equivalents were not pledged as collateral. Pledged time deposits were accounted for under other financial assets. Please refer to Notes 6(k) and 8 for details.

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

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

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

(Continued)

**PEGATRON CORPORATION**  
**Notes to the Financial Statements**

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Non-current mandatorily measured at fair value through profit or loss:		
Non-derivative financial assets		
Shares of stock of listed companies	201,250	220,850
Beneficiary certificates	<u>735,767</u>	<u>471,075</u>
Total	<u>\$ 1,505,082</u>	<u>1,258,030</u>

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

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Equity instruments at fair value through other comprehensive income:		
Shares of stock of listed companies	<u>\$ 672,647</u>	<u>1,015,597</u>

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

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

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

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

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

(Continued)

**PEGATRON CORPORATION**  
**Notes to the Financial Statements**

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

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

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

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

(ii) Credit loss

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

The loss allowance provision was determined as follows:

	<b>December 31, 2022</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 444,082,327	0%~0.001%	(1,670)
Overdue 0 to 30 days	53,465,857	0%~1%	(26,922)
Overdue 31 to 120 days	6,471,042	0%~50%	(34,054)
Overdue 121 to 365 days	16,954	0%~100%	(13,773)
Over 365 days past due	<u>5,691</u>	0%~100%	<u>-</u>
	<b><u>\$ 504,041,871</u></b>		<b><u>(76,419)</u></b>
	<b>December 31, 2021</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 462,697,637	0%~0.001%	(2,327)
Overdue 0 to 30 days	9,741,802	0%~1%	(9,449)
Overdue 31 to 120 days	6,102,564	0%~50%	(3,720)
Overdue 121 to 365 days	<u>72,924</u>	0%~100%	<u>(1,903)</u>
	<b><u>\$ 478,614,927</u></b>		<b><u>(17,399)</u></b>

(Continued)

**PEGATRON CORPORATION**  
**Notes to the Financial Statements**

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

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

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

The aforesaid financial assets were not pledged as collateral.

- (iii) Please refer to Note 6(x) for the Company's notes and accounts receivable exposure to credit risk and currency risk.
- (iv) Accounts receivable factoring

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

As of December 31, 2022 and 2021, the relevant information on accounts receivables factored by the Company, but unsettled, was as follows:

<b>December 31, 2022</b>						
<b>Purchaser</b>	<b>Amount Derecognized</b>	<b>Factoring Line (thousands)</b>	<b>Amount Advanced Paid (thousands)</b>	<b>Collateral</b>	<b>Range of Interest Rate</b>	<b>Significant Factoring Terms</b>
ANZ (Note 1 and 2)	\$ <b>8,293,725</b>	USD <b>420,000</b>	USD <b>270,000</b>	None	4.81%~ 4.82%	The accounts receivable factoring is without recourse but the seller still bears the risks except for eligible obligor's insolvency.
<b>December 31, 2021</b>						
<b>Purchaser</b>	<b>Amount Derecognized</b>	<b>Factoring Line (thousands)</b>	<b>Amount Advanced Paid (thousands)</b>	<b>Collateral</b>	<b>Range of Interest Rate</b>	<b>Significant Factoring Terms</b>
ANZ (Note 1 and 2)	\$ <b>-</b>	USD <b>760,000</b>	USD <b>-</b>	None	0.40%~ 0.41%	The accounts receivable factoring is without recourse but the seller still bears the risks except for eligible obligor's insolvency.

(Continued)

**PEGATRON CORPORATION**  
**Notes to the Financial Statements**

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

Note 2: Part of the participating banks had withdrawn from the joint accounts receivable factoring agreement from 2020 to 2022, resulting in the factoring line decreased to USD420,000 thousand.

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

(e) Other receivables

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

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

(f) Inventories

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

The components of cost of goods sold were as follows:

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

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

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

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**Notes to the Financial Statements**

(g) Investments accounted for using equity method

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

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

(i) Subsidiaries

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

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

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**PEGATRON CORPORATION**  
**Notes to the Financial Statements**

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

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

(v) On January 15, 2021, the investee company, CASETEK CAYMAN, reduced its capital to the original shareholder (one of the Company's subsidiaries) and issued new shares to the Company in accordance with the agreement, resulting in a decrease of the Company's shareholdings in ASUSPOWER INVESTMENT CO., LTD, ASUS INVESTMENT CO., LTD. and ASUSTEK INVESTMENT CO., Ltd., an increase of the Company's shareholding in CASETEK CAYMAN, wherein the effect of changes in equity have no significant changes to the equity of parent company.

(vi) As of December 31, 2022 and 2021, the investments in aforesaid equity-accounted investees were not pledged as collateral.

(h) Property, plant and equipment

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

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

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**PEGATRON CORPORATION**  
**Notes to the Financial Statements**

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

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

(i) Right-of-use assets

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

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

(Continued)



**PEGATRON CORPORATION**  
**Notes to the Financial Statements**

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

## (j) Intangible assets

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

**Costs:**

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

**Amortization and Impairment Loss:**

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

**Carrying value:**

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

- (i) The amortization of intangible assets and impairment losses are respectively included in the statement of comprehensive income. Please refer to Note 12 for details.
- (ii) As of December 31, 2022 and 2021, the intangible assets were not pledged as collateral.

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**PEGATRON CORPORATION**  
**Notes to the Financial Statements**

## (k) Other financial assets and other assets

Other financial assets and other assets were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Other financial assets-current	\$ 117,121	22,414,111
Other financial assets-non-current	37,373	29,275
Other current assets	<u>256,694</u>	<u>473,003</u>
	<u><u>\$ 411,188</u></u>	<u><u>22,916,389</u></u>

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

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

## (l) Short-term loans

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

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

## (m) Long-term loans

The details were as follows:

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

## Government low-interest loans

For the year ended December 31, 2020, the Company obtained government low-interest loans. The loans were measured at its fair value by applying the market interest rate. The deferred differences between the amounts paid and the fair value were classified as other current liabilities and other non-current liabilities, respectively.

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**PEGATRON CORPORATION**  
**Notes to the Financial Statements**

## (n) Bonds payable

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

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

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

<b>Item</b>	<b>1<sup>st</sup> unsecured ordinary corporate bonds issued in 2017</b>
1. Issuing amount	The Bonds are issued at \$7,000,000 thousand, which comprise Tranche A, Tranche B and Tranche C. The issuing amounts of Tranche A, Tranche B and Tranche C are \$3,000,000 thousand, \$2,000,000 thousand and \$2,000,000 thousand, respectively.
2. Par value	Each unit is valued at \$1,000 thousand.
3. Offering price	The Bonds are issued by par value at the issuance date.
4. Issuance period	Each of Tranche A, Tranche B and Tranche C has 3-year term, 5-year term and 7-year term, respectively. The issuance period of Tranche A commences from July 13, 2017 and matures on July 13, 2020. The issuance period of Tranche B commences from July 13, 2017 and matures on July 13, 2022. The issuance period of Tranche C commences from July 13, 2017 and matures on July 13, 2024.
5. Coupon rate	Tranche A, B and C bear annual coupon rates of 0.91%, 1.06% and 1.20%, respectively.
6. Repayment	Tranche A, Tranche B and Tranche C are repayable on maturity.
7. Interest payment	Interests are payable annually at coupon rate from the issuance date. The payment of each bond is rounded to the nearest dollar. If the repayment date and interest payment date are bank closing days, principal and interest shall be paid without extra interest on the next business day. If bondholders receive principal and interest past due the repayment date and interest payment date, there will no calculation of extra interest.
8. Guarantee	The Bonds are unsecured ordinary corporate bonds.

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**PEGATRON CORPORATION**  
**Notes to the Financial Statements**

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

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

<u>Item</u>	<u>1<sup>st</sup> unsecured ordinary corporate bonds issued in 2019</u>
1. Issuing amount	The Bonds are issued at \$8,500,000 thousand, which comprise Tranche A, and Tranche B. The issuing amounts of Tranche A and Tranche B are \$6,000,000 thousand and \$2,500,000 thousand, respectively.
2. Par value	Each unit is valued at \$1,000 thousand.
3. Offering price	The Bonds are issued by par value at the issuance date.
4. Issuance period	Each of Tranche A and Tranche B has 5-year term and 7-year term, respectively. The issuance period of Tranche A commences from June 13, 2019 and matures on June 13, 2024. The issuance period of Tranche B commences from June 13, 2019 and matures on June 13, 2026.

(Continued)

**PEGATRON CORPORATION**  
**Notes to the Financial Statements**

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

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

<u>Item</u>	<u>1<sup>st</sup> unsecured ordinary corporate bonds issued in 2020</u>
1.Issuing amount	The Bonds are issued at \$5,000,000 thousand.
2.Par value	Each unit is valued at \$1,000 thousand.
3.Offering price	The Bonds are issued by par value at the issuance date.
4.Issuance period	The Bonds have 5-year term. The issuance period of the Bonds commences from October 21, 2020 and matures on October 21, 2025.
5.Coupon rate	The Bonds bear annual coupon rates of 0.65%.
6.Repayment	The Bonds are repayable on maturity.
7.Interest payment	Interests are payable annually at coupon rate from the issuance date. The payment of each bond is rounded to the nearest dollar. If the repayment date and interest payment date are bank closing days, principal and interest shall be paid without extra interest on the next business day. If bondholders receive principal and interest past due the repayment date and interest payment date, there will no calculation of extra interest.
8.Guarantee	The Bonds are unsecured ordinary corporate bonds.

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

(Continued)

**PEGATRON CORPORATION**  
**Notes to the Financial Statements**

<u>Item</u>	<u>2<sup>nd</sup> unsecured ordinary corporate bonds issued in 2020</u>
4. Issuance period	Each of Tranche A and Tranche B has 5-year term and 7-year term, respectively. The issuance period of Tranche A commences from January 8, 2021 and matures on January 8, 2026. The issuance period of Tranche B commences from January 8, 2021 and matures on January 8, 2028.
5. Coupon rate	Tranche A, and B bear annual coupon rates of 0.43% and 0.58%, respectively.
6. Repayment	Tranche A, and Tranche B are repayable on maturity.
7. Interest payment	Interests are payable annually at coupon rate from the issuance date. The payment of each bond is rounded to the nearest dollar. If the repayment date and interest payment date are bank closing days, principal and interest shall be paid without extra interest on the next business day. If bondholders receive principal and interest past due the repayment date and interest payment date, there will no calculation of extra interest.
8. Guarantee	The Bonds are unsecured ordinary corporate bonds.

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

The offering Information and main rights and obligations was as follows:

<u>Item</u>	<u>1<sup>st</sup> unsecured ordinary corporate bonds issued in 2021</u>
1. Issuing amount	The Bonds are issued at \$8,900,000 thousand, which comprise Tranche A, and Tranche B. The issuing amounts of Tranche A, and Tranche B are \$7,500,000 thousand and \$1,400,000 thousand, respectively.
2. Par value	Each unit is valued at \$1,000 thousand.
3. Offering price	The Bonds are issued by par value at the issuance date.
4. Issuance period	Each of Tranche A and Tranche B has 5-year term and 7-year term, respectively. The issuance period of Tranche A commences from December 2, 2021 and matures on December 2, 2026. The issuance period of Tranche B commences from December 2, 2021 and matures on December 2, 2028.
5. Coupon rate	Tranche A, and B bear annual coupon rates of 0.56% and 0.65%, respectively.
6. Repayment	Tranche A, and Tranche B are repayable on maturity.
7. Interest payment	Interests are payable annually at coupon rate from the issuance date. The payment of each bond is rounded to the nearest dollar. If the repayment date and interest payment date are bank closing days, principal and interest shall be paid without extra interest on the next business day. If bondholders receive principal and interest past due the repayment date and interest payment date, there will no calculation of extra interest.
8. Guarantee	The Bonds are unsecured ordinary corporate bonds.

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**PEGATRON CORPORATION**  
**Notes to the Financial Statements**

(o) Lease liabilities

The Company's lease liabilities were as follows:

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

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

The amounts recognized in profit or loss were as follows:

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

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

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

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

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

(p) Employee benefits

(i) Defined benefit plans

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

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Present value of defined benefit obligations	\$ 43,480	41,235
Fair value of plan assets	<u>(15,160)</u>	<u>(13,486)</u>
Net defined benefit liabilities	\$ <u>28,320</u>	<u>27,749</u>

(Continued)

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The Company's employee benefit liabilities were as follows:

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

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

1) Composition of plan assets

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

As of December 31, 2022, the Company's contributions to the pension funds which amounted to \$15,160 thousand were deposited with Bank of Taiwan. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movements in the present value of the defined benefit obligations for the years ended December 31, 2022 and 2021 were as follows:

	<u>For the years ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Defined benefit obligation, January 1	\$ 41,235	46,071
Current service costs and interest	2,317	3,002
Re-measurement of the net defined benefit liability		
— Actuarial loss arising from changes in demographic assumptions	3,273	(486)
— Actuarial gain arising from changes in financial assumptions	(5,682)	(3,517)
— Experience adjustments	<u>2,337</u>	<u>(3,835)</u>
Defined benefit obligation, December 31	<u>\$ 43,480</u>	<u>41,235</u>

(Continued)



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3) Movements in the fair value of plan assets

The movements in the fair value of the defined benefit plan assets for the years ended December 31, 2022 and 2021 were as follows:

	<b>For the years ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Fair value of plan assets, January 1	\$ 13,486	12,742
Interests revenue	109	55
Re-measurement of the net defined benefit liability		
— Experience adjustment	981	172
Contributions made	584	517
Fair value of plan assets, December 31	<b>\$ 15,160</b>	<b>13,486</b>

4) Expenses recognized in profit or loss

The Company's pension expenses recognized in profit or loss for the years ended December 31, 2022 and 2021 were as follows:

	<b>For the years ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Current service cost	\$ 1,983	2,804
Net interest on net defined benefit liability	225	143
	<b>\$ 2,208</b>	<b>2,947</b>
Operating expense	<b>\$ 2,208</b>	<b>2,947</b>

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

The Company's net defined benefit liability recognized in other comprehensive income for the years ended December 31, 2022 and 2021 were as follows:

	<b>For the years ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Cumulative amount, January 1	\$ 12,470	4,460
Recognized during the year	1,053	8,010
Cumulative amount, December 31	<b>\$ 13,523</b>	<b>12,470</b>

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6) Actuarial assumptions

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

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

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

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

7) Sensitivity Analysis

As of December 31, 2022 and 2021, the changes in the principal actuarial assumptions will impact on the present value of defined benefit obligation as follows:

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

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

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

(ii) Defined contribution plans

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

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

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**Notes to the Financial Statements**

(q) Income Tax

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

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

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

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

(iii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

As of December 31, 2022 and 2021, the temporary differences associated with investments in subsidiaries were not recognized as deferred income tax liabilities as the Company has the ability to control the reversal of these temporary differences which are not expected to reverse in the foreseeable future. The related amounts were as follows:

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

(Continued)

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2) Recognized deferred tax assets and liabilities

The movements in deferred tax assets and liabilities for the years ended December 31, 2022 and 2021 were as follows:

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

(iv) Status of approval of income tax

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

(r) Capital and other equity

(i) Ordinary shares

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

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

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For the year ended December 31, 2021, the Company issued 7,574 thousand new shares of restricted stock awards to the employees at par value of \$10, amounting to \$75,740 thousand. The registration procedures had been completed, and all share proceeds from outstanding capital have been collected. For the related information, please refer to Note 6(s).

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

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

(ii) Global depositary receipts

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

The Company may issue new GDRs with no more than 60,819,020 of the Company's common shares and deliver them to ASUSTEK GDR holders pursuant to the "Guidelines for Offering and Issuing by Issuer of Overseas Securities". As of December 31, 2022 and 2021, the Company has listed, in total, 225 thousand and 253 thousand units of GDRs, respectively, on the Euro MTF market of the Luxembourg Stock Exchange. As each unit of these GDRs represents 5 common shares of the Company, the Company has listed Company shares totaling 1,126 thousand and 1,267 thousand shares of stock, respectively. Major terms and conditions for GDRs were as follows:

1) Voting Rights

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

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

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

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(iii) Capital surplus

The components of the capital surplus were as follows:

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

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

(iv) Retained earnings

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

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

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

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1) Legal reserve

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

2) Special reserve

In accordance with the rules issued by the FSC, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings Distribution

On June 15, 2022, and August 4, 2021, the Company's shareholders' meeting resolved to appropriate the 2021 and 2020 earnings, respectively. These earnings were appropriated or distributed as follows:

	<b>For the years ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Common stock dividends per share (dollars)		
— Cash	<b>\$ 5.00</b>	<b>4.50</b>
(v) Other equity interest (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 at January 1, 2022	\$ (21,363,627)	444,778	(712,701)	(21,631,550)
Exchange differences on subsidiaries accounted for using equity method	13,759,997	-	-	13,759,997
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	(342,950)	-	(342,950)
Unrealized losses on subsidiaries accounted for using equity method from financial assets measured at fair value through other comprehensive income	-	(21,858)	-	(21,858)
Deferred compensation cost arising from issuance of restricted stock	-	-	643,824	643,824
Balance at December 31, 2022	<b>\$ (7,603,630)</b>	<b>79,970</b>	<b>(68,877)</b>	<b>(7,592,537)</b>

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	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Deferred compensation arising from issuance of restricted stock	Total
Balance at January 1, 2021	\$ (15,808,892)	(57,309)	(1,146,659)	(17,012,860)
Exchange differences on subsidiaries accounted for using equity method	(3,722,550)	-	-	(3,722,550)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	(1,832,185)	-	-	(1,832,185)
Unrealized gains from financial assets measured at fair value through other comprehensive income	-	518,567	-	518,567
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	(20,319)	-	(20,319)
Unrealized gains on subsidiaries accounted for using equity method from financial assets measured at fair value through other comprehensive income	-	3,839	-	3,839
Deferred compensation cost arising from issuance of restricted stock	-	-	433,958	433,958
Balance at December 31, 2021	<u>\$ (21,363,627)</u>	<u>444,778</u>	<u>(712,701)</u>	<u>(21,631,550)</u>

(s) Share-based payment

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

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

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

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On June 19, 2020, the shareholders approved a resolution passed during their meeting to award 60,000 thousand new restricted shares of stock to those full-time employees who meet certain requirement of the Company. The restricted stock has been declared effective by the Securities and Futures Bureau of the Financial Supervisory Commission, R.O.C. On September 22, 2020, the Board of Directors approved to issue 53,103 thousand shares of restricted shares of stock with fair value of NT\$63.2 each at grant date. The record date for the capital increase through issuance of restricted shares of stock was December 8, 2020. The actual issuance number for the capital increase was 52,411 thousand shares. On January 4, 2021, the registration procedures were completed. On May 11, 2021, Board of Directors of the Company approved to issue secondary new restricted shares of stock totaling 7,589 thousand shares with fair value of \$69.3 each at grant date. The record date for the capital increase through issuance of restricted shares of stock was June 11, 2021. The actual issuance number for the capital increase was 7,574 thousand shares. On July 12, 2021, the registration procedures were completed.

Employees with restricted stock awards are entitled to purchase the Company's shares at the price of NT\$10 per share provided that these employees continue to work for the Company for the following three years. 25%, 25%, 25% and 25% of the restricted shares of stock is vested in year 1, 2, 3 and 4, respectively. The restricted stock is kept by a trust, which is appointed by the Company, before it is vested. These shares of stock shall not be sold, pledged, transferred, gifted or by any other means of disposal to third parties during the custody period. These shares of stock are entitled to the right as the holders of common shares once issued, except for those shares kept by a trust or shares that do not meet the vesting condition. If the shares remain unvested after the vesting period, the Company will repurchase all the unvested shares at the issue price and cancel the shares thereafter.

(i) Determining the fair value of equity instruments granted

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

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

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

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

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(ii) Restricted stock to employee

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

For the years ended December 31, 2022 and 2021, the Company recognized and reversed salary cost of \$56,007 thousand and \$73,837 thousand from the distribution of cash dividends to estimated non-vesting restricted shares of stock distributed to employees from prior period earnings. Such salary cost was credited to retained earnings.

(iii) Expenses recognized in profit or loss

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

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

(t) Earnings per share

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

	<u>For the years ended December 31</u>	
	<u>2022</u>	<u>2021</u>
<b>Basic earnings per share</b>		
Profit attributable to ordinary shareholders	<u>\$ 15,096,180</u>	<u>20,545,643</u>
Weighted-average number of ordinary shares	<u>2,667,906</u>	<u>2,666,276</u>
	<u>\$ 5.66</u>	<u>7.71</u>
<b>Diluted earnings per share</b>		
Profit attributable to ordinary shareholders (diluted)	<u>\$ 15,096,180</u>	<u>20,545,643</u>
Weighted-average number of ordinary shares	<u>2,667,906</u>	<u>2,666,276</u>
Effect of potentially dilutive ordinary shares		
Employee stock bonus	<u>25,900</u>	<u>28,292</u>
Weighted-average number of ordinary shares (diluted)	<u>2,693,806</u>	<u>2,694,568</u>
	<u>\$ 5.60</u>	<u>7.62</u>

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## (u) Revenue from contracts with customers

## (i) Disaggregation of revenue

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

## (ii) Contract balances

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

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

The major change in the balance of contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received. There were no other significant changes for the year ended December 31, 2022 and 2021.

## (v) Remunerations to employees and directors

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

For the years ended December 31, 2022 and 2021, the Company estimated its employee remuneration amounting to \$1,365,000 thousand and \$1,605,000 thousand, and directors' remuneration amounting to \$135,000 thousand and \$159,000 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees and directors of each period, multiplied by the percentage of remuneration to employees and directors as specified in the Company's articles. Such amounts were recognized as operating costs or operating expenses during 2022 and 2021. Management is expecting that the differences, if any, between the actual distributed amounts and estimated amounts

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will be treated as changes in accounting estimates and charged to profit or loss. The numbers of shares to be distributed for 2022 and 2021 were calculated based on the closing price of the Company's ordinary shares, one day before the date of the meeting of Board of Directors. Related information would be available at the Market Observation Post System website. There was no difference between the amounts approved in Board of Directors meeting and recognized for the year ended December 31, 2022 and 2021.

(w) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

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

(ii) Other income

The components of other income were as follows:

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

(iii) Other gains and losses

The details of other gains and losses were as follows:

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

(Continued)

**PEGATRON CORPORATION**  
**Notes to the Financial Statements**

## (iv) Finance costs

The details of finance costs were as follows:

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

## (x) Financial instruments

## (i) Credit risk

## 1) Credit risk exposure

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

## 2) Concentration of credit risk

As of December 31, 2022 and 2021, the accounts receivable from the Company's top three customers were amounted to \$315,169,807 thousand and \$298,616,017 thousand, representing 63% and 62% of accounts receivable, respectively, which exposes the Company to credit risk.

## 3) Credit risk of accounts receivable

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

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

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

## (ii) Liquidity risk

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

	<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, 2022</b>					
Non-derivative financial liabilities					
Unsecured bank loans	\$ 56,407,494	56,432,636	52,952,080	1,966,667	1,513,889
Unsecured ordinary corporate bonds	34,876,992	34,900,000	4,500,000	8,000,000	22,400,000
Non-interest bearing liabilities	470,796,137	470,796,137	470,732,909	63,228	-
Lease liabilities	473,755	473,755	134,186	123,815	215,754
	<b>\$ 562,554,378</b>	<b>562,602,528</b>	<b>528,319,175</b>	<b>10,153,710</b>	<b>24,129,643</b>

(Continued)

**PEGATRON CORPORATION**  
**Notes to the Financial Statements**

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

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

(iii) Currency risk

1) Exposure to foreign currency risk

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

(Unit: Foreign currency / NTD in Thousands)

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

2) Sensitivity analysis

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

3) Foreign exchange gains or losses on monetary items

Since the Company has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years ended December 31, 2022 and 2021, the foreign exchange gain (loss), including both realized and unrealized, amounted to (\$947,730) thousand and \$2,616,325 thousand, respectively.

(Continued)

**PEGATRON CORPORATION**  
**Notes to the Financial Statements**

(iv) Interest rate analysis

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

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

If the interest rate increases / decreases by 1%, the Company's net income will decrease /increase by \$39,387 and \$0 thousand for the years ended December 31, 2022 and 2021, respectively, assuming all other variable factors remain constantly. This is mainly due to the Company's variable rate borrowing and cash advances for accounts receivable factoring.

(v) Other market price risk

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

	For the years ended December 31			
	2022		2021	
	Other comprehensive income (Loss) (before tax)	Net Income (Loss) (before tax)	Other comprehensive income (Loss) (before tax)	Net Income (Loss) (before tax)
<b>Equity price</b>				
Increase 3%	\$ 20,179	23,079	30,468	23,609
Decrease 3%	\$ (20,179)	(23,079)	(30,468)	(23,609)

(vi) Fair value of financial instruments

1) Fair value hierarchy

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

(Continued)





**PEGATRON CORPORATION**  
**Notes to the Financial Statements**

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

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

a) Financial assets and financial liabilities measured at amortized cost

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

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

a) Non-derivative financial instruments

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

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

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

b) Derivative financial instruments

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

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

4) Transfers between Level 1 and Level 2

There have been no transfers from each level for the years ended December 31, 2022 and 2021.

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**PEGATRON CORPORATION**  
**Notes to the Financial Statements**

## 5) Reconciliation of Level 3 fair values

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

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

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

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

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

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

Quantified information of significant unobservable inputs was as follows:

<b><u>Item</u></b>	<b><u>Valuation technique</u></b>	<b><u>Significant unobservable inputs</u></b>	<b><u>Inter-relationship between significant unobservable inputs and fair value measurement</u></b>
Financial assets at fair value through profit or loss-private fund	Net Asset Value Method	Net Asset Value	Not applicable

(Continued)

**PEGATRON CORPORATION**  
**Notes to the Financial Statements**

(vii) Offsetting of financial assets and financial liabilities

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

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

December 31, 2022						
Financial assets that are offset which have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial assets (a)	Gross amounts of financial liabilities offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)		Net amounts (e)=(c)-(d)
				Financial Instruments (Note)	Cash collateral instruments	
Accounts Receivable and Payable	\$ 73,147,743	48,289,408	24,858,335	-	-	24,858,335

December 31, 2022						
Financial liabilities that are offset which have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial liabilities (a)	Gross amounts of financial assets offset in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)		Net amounts (e)=(c)-(d)
				Financial Instruments (Note)	Cash collateral instruments	
Accounts Receivable and Payable	\$ 48,289,408	48,289,408	-	-	-	-

December 31, 2021						
Financial assets that are offset which have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial assets (a)	Gross amounts of financial liabilities offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)		Net amounts (e)=(c)-(d)
				Financial Instruments (Note)	Cash collateral instruments	
Accounts Receivable and Payable	\$ 105,203,391	86,380,572	18,822,819	-	-	18,822,819

December 31, 2021						
Financial liabilities that are offset which have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial liabilities (a)	Gross amounts of financial assets offset in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)		Net amounts (e)=(c)-(d)
				Financial Instruments (Note)	Cash collateral instruments	
Accounts Receivable and Payable	\$ 86,380,572	86,380,572	-	-	-	-

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

(Continued)

**PEGATRON CORPORATION**  
**Notes to the Financial Statements**

(y) Financial risk management

(i) Overview

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

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

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

(ii) Structure of risk management

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

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

The Company Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from cash, accounts receivables and equity securities. Also, the Company deposits cash in different financial institutions. The Company manages credit risk exposure related to each financial institution and believes that there is no significant concentration of credit risk on cash and equity securities.

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

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**PEGATRON CORPORATION**  
**Notes to the Financial Statements**

1) Accounts receivables and other receivables

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

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

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

2) Investment

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

3) Guarantee

The Company's policies were prepared in accordance with Guidelines for Lending of Capital, Endorsements and Guarantees by Public Companies. As of December 31, 2022, please refer to Note 13(a) and table 2 for the Company's endorsement and guarantees.

(iv) Liquidity risk

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

The Company has sufficient cash and cash equivalents to meet its funding requirements for its operation and when all its obligations become due and payable. It is not expecting any significant liquidity risk.

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**PEGATRON CORPORATION**  
**Notes to the Financial Statements**

(v) Market risk

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

1) Currency risk

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

The Company's purchases and sales are denominated mainly in US dollars, which exposes the Company's current and future cash flows to foreign currency assets to the risk of market exchange rate fluctuations in market exchange rates. The company follows the principle of natural hedging, the currency held by the company is consistent with the actual foreign exchange demand of the company's import and export transactions, the company's overall internal positions (foreign currency income and expense) are self-levelling as the principle, and spot foreign exchange tools are used to avoid exchange rates risk.

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

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

2) Interest rate risk

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

3) Price floating risk on equity instruments

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

The Company's investment portfolios of equity instruments are reviewed regularly by management, and significant investment decision is approved by the Board of Directors.

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**PEGATRON CORPORATION**  
**Notes to the Financial Statements**

(z) Capital management

The Board's policy is to maintain a strong capital base as well as to control the level of common stock dividends in order to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares, paid in capital, retained earnings and other interests of the Company.

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

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

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

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

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

(aa) Financing activities not affecting current cash flow

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

Reconciliation of liabilities arising from financing activities was as follows:

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

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**PEGATRON CORPORATION**  
**Notes to the Financial Statements**

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

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

(a) Names and relationship with related parties

The following are entities that have had transactions with related parties and the Company's subsidiaries during the periods covered in the non-consolidated financial statements.

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

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**PEGATRON CORPORATION**  
**Notes to the Financial Statements**

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

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

Note 2: It was established in 2022.

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**PEGATRON CORPORATION**  
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(b) Significant Transactions with related parties

(i) Sale of Goods to Related Parties

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

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

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

(ii) Purchase of Goods from Related Parties

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

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

(Continued)

**PEGATRON CORPORATION**  
**Notes to the Financial Statements**

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

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

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

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

- (iv) Other income and losses from Related Parties

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

- (v) Rental revenue

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

- (vi) Other related party transactions recorded as expenses

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

- (vii) Purchase and sales of real estate property and other assets

For the years ended December 31, 2022 and 2021, molds and equipment purchased from subsidiaries are amounted to \$1,026 thousand and \$131,236 thousand, respectively.

(Continued)

**PEGATRON CORPORATION**  
**Notes to the Financial Statements**

(viii) Borrowings from related parties

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Subsidiaries	<b>\$ 8,908,075</b>	<b>6,200,992</b>
Interest rate	<b>0%</b>	<b>0%</b>
Interest expense	<b>\$ -</b>	<b>-</b>

(ix) Other related party transactions accounted for as assets and liabilities in the balance sheet

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Other receivables		
Subsidiaries	<b>\$ 8,095</b>	<b>22,332</b>
Other payables		
Subsidiaries	<b>\$ 1,170,834</b>	<b>349,383</b>
Other current liabilities		
Subsidiaries	<b>\$ 36,960</b>	<b>10,727</b>
Other non-current liabilities		
Subsidiaries	<b>\$ 10,438</b>	<b>10,438</b>

(x) As of December 31, 2022, please refer to Note 13 for endorsements and guarantees for related party.

(c) Key management personnel compensation

	<b>For the years ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Short-term employee benefits	\$ 205,296	194,089
Post-employment benefits	2,499	2,403
Share-based payments	102,183	156,847
	<b>\$ 309,978</b>	<b>353,339</b>

Please refer to Note 6(s) for further explanations related to share-based payment transactions.

(Continued)

**PEGATRON CORPORATION**  
**Notes to the Financial Statements**

**(8) Pledged assets:**

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

<u>Asset</u>	<u>Purpose of pledge</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Other financial asset-restricted deposits	Deposits for customs duties	\$ 117,121	114,111
Other financial asset-refundable deposits	Deposits for performance guarantee	<u>37,373</u>	<u>29,275</u>
		<u><u>\$ 154,494</u></u>	<u><u>143,386</u></u>

**(9) Commitments and contingencies:**

(a) Significant commitments and contingencies were as follows:

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
NTD	<u>\$ 14,190</u>	<u>10,490</u>

(b) Significant contingent liability :

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

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

**(11) Subsequent events: None**

(Continued)

**PEGATRON CORPORATION**  
**Notes to the Financial Statements**

**(12) Other:**

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

By function	For the years ended December 31					
	2022			2021		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefit						
Salary	\$ 2,519,252	8,663,019	11,182,271	2,268,678	8,491,275	10,759,953
Labor and health insurance	245,246	541,076	786,322	212,716	522,623	735,339
Pension	73,276	297,856	371,132	64,103	273,024	337,127
Remuneration of directors	-	135,000	135,000	-	159,000	159,000
Others	364,670	533,146	897,816	320,541	529,192	849,733
Depreciation	786,742	486,577	1,273,319	723,448	456,705	1,180,153
Amortization	37,848	14,648	52,496	52,042	22,412	74,454

For the years ended December 31, 2022 and 2021, the information on the number of employees and employee benefit expense of the Company is as follows:

	<u>2022</u>	<u>2021</u>
Number of employees	<u>8,853</u>	<u>8,519</u>
Number of directors (non-employee)	<u>8</u>	<u>8</u>
Average employee benefit expense	<u>\$ 1,497</u>	<u>1,490</u>
Average employee salary expense	<u>\$ 1,264</u>	<u>1,264</u>
Percentage of average employee salary expense	<u>- %</u>	
Remuneration for supervisors	<u>\$ -</u>	<u>-</u>

Compensation policies are as follows:

In accordance with Article 26 of the Company's Articles of Incorporation, the remuneration to directors should not exceed 0.7% of the profit before tax, while taking the operating performance of the Company and the participation of each director into consideration. There will be regular evaluations concerning the reasonability of compensation policies. Furthermore, the remunerations to managers and employees will be appropriated at the rate stated in the Company's Articles of Incorporation, while taking into consideration the operating performance of the Company, economic indicators and industry level.

(Continued)

**PEGATRON CORPORATION**  
**Notes to the Financial Statements**

**(13) Other disclosures:**

## (a) Information on significant transactions:

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

No.	Item	Table
1	Loans to other parties	Table 1
2	Guarantees and endorsements for other parties	Table 2
3	Securities held as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures)	Table 3
4	Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock	Table 4
5	Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock	Table 5
6	Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock	None
7	Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock	Table 6
8	Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock	Table 7
9	Trading in derivative instruments	None

## (b) Information on investees:

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

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

- (i) Please refer to Table 9 for names of investee, main businesses and products, total amount of capital surplus, method of investment, investment flows, net income (losses) of the investee, percentage of ownership and the upper limit on investment.
- (ii) Please refer to information on significant transactions for either directly or indirectly through a third area, with investee companies in the Mainland Area. The transactions were eliminated in the consolidated financial statements.

## (d) Major shareholders:

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

**(14) Segment information:**

Please refer to the consolidated financial statements for the year ended December 31, 2022.

## Notes to the Financial Statements

Table 1: Loans to other parties  
December 31, 2022

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

Note 1 : Reference for the Nature of loan column

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

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

Note 2 : Calculation for the ceiling on total loans granted

Ceiling on total loans granted

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

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

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

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

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

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

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

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

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

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

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

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

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

According to our(RI-TENG) policy for loans granted, except for the Company(PEGATRON) or foreign subsidiaries whose voting shares are directly or indirectly wholly-owned by the Company, when there is a short-term financing need, the ceiling on total loans granted to which is 100% of our(RI-TENG) net assets, the ceiling on total loans granted to all other parties is 30% of our(RI-TENG) net assets.

According to our(RIH LI) policy for loans granted, except for the Company(PEGATRON) or foreign subsidiaries whose voting shares are directly or indirectly wholly-owned by the Company, when there is a short-term financing need, the ceiling on total loans granted to which is 100% of our(RIH LI) net assets, the ceiling on total loans granted to all other parties is 60% of our(RI-TENG) net assets.

According to our(CASETEK CAYMAN) policy for loans granted, except for the Company(PEGATRON) or foreign subsidiaries whose voting shares are directly or indirectly wholly-owned by the Company, when there is a short-term financing need, the ceiling on total loans granted to which is 100% of our(CASETEK CAYMAN) net assets, the ceiling on total loans granted to all other parties is 60% of our(CASETEK CAYMAN) net assets.

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

Ceiling on total loans granted to single party

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

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

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

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

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

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

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

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

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

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

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

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

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

According to our(RIH LI) policy for loans granted, except for the Company(PEGATRON) or foreign subsidiaries whose voting shares are directly or indirectly wholly-owned by the Company, when there is a short-term financing need, the ceiling on total loans granted to which is 100% of our(RIH LI) net assets, the ceiling on total loans granted to other single party is 30% of our(RIH LI) net assets.

According to our(RI-TENG) policy for loans granted, except for the Company(PEGATRON) or foreign subsidiaries whose voting shares are directly or indirectly wholly-owned by the Company, when there is a short-term financing need, the ceiling on total loans granted to which is 100% of our(RI-TENG) net assets, the ceiling on total loans granted to other single party is 15% of our(RIH LI) net assets.

According to our(CASETEK CAYMAN) policy for loans granted, except for the Company(PEGATRON) or foreign subsidiaries whose voting shares are directly or indirectly wholly-owned by the Company, when there is a short-term financing need, the ceiling on total loans granted to which is 100% of our(CASETEK CAYMAN) net assets, the ceiling on total loans granted to other single party is 30% of our(CASETEK CAYMAN) net assets.

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

Note 3 : If the amounts were based on foreign currencies, please refer to the spot exchange rate on the financial statement date. (exchange rate on December 31, 2022 was USD/NTD: 30.7175 ; CNY/NTD: 4.41052)



## Notes to the Financial Statements

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

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

Note 1 : Relationship with the endorser / guarantor:

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

Note 2 : Ceiling on total endorsements / guarantees

According to PEL's policy of endorsements and guarantees, the total endorsements and guarantees of the Company to others should not exceed 50% of the Company's net assets.  
According to Azurewave's policy of endorsements and guarantees, the total endorsements and guarantees of the Company to others should not exceed 50% of the Company's net assets.  
According to ASROCK's policy of endorsements and guarantees, the total endorsements and guarantees of the Company to others should not exceed 70% of the Company's net assets.

Ceiling on endorsements/ guarantees provided for a single party

According to PEL's policy of endorsements and guarantees, the total endorsements and guarantees of the Company to others should not exceed 20% of the Company's net assets.  
According to Azurewave's policy of endorsements and guarantees, the total endorsements and guarantees of the Company to others should not exceed 50% of the Company's net assets.  
According to ASROCK's policy of endorsements and guarantees, the total endorsements and guarantees of the Company to others should not exceed 70% of the Company's net assets.

Note 3 : If the amounts were based on foreign currencies, please refer to the spot exchange rate on the financial statement date. (exchange rate on December 31, 2022 is USD/NTD: 30.7175)

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

## Notes to the Financial Statements

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

Securities held by	Marketable securities			General ledger account	Expressed in thousands of NTD				Footnote
	Category	Item	Relationship		As of December 31, 2022				
					Number of shares	Book value	Ownership	Fair value	
PEGATRON	Stock	ABILITY ENTERPRISE CO.,LTD.	-	financial asset measured at fair value through other comprehensive income-Non current	33,135,300	\$ 672,646	11.52%	\$ 672,646	
"	Stock	Airoha Technology Corp.	-	financial asset measured at fair value through profit or loss-Current	215,000	114,810	0.15%	114,810	
"	Stock	Fubon Financial Holding Co., Ltd. Preferred Shares B	-	financial asset measured at fair value through profit or loss-Non current	3,500,000	201,250	0.53%	201,250	
"	Fund	China Renewable Energy Fund, LP(CREF)	-	financial asset measured at fair value through profit or loss-Non current	-	735,767	NA	735,767	
"	Stock	TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY	-	financial asset measured at fair value through profit or loss-Current	470,000	210,795	0.00%	210,795	
"	Stock	DELTA ELECTRONICS, INC.	-	financial asset measured at fair value through profit or loss-Current	290,000	83,085	0.01%	83,085	
"	Stock	MEDIATEK INC.	-	financial asset measured at fair value through profit or loss-Current	255,000	159,375	0.02%	159,375	
ASUSPOWER	Stock	Tesla, Inc.	-	financial asset measured at fair value through profit or loss-Current	300	1,135	0.00%	1,135	
"	Stock	TXOne Networks Inc.	-	financial asset measured at fair value through other comprehensive income-Non current	1,454,545	245,740	2.80%	245,740	
PROTEK SHANGHAI	Stock	LUXSHARE ICT CO., LTD.	-	financial asset measured at fair value through profit or loss-Current	39,845,105	5,489,921	0.56%	5,489,921	
"	Stock	Contemporary Amperex Technology Co. Limited	-	financial asset measured at fair value through profit or loss-Current	3,000	5,168	0.00%	5,168	
"	Bond	LUXSHARE ICT CO., LTD.(Convertible Bond)	-	financial asset measured at fair value through profit or loss-Current	170,816	81,695	NA	81,695	
"	Stock	Ark Semiconductor Corp. Ltd.	-	financial asset measured at fair value through profit or loss-Non current	-	93,770	5.94%	93,770	
ASUSPOWER INVESTMENT	Stock	SPORTON INTERNATIONAL INC.	-	financial asset measured at fair value through profit or loss-Current	272,265	57,040	0.28%	57,040	
"	Stock	WIN SEMICONDUCTORS CORP.	-	financial asset measured at fair value through profit or loss-Current	691,000	94,322	0.16%	94,322	
"	Stock	ABILITY ENTERPRISE CO., LTD.	-	financial asset measured at fair value through other comprehensive income-Non current	6,495	132	0.00%	132	
"	Stock	ZOWIE Technology Corporation	-	financial asset measured at fair value through other comprehensive income-Non current	90,973	-	0.33%	-	
"	Stock	Syntronix CO., LTD.	-	financial asset measured at fair value through other comprehensive income-Non current	6,778	-	0.02%	-	
"	Stock	Valens Semiconductor Ltd.	-	financial asset measured at fair value through profit or loss-Non current	3,092,412	510,103	3.11%	510,103	
"	Stock	Cognito Health Inc	-	financial asset measured at fair value through other comprehensive income-Non current	1,136,363	-	1.54%	-	
"	Fund	AMED	-	financial asset measured at fair value through profit or loss-Non current	-	172,127	NA	172,127	
"	Stock	BATOM CO., LTD.	-	financial asset measured at fair value through profit or loss-Non current	3,000,000	141,269	9.51%	141,269	
ASUS INVESTMENT	Stock	SPEED TECH CORPORATION	-	financial asset measured at fair value through profit or loss-Current	8,000,000	386,400	4.69%	386,400	

## Notes to the Financial Statements

Securities held by	Marketable securities			General ledger account	As of December 31, 2022				Footnote
	Category	Item	Relationship		Number of shares	Expressed in thousands of NTD			
						Book value	Ownership	Fair value	
ASUS INVESTMENT	Stock	TAIWAN UNION TECHNOLOGY CORPORATION	-	financial asset measured at fair value through profit or loss-Current	277,000	\$ 14,238	0.10%	\$ 14,238	
"	Stock	TONG HSING ELECTRONIC INDUSTRIES ,LTD.	-	financial asset measured at fair value through profit or loss-Current	40,500	7,736	0.03%	7,736	
"	Stock	Lightel Technologies Inc.	-	financial asset measured at fair value through other comprehensive income-Non current	2,000,000	64,384	7.66%	64,384	
"	Stock	PT Sat Nusapersada Tbk	-	financial asset measured at fair value through other comprehensive income-Non current	531,434,100	201,334	10.00%	201,334	
"	Fund	New Economy Ventures LP	-	financial asset measured at fair value through profit or loss-Non current	-	56,397	NA	56,397	
"	Fund	AMED	-	financial asset measured at fair value through profit or loss-Non current	-	150,610	NA	150,610	
"	Stock	Neuroblade	-	financial asset measured at fair value through profit or loss-Non current	33,268	22,096	0.80%	22,096	
"	Stock	Reed Semiconductor	-	financial asset measured at fair value through profit or loss-Non current	819,616	35,993	2.07%	35,993	
ASUSTEK INVESTMENT	Stock	BATOM CO., LTD.	-	financial asset measured at fair value through profit or loss-Non current	1,084,000	51,045	3.44%	51,045	
KINSUS	Fund	Mega Diamond Money Market Fund	-	financial asset measured at fair value through profit or loss-Current	21,355,432	272,192	NA	272,192	
"	Fund	Jih Sun Money Market	-	financial asset measured at fair value through profit or loss-Current	17,776,549	167,907	NA	267,907	
KINSUS INVESTMENT	Fund	Taishin Ta-Chong Money Market Fund	-	financial asset measured at fair value through profit or loss-Current	829,070	11,964	NA	11,964	
"	Stock	Ethos Original Co., Ltd.	-	financial asset measured at fair value through other comprehensive income-Non current	5,000,000	50,000	7.49%	50,000	
"	Stock	Li Chang Finery Inc.	-	financial asset measured at fair value through other comprehensive income-Non current	32,653	1,000	1.01%	1,000	
Mayin	Fund	Mega Diamond Money Market Fund	-	financial asset measured at fair value through profit or loss-Current	392,329	5,001	NA	5,001	
PEGAVISION	Fund	Yuanta Wan Tai Money Market Fund	-	financial asset measured at fair value through profit or loss-Current	17,190,427	264,208	NA	264,208	
"	Fund	Yuanta De-Li Money Market Fund	-	financial asset measured at fair value through profit or loss-Current	18,482,095	30,627	NA	306,237	
BeautyTech	Fund	Yuanta Wan Tai Money Market Fund	-	financial asset measured at fair value through profit or loss-Current	2,733,974	42,020	NA	42,020	
"	Fund	Yuanta De-Li Money Market Fund	-	financial asset measured at fair value through profit or loss-Current	2,958,590	49,022	NA	49,022	
Lumens	Fund	Fuh Hwa Money Market	-	financial asset measured at fair value through profit or loss-Current	74,510,785	1,089,892	NA	1,089,892	
HUA-YUAN	Stock	Ethos Original Co., Ltd.	-	financial asset measured at fair value through other comprehensive income-Non current	5,000,000	50,617	7.49%	50,617	
"	Stock	NEW SMART TECHNOLOGY CO., LTD.	-	financial asset measured at fair value through profit or loss-Current	500,000	10,688	2.27%	10,688	
Pegatron Venture	Stock	KG Invest TW Co., Ltd.	-	financial asset measured at fair value through other comprehensive income-Non current	2,500,000	8,400	2.86%	8,400	
"	Stock	Panmedia Co., Ltd	-	financial asset measured at fair value through other comprehensive income-Non current	260,001	18,000	10.00%	18,000	

## Notes to the Financial Statements

Securities held by	Marketable securities		Relationship	General ledger account	As of December 31, 2022				Footnote
	Category	Item			Number of shares	Book value	Ownership	Fair value	
Pegatron Venture	Stock	TXOne Networks Inc.	-	financial asset measured at fair value through other comprehensive income-Non current	236,363	\$ 40,163	0.46%	\$ 40,163	
RI-KUAN	Stock	Ethos Original Co., Ltd.	-	financial asset measured at fair value through other comprehensive income-Non current	5,000,000	51,230	7.49%	51,230	

Expressed in thousands of NTD

## Notes to the Financial Statements

Table 4: Individual securities acquired or disposed of with accumulated amount exceeding the lower of TWD300 million or 20% of the capital stock  
December 31, 2022

												Expressed in thousands of NTD			
Investor	Marketable securities			Counterparty	Relationship with the investor	Balance as at January 1, 2022		Addition		Disposal				Balance as of December 31, 2022	
	Category	Item	General ledger account			Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Book Value	Gain (loss) on disposal	Number of shares	Amount(Note 1)
PEGATRON	Stock	Pegapower Investment	Equity investments under equity method	-	-	-	\$ -	100,000,000	\$ 1,000,000	-	\$ -	\$ -	\$ -	100,000,000	\$ 996,108
PEGATRON	Stock	Pegatron Investment	"	-	-	-	-	100,000,000	1,000,000	-	-	-	-	100,000,000	996,108
PEGATRON	Stock	PVN	"	-	-	-	2,665,892	-	134,225	-	-	-	-	-	4,350,383
PEGATRON	Stock	PEL	"	-	-	1,000	277,909	4,000	1,220,825	-	-	-	-	5,000	1,551,506
Pegapower Investment	Stock	Pegatron Venture	"	-	-	-	-	50,000,000	500,000	-	-	-	-	50,000,000	494,884
Pegatron Investment	Stock	Pegatron Venture	"	-	-	-	-	50,000,000	500,000	-	-	-	-	50,000,000	494,884
ASUS INVESTMENT	Stock	PMX	"	-	-	-	544,576	-	413,820	-	-	-	-	-	1,127,297
CASETEK CAYMAN	Stock	PMX	"	-	-	-	-	-	1,535,875	-	-	-	-	-	1,527,436

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

## Notes to the Financial Statements

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

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

Note 1 : If the amounts were based on foreign currencies, please refer to the spot exchange rate on the financial statement date. (exchange rate on December 31, 2022 is USD/NTD: 30.7175)

## Notes to the Financial Statements

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

Expressed in thousands of NTD

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

## Notes to the Financial Statements

Expressed in thousands of NTD

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



## Notes to the Financial Statements

Expressed in thousands of NTD

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

Note1 : Parent company

Note2 : Subsidiary measured by equity method.

Note3 : Affiliate company

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

# Notes to the Financial Statements

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

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

## Notes to the Financial Statements

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2022	Turnover rate	Overdue Receivables		Expressed in thousands of NTD		
					Amount	Action taken	Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts	
RI TENG	RI PRO	Affiliate Company	\$ 132,316	N/A	Note 1	\$ -	\$ -	\$ -	\$ -
	Protek ShangHai	Affiliate Company	4,410,520	N/A	Note 1	-	-	-	-
	PEGAGLOBE KUNSHAN	Affiliate Company	1,764,208	N/A	Note 1	-	-	-	-
ASROCK	ASRock America	Subsidiary measured by equity method	2,011,561	3.03	Times	-	-	107,489	-
	ASIAROCK	Subsidiary measured by equity method	176,151	1.66	Times	-	-	-	-
ASIAROCK	ASROCK	Parent Company	1,031,901	13.25	Times	-	-	-	-
	ASRock Rack	Affiliate Company	393,806	5.97	Times	-	-	-	-
	ASRock Industrial	Affiliate Company	247,181	5.79	Times	-	-	39,376	-
ASRock Rack	ASRock America	Affiliate Company	105,035	2.57	Times	-	-	-	-
KINSUS SUZHOU	KINSUS	Parent Company	241,659	6.38	Times	-	-	-	-
PEGAVISION	PEGAVISION JAPAN	Subsidiary measured by equity method	335,242	8.14	Times	-	-	45,575	-
Lumens	Lumens Integration	Subsidiary measured by equity method	102,559	1.65	Times	-	-	18,980	-
AzureWave Shanghai	AzureWave	Parent Company	242,537	3.71	Times	-	-	242,537	-

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

Note 2 : Offsetting of account receivables and payables.

## Notes to the Financial Statements

Table 8: Information on investees  
December 31, 2022

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022			Net profit (loss) of the investee for the year ended December 31, 2022	Investment income (loss) recognised by the Company for the year ended December 31, 2022	Note
				Balance as at December 31, 2022	Balance as at December 31, 2022	Number of shares	Ownership	Book value			
				Expressed in thousands of NTD							
PEGATRON	ASUSPOWER INVESTMENT	Taipei	Investment holding	\$ 13,033,429	\$ 13,033,429	932,844,700	100.00%	\$ 11,804,906	\$ 986,587	\$ 986,587	
	ASUS INVESTMENT	Taipei	Investment holding	16,184,982	16,184,982	979,254,600	100.00%	13,234,345	996,518	996,518	
	ASUSTEK INVESTMENT	Taipei	Investment holding	14,593,543	14,593,543	951,278,300	100.00%	9,047,435	1,128,402	1,128,402	
	PEGA HOLDING	Cayman Islands	Investment holding	34,318,691	34,318,691	991,906,463	100.00%	97,413,112	(5,718,858)	(5,718,232)	
	PUSA	CA, USA	Repairing and marketing center in Northern America	16,085	16,085	50,000	100.00%	18,712	(339)	(339)	
	PHH	Wijchen, NETHERLANDS	Investment holding	1,278,287	1,278,287	-	100.00%	3,339,681	222,049	222,049	
	AMA	Taipei	Research and design of computer components and wireless network development as well as selling and retailing of telecommunication, business and computer equipment and information software	408,394	408,394	33,500,000	100.00%	438,351	4,869	4,869	
	AzureWave	New Taipei City	Investment holding	525,750	525,750	35,750,000	23.41%	607,164	295,122	69,032	
	UNIHAN	Cayman Islands	Investment holding	5,823,962	5,823,962	170,110,010	100.00%	6,525,799	480,799	480,173	
	CASETEK CAYMAN	Cayman Islands	Investment holding	14,717,122	14,717,122	1	100.00%	44,532,173	5,979,271	5,979,271	
	PAU	Australia	Investment holding	139,088	139,088	6,000,000	100.00%	247,475	38,276	38,276	
	PTB	Indonesia	Data storage and processing equipment, manufacturing wired and wireless communication equipment, and whole selling of computer equipment and electronic components.	1,249,369	1,249,369	39,999	100.00%	1,869,730	392,200	470,409	
	PVN	Vietnam	Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts	4,314,741	2,973,516	-	100.00%	4,350,383	8,374	9,579	
	PHP	Vietnam	Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts	429,459	429,459	-	100.00%	229,267	(15,122)	(16,051)	
	PTI	India	Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts	4,287,622	4,287,622	1,099,890,000	99.99%	2,246,389	(1,148,900)	(1,143,022)	
	PTX	TX, USA	Sales and repair service center in North America	144,033	27,813	500	100.00%	284,492	166,890	166,890	
	PEL	TX, USA	Sales and repair service center in North America	1,498,950	278,125	5,000	100.00%	1,551,506	13,988	13,988	
	Pegapower Investment	Taipei	Investment holding	1,000,000	-	100,000,000	100.00%	996,108	(3,892)	(3,892)	
	Pegatron Investment	Taipei	Investment holding	1,000,000	-	100,000,000	100.00%	996,108	(3,892)	(3,892)	
	Pegatron Venture	Taipei	Investment holding	500,000	-	50,000,000	50.00%	494,884	(10,231)	Not required to disclose	
Pegatron Investment	Taipei	Investment holding	500,000	-	50,000,000	50.00%	494,884	(10,231)	Not required to disclose		
ASUSPOWER INVESTMENT	STARLINK	New Taipei City	Manufacture of computer components and industrial plastics. Sale and manufacture of electronic materials.	135,144	135,144	15,000,000	50.00%	247,357	11,425	Not required to disclose	
	KINSUS	Taoyuan	Manufacture of computer components. Sale and manufacture of electronic materials. Enterprise management consulting.	727,473	727,473	55,556,221	12.27%	4,196,708	6,976,792	Not required to disclose	
	ASROCK	Taipei	Selling motherboards, related product development and design	82,626	82,626	2,791,000	2.29%	185,953	1,078,380	Not required to disclose	
	AzureWave	New Taipei City	Wireless network development as well as selling and retailing of telecommunication, business and computer equipment and information software	154,000	154,000	7,000,000	4.58%	118,984	295,122	Not required to disclose	
	Lumens	Hsinchu	Development, manufacture and sale of projector and related product.	508,932	508,932	10,043,490	50.22%	1,118,898	174,676	Not required to disclose	
	PEGAVISION	Taoyuan	Manufacture of medical equipment	70,721	70,721	5,480,121	7.83%	503,208	1,543,185	Not required to disclose	
	ASUSPOWER	Virgin Islands	Investment holding and commercial affairs	3,752,682	3,752,682	109,000,000	31.23%	2,054,220	23,652	Not required to disclose	
	PTSI	Kentucky, USA	Repairing and marketing center in Northern America	94,475	94,475	2,800	100.00%	1,356,553	75,650	Not required to disclose	

## Notes to the Financial Statements

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022			Expressed in thousands of NTD		Note
				Balance as at December 31,2022	Balance as at December 31,2022	Number of shares	Ownership	Book value	Net profit (loss) of the investee for the year ended December 31, 2022	Investment income (loss) recognised by the Company for the year ended December 31, 2022	
ASUSPOWER INVESTMENT	PLSI	CA, USA	Transferring and marketing center in Northern America	\$ 30	\$ 30	1,000	100.00%	\$ 12,220	\$ (1)	Not required to disclose	
	WISE INVESTMENT	Taipei	Investment holding	48,780	48,780	-	48.78%	274,369	25,051	Not required to disclose	
	PEGA INTERNATIONAL	Taipei	Design service and commercial affairs	31,885	31,885	-	100.00%	25,883	(1,120)	Not required to disclose	
	PJ	Japan	Repairing and marketing center in Japan	27,287	27,287	-	100.00%	475,619	156,374	Not required to disclose	
	PMX	Chihuahua, Mexico	Manufacture of electronic products, the whole sale and retail sale of electronic materials.	738,554	456,761	-	22.43%	767,656	(22,125)	Not required to disclose	
	PSG	Singapore	Repairing and marketing center in Singapore	23,990	23,990	1,000,000	100.00%	228,533	29,652	Not required to disclose	
	PTB	Indonesia	Data storage and processing equipment, manufacturing wired and wireless communication equipment, and whole selling of computer equipment and electronic components.	31	31	1	0.00%	46	392,200	Not required to disclose	
ASUS INVESTMENT	PTI	India	Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts	429	429	110,000	0.01%	263	(1,148,900)	Not required to disclose	
	STARLINK	New Taipei City	Manufacture of computer components and industrial plastics. Sale and manufacture of electronic materials.	90,000	90,000	9,000,000	30.00%	148,414	11,425	Not required to disclose	
	KINSUS	Taoyuan	Manufacture of computer components. Sale and manufacture of electronic materials. Enterprise management consulting.	938,098	938,098	60,128,417	13.28%	4,542,087	6,976,792	Not required to disclose	
	ASROCK	Taipei	Selling motherboards, related product development and design	155,718	155,718	57,217,754	46.90%	3,812,252	1,078,380	Not required to disclose	
	Lumens	Hsinchu	Development, manufacture and sale of projector and related product.	7,338	7,338	587,079	2.94%	65,404	174,676	Not required to disclose	
	ASUSPOWER	Virgin Islands	Investment holding and commercial affairs	3,488,741	3,488,741	103,000,000	29.51%	1,941,083	23,652	Not required to disclose	
	AS FLY	Taipei	Travel industry	6,000	6,000	-	100.00%	6,183	415	Not required to disclose	
	HUA-YUAN	Taipei	Investment holding	500,000	500,000	-	100.00%	549,031	9,109	Not required to disclose	
	PMX	Chihuahua, Mexico	Manufacture of electronic products, the whole sale and retail sale of electronic materials.	1,114,671	700,851	-	32.94%	1,127,297	(22,125)	Not required to disclose	
	FUYANG	Hsinchu	Manufacture of wire, cable and electronic components. Sale of electronic material.	464,711	464,711	32,088,436	17.83%	192,191	149,546	Not required to disclose	
ASUSTEK INVESTMENT	STARLINK	New Taipei City	Manufacture of computer components and industrial plastics. Sale and manufacture of electronic materials.	60,000	60,000	6,000,000	20.00%	98,943	11,425	Not required to disclose	
	KINSUS	Taoyuan	Manufacture of computer components. Sale and manufacture of electronic materials. Enterprise management consulting.	794,252	794,252	58,233,091	12.86%	4,398,914	6,976,792	Not required to disclose	
	ASROCK	Taipei	Selling motherboards, related product development and design	223,939	223,939	7,453,405	6.11%	496,599	1,078,380	Not required to disclose	
	AzureWave	New Taipei City	Wireless network development as well as selling and retailing of telecommunication, business and computer equipment and information software	98,487	98,487	6,696,930	4.38%	113,833	295,122	Not required to disclose	
	Lumens	Hsinchu	Development, manufacture and sale of projector and related product.	5,117	5,117	409,427	2.05%	45,612	174,676	Not required to disclose	
	PEGAVISION	Taoyuan	Manufacture of medical equipment	64,292	64,292	4,934,434	7.05%	453,101	1,543,185	Not required to disclose	
	ASUSPOWER	Virgin Islands	Investment holding and commercial affairs	4,652,885	4,652,885	137,000,000	39.26%	2,582,411	23,652	Not required to disclose	
	FUYANG	Hsinchu	Manufacture of wire, cable and electronic components. Sale of electronic material.	929,422	929,422	64,176,872	35.65%	384,274	149,546	Not required to disclose	
	Dynaflex	Cayman Islands	Investment holding	228,635	-	5,714	11.43%	229,606	32,107	Not required to disclose	
	PKR	Korea	Repairing and marketing center in Korea	46,076	46,076	360,000	100.00%	135,111	27,594	Not required to disclose	
PSG PEGA HOLDING	MAGNIFICENT	Virgin Islands	Investment holding and commercial affairs	7,998,249	7,998,249	177,961,090	100.00%	31,936,979	(1,099,424)	Not required to disclose	
	PROTEK	Virgin Islands	Investment holding and commercial affairs	9,196,774	9,196,774	308,100,000	100.00%	35,879,546	(4,790,438)	Not required to disclose	
	ASLINK	Cayman Islands	Investment holding and commercial affairs	6,917,787	6,917,787	229,711,968	100.00%	18,027,333	(47,973)	Not required to disclose	

## Notes to the Financial Statements

				Initial investment amount		Shares held as at December 31, 2022			Expressed in thousands of NTD		
Investor	Investee	Location	Main business activities	Balance as at December 31,2022	Balance as at December 31,2022	Number of shares	Ownership	Book value	Net profit (loss) of the investee for the year ended December 31, 2022	Investment income (loss) recognised by the Company for the year ended December 31, 2022	Note
PEGA HOLDING	DIGITEK	Virgin Islands	Investment holding and commercial affairs	\$ 1,506,647.64	\$ 1,506,647.64	49,050,000	100.00%	\$ 7,150,200.46	\$ (194,807)		Not required to disclose
	COTEK	Virgin Islands	Investment holding and commercial affairs	2,119,968	2,119,968	81,275,000	100.00%	2,288,049	250,874		Not required to disclose
	TOP QUARK	HongKong	Investment holding	325,436	325,436	9,550,000	100.00%	305,432	4,106		Not required to disclose
	POWTEK	Virgin Islands	Investment holding and commercial affairs	403,797	403,797	8,050,000	100.00%	1,501,347	193,927		Not required to disclose
	PIOTEK CAYMAN	Cayman Islands	Investment holding	2,834,411	2,834,411	92,000,000	49.00%	(41,841)	(246,681)		Not required to disclose
	GUT	Samoa	Investment holding and commercial affairs	40,739	40,739	5,000,000	100.00%	4,967	(31,801)		Not required to disclose
KINSUS	KINSUS USA	CA, USA	Design substrate, analyze market strategy, development new customer and new technology.	15,359	15,359	500,000	100.00%	71,710	(2,492)		Not required to disclose
	KINSUS SAMOA	Samoa	Investment holding	5,047,153	5,108,588	164,308,720	100.00%	3,230,275	883,693		Not required to disclose
	KINSUS INVESTMENT	Taoyuan	Investment holding	1,600,000	1,600,000	160,000,000	100.00%	2,841,401	522,300		Not required to disclose
KINSUS INVESTMENT	PEGAVISION	Taoyuan	Manufacture of medical equipment	252,455	252,455	21,233,736	30.33%	1,949,698	1,542,135		Not required to disclose
	FUYANG	Hsinchu	Manufacture of wire, cable and electronic components. Sale of electronic material.	929,422	929,422	64,176,872	35.65%	381,123	149,546		Not required to disclose
KINSUS SAMOA	KINSUS CAYMAN	Cayman Islands	Investment holding	2,150,225	2,211,660	70,000,000	100.00%	3,300,350	1,002,772		Not required to disclose
	PIOTEK CAYMAN	Cayman Islands	Investment holding	2,896,937	2,896,937	95,755,000	51.00%	(43,557)	(246,690)		Not required to disclose
PIOTEK CAYMAN	PIOTEK	Virgin Islands	Investment holding	4,295,560	4,295,560	139,840,790	100.00%	(85,395)	(246,690)		Not required to disclose
PIOTEK	PIOTEK H.K.	HongKong	Commercial affairs	799	799	200,000	100.00%	66,411	(3,572)		Not required to disclose
PEGAVISION	PEGAVISION JAPAN	Japan	Sale of medical equipment	2,302	2,302	198	100.00%	94,156	35,608		Not required to disclose
	Mayin	Taoyuan	Investment holding	246,003	120,003	21,000,000	100.00%	383,590	102,903		Not required to disclose
Mayin	BeautyTech	Taoyuan	Selling medical appliances and cosmetics	107,500	40,000	8,500,000	85.00%	221,349	114,108		Not required to disclose
Mayin	FacialBeau	Taoyuan	Selling medical appliances and cosmetics	27,500	27,500	2,750,000	55.00%	25,576	(3,481)		Not required to disclose
BeautyTech	Aquamax	CA, USA	Selling medical appliances and cosmetics	-	33,789	-	-	-	(6,344)		Not required to disclose
	BEAUTUTECH SG	Singapore	Selling medical appliances and cosmetics	6,144	-	200,000	100.00%	6,221	(46)		Not required to disclose
FacialBeau	Aquamax	CA, USA	Selling medical appliances and cosmetics	33,789	-	11,000,000	100.00%	6,895	(6,344)		Not required to disclose
	RODNA	Korea	Selling medical appliances and cosmetics	2,436	-	-	100.00%	2,345	(87)		Not required to disclose
FUYANG	FUYANG HOLDING	Cayman Islands	Investment holding and commercial affairs	1,357,292	1,357,292	44,000,000	100.00%	181,223	143,725		Not required to disclose
ASROCK	ASRock Rack	Taipei	Manufacture and sale of computer related products	390,240	390,240	30,884,308	59.68%	501,788	137,524		Not required to disclose
	ASIA ROCK	Virgin Islands	Investment holding	1,320,886	1,320,886	40,000,000	100.00%	3,714,463	(17,215)		Not required to disclose
	Leader	Virgin Islands	Investment holding	71,559	71,559	2,100,000	100.00%	59,664	(52,186)		Not required to disclose
	ASRock Industrial	Taipei	Manufacture and sale of computer related products	239,683	239,683	31,064,410	64.46%	591,297	334,996		Not required to disclose
	ASJade	Taipei	Information software service	216,563	103,125	17,325,000	82.50%	172,490	(52,876)		Not required to disclose
	Soaring	HongKong	International trade	592	592	150,000	100.00%	592	1		Not required to disclose
ASIA ROCK	ASROCK EUROPE	Nijmegen, NETHERLANDS	Sale of data storage devices and electronic materials	5,959	5,959	200,000	100.00%	738,276	(2,250)		Not required to disclose
	CalRock	CA, USA	Renting offices	61,435	61,435	2,000,000	100.00%	64,978	(1,131)		Not required to disclose
	Orbweb	Virgin Islands	Installation of computer equipment and sale of computer related product.	30,718	30,718	4,000,000	27.59%	-	(1,630)		Not required to disclose
Leader	Firstplace	Virgin Islands	Investment holding	62,971	62,971	2,050,000	100.00%	59,617	(52,186)		Not required to disclose
Firstplace	ASRock America	CA, USA	Sale of data storage devices and electronic materials	61,435	61,435	2,000,000	100.00%	58,583	(52,186)		Not required to disclose
Lumens	Lumens Integration	CA, USA	Purchase and sale on computer product and computer related product.	37,199	37,199	1,222,000	100.00%	16,115	(10,875)		Not required to disclose
	Lumens SAMOA	Samoa	Investment holding	7,679	7,679	250,000	100.00%	31,579	6,285		Not required to disclose
PTSI	PCBR	Brasil	Repairing service	19,966	19,966	-	100.00%	6,650	(857)		Not required to disclose
UNIHAN	CASETEK	Virgin Islands	Investment holding and commercial affairs	5,044,110	5,044,110	115,375,668	100.00%	4,671,852	480,570		Not required to disclose
CASETEK	SLITEK	Samoa	Investment holding and commercial affairs	37,168	37,168	1,210,000	100.00%	(3,038)	(4,079)		Not required to disclose
	KHL	HongKong	Investment holding and commercial affairs	767,938	767,938	25,000,000	100.00%	632,823	56,495		Not required to disclose
	KTL	Samoa	Investment holding and commercial affairs	153,588	153,588	5,000,000	100.00%	490,771	(81,735)		Not required to disclose
AzureWave	Azwave	Samoa	Investment holding	2,173,438	2,173,438	70,177,000	100.00%	2,049,276	(275,036)		Not required to disclose
	EZWAVE	New Taipei City	Information product service industry	5,015	5,015	500,000	100.00%	(23,824)	(714)		Not required to disclose

## Notes to the Financial Statements

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022			Expressed in thousands of NTD		
				Balance as at December 31,2022	Balance as at December 31,2022	Number of shares	Ownership	Book value	Net profit (loss) of the investee for the year ended December 31, 2022	Investment income (loss) recognised by the Company for the year ended December 31, 2022	Note
AzureWave	AzureWave Shanghai	New Taipei City	Sale of electronic materials	\$ 25,000	\$ 25,000	2,000,000	100.00%	\$ 36,330	\$ 3,924	Not required to disclose	
	Azurewave USA	CA, USA	Market development	19,820	19,820	650,000	100.00%	1,048	(1,300)	Not required to disclose	
CASETEK CAYMAN	RIH LI	Samoa	Investment holding	23,546,072	23,546,072	581,331,000	100.00%	34,300,346	4,245,896	Not required to disclose	
	RI-KUAN	Taipei	Sales of iron and aluminum products	309,683	309,683	30,000,000	100.00%	719,499	114,920	Not required to disclose	
	APLUS	Cayman Islands	Investment holding and commercial affairs	987,710	987,710	38,300,000	100.00%	898,255	26,886	Not required to disclose	
	MEGA	Samoa	Commercial affairs	30,718	30,718	1,000,000	100.00%	57,046	1,593	Not required to disclose	
	PMX	Chihuahua, Mexico	Manufacture of electronic products, the whole sale and retail sale of electronic materials.	1,535,875	-	-	44.63%	1,527,436	(22,125)	Not required to disclose	
APLUS	UNITED	Samoa	Investment holding and commercial affairs	1,176,480	1,176,480	38,300,000	100.00%	898,255	26,886	Not required to disclose	
RI-KUAN	RITENG	CA, USA	Market survey	7,065	7,065	230,000	100.00%	7,384	(648)	Not required to disclose	
ASUSPOWER	Dynaflex	Cayman Islands	Investment holding	257,245	-	6,429	12.86%	249,955	32,107	Not required to disclose	

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

# Notes to the Financial Statements

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

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

Expressed in thousands of NTD

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan as of January 1, 2022	Amount remitted from Taiwan to Mainland China / Amount remitted back to Taiwan for the year ended December 31, 2022		Accumulated amount of remittance from Taiwan as of December 31, 2022	Net income of investee for the year ended December 31, 2022	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2022 [ Note2, (2) ]	Book value of investments in Mainland China as of December 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022
					Remitted to Mainland China	Remitted back to Taiwan						
MAINTEK (Note 5)	Manufacture, develop and research and sale of power supplier, new electronic component, computer case, and computer system. Repair of laptop, motherboard and related product.	\$ 7,021,713 USD 228,590,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	\$ 5,430,854 USD 176,800,000	\$ -	\$ -	\$ 5,430,854 USD 176,800,000	(\$1,099,377) (USD 36,935,614)	100%	(\$1,099,377) (USD 36,935,614)	\$ 32,075,511 USD 1,044,209,671	\$ -
PROTEK SHANGHAI	Develop and research, manufacture, assemble, repair, sale and design of satellite communication equipment, satellite navigation receive equipment and essential component. Sale of cellphone, medium and large sized computer, portable computer, printing machine and electrical component.	9,460,990 USD 308,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	9,460,990 USD 308,000,000	-	-	9,460,990 USD 308,000,000	(4,790,380) (USD 160,941,719)	100%	(4,790,380) (USD 160,941,719)	36,019,649 USD 1,172,610,056	-
PIOTEK SUZHOU (Note 7)	Develop and research, manufacture and sale of new type of precision electrical component, circuit board and related product. The company also provides after sale service.	5,120,607 USD 166,700,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	1,395,996 USD 45,446,280	-	-	1,395,996 USD 45,446,280	(243,116) (USD 8,167,944)	68.59%	(166,751) (USD 5,602,319)	(104,119) (USD 3,389,577)	-
COTEK SUZHOU	Develop, manufacture and sale of new electrical component, plugs and corresponding precision mold. The company also provides after sale service.	2,488,118 USD 81,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	2,119,508 USD 69,000,001	-	-	2,119,508 USD 69,000,001	249,123 USD 8,369,736	100%	249,123 USD 8,369,736	2,215,651 USD 72,129,929	-
RUNTOP (Note 19)	Manufacture and sale of computer components, digital automatic data processing machine, accessories of multimedia computer, power supplier, network switch and data machine.	215,023 USD 7,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	323,900 USD 10,544,482	-	-	323,900 USD 10,544,482	- USD 0	0%	- USD 0	- USD 0	-
POWTEK SHANGHAI	Sale of computer motherboard, computer, laptop, service machine and computer related items. The company also provides after sale service.	245,740 USD 8,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	403,797 USD 13,145,510	-	-	403,797 USD 13,145,510	193,991 USD 6,517,477	100%	193,991 USD 6,517,477	1,501,090 USD 48,867,593	-
DIGITEK CHONGQING	Research and development, manufacture, sale of satellite communication equipment, satellite navigation receive equipment, cellphone, internet related equipment, computer, video decoding equipment, car-used electrical equipment and component. The company also provides export, proxy, repair services.	1,505,158 USD 49,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	1,505,158 USD 49,000,000	-	-	1,505,158 USD 49,000,000	(194,770) (USD 6,543,657)	100%	(194,770) (USD 6,543,657)	7,142,644 USD 232,526,865	-
PEGAGLOBE KUNSHAN	Manufacture of satellite navigation receiving equipment, cellphone, core equipment, internet detection equipment, large and medium sized computer, easy to carry computers, high end service equipment, large volume light driver and their component.	5,959,195 USD 194,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	5,959,195 USD 194,000,000	-	-	5,959,195 USD 194,000,000	(49,284) (USD 1,655,772)	100%	(49,284) (USD 1,655,772)	17,135,835 USD 557,852,530	-
PEGAGLOBE JIANGSU	Investing activities with own funds: equity investment	921,525 USD 30,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	921,525 USD 30,000,000	-	-	921,525 USD 30,000,000	845 USD 28,383	100%	845 USD 28,383	934,295 USD 30,415,730	-
CASETEK SUZHOU (Note 17)	Manufacture, development and research and sale of computer, computer system and its component. The company also provides after sale service.	1,720,180 USD 56,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	1,720,180 USD 56,000,000	-	-	1,720,180 USD 56,000,000	586,034 USD 19,688,898	100%	586,034 USD 19,688,898	2,956,199 USD 96,238,280	-
KAEDAR KUNSHAN	Manufacture of plastic injection products.	537,556 USD 17,500,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	752,797 USD 24,507,092	-	-	752,797 USD 24,507,092	56,524 USD 1,899,018	100%	56,524 USD 1,899,018	617,192 USD 20,092,517	-
CORE-TEK	Research, manufacture and sale of laptop components and precision equipment. Design non-metal molds and electronic devices. The company also provides after sale service and consulting service.	368,610 USD 12,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	368,610 USD 12,000,000	-	-	368,610 USD 12,000,000	3,355 USD 112,709	100%	3,355 USD 112,709	213,202 USD 6,940,720	-
KAI-CHUAN	Research and develop, manufacture and inspect computer and implication system. Manufacture molds, precision molds, plastic components. Sale of automatic products.	307,175 USD 10,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	307,175 USD 10,000,000	-	-	307,175 USD 10,000,000	(80,978) (USD 2,720,608)	100%	(80,978) (USD 2,720,608)	237,562 USD 7,733,759	-



## Notes to the Financial Statements

Expressed in thousands of NTD

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

# Notes to the Financial Statements

Expressed in thousands of NTD

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

## 2. Limitation on investment in Mainland China

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

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

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

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

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

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

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

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

Note 5 : MAINTTEK's paid-in capital includes capital increase by retained earning of USD51,790,000.

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

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

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

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

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

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

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

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

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

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

Note 16 : The difference of USD17,211,239.04 between the accumulated amounts of remittance from Taiwan to Mainland China as of December 31, 2021 was the actual amount of investment in Mainland China made by China Renewable Energy Fund, LP(CREF) and Ark Semiconductor Corp. Ltd.

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

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

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

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

**PEGATRON CORPORATION**  
**Statement of Accounts Receivable**  
**December 31, 2022**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Client name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Related party			
PROTEK (SHANGHAI) LTD.	Payment	\$ 143,872,147	
PEGAGLOBE (KUNSHAN) CO., LTD.	"	88,285,361	
DIGITEK (CHONGQING) LTD.	"	28,181,168	
MAINTEK COMPUTER (SUZHOU) CO., LTD.	"	22,078,619	
PEGATRON TECHNOLOGY INDIA PRIVATE LIMITED	"	23,511,116	
PT PEGAUNIHAN TECHNOLOGY INDONESIA	"	17,177,440	
Other (Note)	"	<u>15,008,282</u>	
Subtotal		<u>338,114,133</u>	
Non-related party			
A	"	83,012,299	
B	"	28,770,520	
C	"	17,306,265	
Other (Note)	"	<u>36,762,235</u>	
Subtotal		<u>165,851,319</u>	
Total		<u><u>\$ 503,965,452</u></u>	

Note: The year-end balance of each client doesn't exceed 5 % of the account balance.

**PEGATRON CORPORATION**

**Statement of Inventory**

**December 31, 2022**

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

<u>Item</u>	<u>Amount</u>		<u>Note</u>
	<u>Cost</u>	<u>Net realized value</u>	
Merchandise	\$ 46,584,493	46,430,762	
Finished goods	607,574	665,024	
Work in process	419,163	484,647	
Raw materials	3,286,863	3,498,584	Replacement cost has been used as the market price of usual inventory, and net realizable value has been used as the market price of obsolete inventory.
Total	<u>50,898,093</u>	<u><b>51,079,017</b></u>	
Less: Allowance for inventory market decline and obsolescence	<u>(1,227,777)</u>		
Net total	<u><b>\$ 49,670,316</b></u>		

## PEGATRON CORPORATION

## Statement of Changes in Investments Accounted for Using the Equity Method

For the year ended December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Name of investee	Beginning Balance		Addition		Decrease		Investment income or loss	Translation adjustment	Capital surplus	Unrealized gain or loss of financial instruments	Re-measurement of defined benefit plans	Unrealized gross margin	Ending Balance			Market Value or Net Assets Value		
	Shares (in thousand)	Amount	Shares (in thousand)	Amount	Shares (in thousand)	Amount							Shares (in thousand)	Percentage of ownership	Amount	Unit price	Total amount	Collateral
ASUSPOWER INVESTMENT CO., LTD.	932,845	\$ 10,343,374	-	-	-	-	986,587	460,859	7,312	(67)	6,841	-	932,845	100.00%	11,804,906	12.65	11,804,906	None
ASUS INVESTMENT CO., LTD.	979,255	11,660,148	-	-	-	-	996,518	550,350	38,316	(21,791)	10,803	-	979,255	100.00%	13,234,344	13.51	13,234,344	"
ASUSTEK INVESTMENT CO., LTD.	951,278	7,613,944	-	-	-	-	1,128,402	298,896	(20)	-	6,213	-	951,278	100.00%	9,047,435	9.51	9,047,435	"
PEGAPOWER INVESTMENT CO., LTD	-	-	100,000	1,000,000	-	-	(3,892)	-	-	-	-	-	100,000	100.00%	996,108	9.96	996,108	"
PEGATRON INVESTMENT CO., LTD	-	-	100,000	1,000,000	-	-	(3,892)	-	-	-	-	-	100,000	100.00%	996,108	9.96	996,108	"
UNIHAN HOLDING LTD.	170,110	5,734,488	-	-	-	-	480,173	311,138	-	-	-	-	170,110	100.00%	6,525,799	38.36	6,525,799	"
AMA PRECISION INC.	33,500	433,482	-	-	-	-	4,869	-	-	-	-	-	33,500	100.00%	438,351	13.09	438,351	"
AZUREWAVE TECHNOLOGIES, INC.	35,750	492,197	-	-	-	-	69,032	48,109	(2,328)	-	153	-	35,750	23.41%	607,163	19.40	693,550	"
PEGATRON HOLDING LTD.	991,906	93,235,505	-	-	-	-	(5,718,232)	9,895,839	-	-	-	-	991,906	100.00%	97,413,112	98.21	97,413,112	"
PEGATRON USA, INC.	50	17,179	-	-	-	-	(339)	1,872	-	-	-	-	50	100.00%	18,712	374.24	18,712	"
Pegatron Holland Holding B.V.	-	2,894,729	-	-	-	-	222,049	222,902	-	-	-	-	-	100.00%	3,339,680	-	3,339,680	"
CASETEK HOLDINGS LIMITED (CAYMAN)	-	37,051,112	-	-	-	-	5,979,271	1,382,156	119,634	-	-	-	-	100.00%	44,532,173	-	44,532,173	"
PEGATRON SERVICE AUSTRALIA PTY LTD.	6,000	201,423	-	-	-	-	38,276	7,776	-	-	-	-	6,000	100.00%	247,475	41.25	247,475	"
PT. PEGAUNIHAN TECHNOLOGY INDONESIA	40	1,246,851	-	-	-	-	470,409	152,582	-	-	(112)	-	40	99.99%	1,869,730	46,743.23	1,869,730	"
PEGATRON TECHNOLOGY HAI PHONG COMPANY LIMITED	-	221,520	-	-	-	-	(16,051)	23,798	-	-	-	-	-	100.00%	229,267	-	229,267	"
PEGATRON VIETNAM COMPANY LIMITED	-	2,665,892	-	1,341,225	-	-	9,579	333,688	-	-	-	-	-	100.00%	4,350,384	-	4,350,384	"
Pegatron Technology India Private Limited	1,099,890	3,760,945	-	-	-	-	(1,143,021)	20,301	-	-	-	(391,835)	1,099,890	99.99%	2,246,390	2.04	2,246,390	"
PEGATRON TECHNOLOGY TEXAS INC.	-	(9,563)	-	116,220	-	-	166,890	10,945	-	-	-	-	-	100.00%	284,492	-	284,492	"
PEGATRON ELECTRONICS INC.	1	277,907	4	1,220,825	-	-	13,988	38,786	-	-	-	-	5	100.00%	1,551,506	310,301.20	1,551,506	"
Subtotal	-	177,841,133	-	4,678,270	-	-	3,680,616	13,759,997	162,914	(21,858)	23,898	(391,835)	-	-	199,733,135	-	-	-
Add: Credit balance of investments accounted for using equity method	-	9,563	-	-	-	(9,563)	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	\$ 177,850,696	-	4,678,270	-	(9,563)	3,680,616	13,759,997	162,914	(21,858)	23,898	(391,835)	-	-	199,733,135	-	-	-

**PEGATRON CORPORATION**

**Statement of Short-term Loan**

**December 31, 2022**

(Expressed in thousands of New Taiwan Dollars)

<u>Type</u>	<u>Ending Balance</u>	<u>Contract Period</u>	<u>Interest Rate</u>	<u>Collateral</u>	<u>Note</u>
Unsecured bank loans	\$ <u><u>51,484,097</u></u>	2022.07.26~2023.03.17	0.38%~5.09%	None	

**Statement of Account Payable**

<u>Vendor name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Related party			
PEGAGLOBE (KUNSHAN) CO., LTD	Payment	\$ 118,727,109	
PROTEK (SHANGHAI) LTD	"	93,962,599	
DIGITEK (CHONGQING) LTD	"	26,282,280	
Other (Note)	"	<u>28,506,334</u>	
Subtotal		<u>267,478,322</u>	
Non-related party			
A	"	90,555,904	
B	"	22,302,976	
Other (Note)	"	<u>69,314,287</u>	
Subtotal		<u>182,173,167</u>	
Total		<u>\$ 449,651,489</u>	

Note: The year-end balance of each vendor doesn't exceed 5% of the account balance.

**PEGATRON CORPORATION**  
**Statement of Operating Revenue**  
**For the year ended December 31, 2022**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Quantity</u>	<u>Amount</u>	<u>Note</u>
Sales revenue:			
3C electronic products	149,462 thousand units	\$ 1,141,997,996	Note 1
Others		<u>90,388,072</u>	Note 2
		<b><u>\$ 1,232,386,068</u></b>	

Note 1: 3C electronic products contain information technology products, consumer electronic products, and communication products.

Note 2: Others contain repair revenue, service revenue, and others.

**PEGATRON CORPORATION**

**Statement of Operating Costs**

**For the year ended December 31, 2022**

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

Item	Amount	
	Subtotal	Total
Cost of sales from manufacturing		
Raw materials, January 1		\$ 4,652,762
Add: Purchase (Note1)		33,622,828
Transferred-in		4,150,125
Less: Transferred (includes amount transferred to each expense and loss) (Note1)		(1,400,322)
Raw materials, December 31		(3,286,863)
Direct labor		1,437,533
Manufacturing expenses		<u>4,516,769</u>
Cost of manufacturing		43,692,832
Add: Work in process, January 1		529,903
Less: Transferred (includes amount transferred to each expense and loss) (Note1)		(266,031)
Work in process, December 31		<u>(419,163)</u>
Cost of finished goods		43,537,541
Add: Finished goods, January 1		979,775
Less: Transferred(includes amount transferred to each expense and loss) (Note1)		(448,246)
Finished goods, December 31		<u>(607,574)</u>
Cost of self-manufactured products		43,461,496
Merchandise, January 1	35,066,581	
Add: Purchase (Note1)	2,258,250,945	
Less: Transferred(includes amount transferred to each expense and loss)(Note1)	(1,086,951,720)	
Merchandise, December 31	<u>(46,584,493)</u>	<u>1,159,781,313</u>
Cost of goods sold		1,203,242,809
Other business costs		(634,569)
Allowance for inventory obsolescence		105,124
Loss on disposal of inventory		<u>335,580</u>
Operating costs		<u><u>\$ 1,203,048,944</u></u>

Note1: The product is processed by subsidiary and sold back to the Company. The number includes the sold back price of the product.



**PEGATRON CORPORATION**  
**Statement of Operating Expenses**  
**For the year ended December 31, 2022**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Sales</u>	<u>Administration</u>	<u>Research and Development</u>	<u>Total</u>
Salary and wages expense	\$ 1,014,547	1,568,101	6,080,371	8,663,019
Transportation expense	496,155	2,307	8,120	506,582
Insurance expense	64,661	84,350	392,065	541,076
Expected credit loss (reversal gain)	59,047	-	(27)	59,020
Depreciation expense	35,113	145,350	306,114	486,577
Amortization expense	2,161	3,395	9,092	14,648
Pension expense	35,225	45,225	217,406	297,856
Storage expense	252,834	877	-	253,711
Other personnel expense	64,873	77,070	391,203	533,146
Other (Note)	<u>596,989</u>	<u>737,937</u>	<u>1,023,723</u>	<u>2,358,649</u>
	<u>\$ 2,621,605</u>	<u>2,664,612</u>	<u>8,428,067</u>	<u>13,714,284</u>

Note: The year-end balance of each item doesn't exceed 5% of the account balance.