

PEGATRON CORPORATION AND SUBSIDIARIES**Consolidated Financial Statements****With Independent Auditors' Review Report
For the Six Months Ended June 30, 2023 and 2022**

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

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Independent Auditors' Review Report

To the Board of Directors of Pegatron Corporation:

Introduction

We have reviewed the accompanying consolidated balance sheets of Pegatron Corporation and its subsidiaries as of June 30, 2023 and 2022, and the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2023 and 2022, and changes in equity and cash flows for the six months ended June 30, 2023 and 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with the Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" of the Republic of China. A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing of the Republic of China and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As stated in Note 4(b), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect total assets amounting to \$74,448,115 thousand and \$69,692,666 thousand, constituting 13.81% and 11.26% of consolidated total assets as of June 30, 2023 and 2022, respectively, total liabilities amounting to \$8,110,481 thousand and \$15,592,457 thousand, constituting 2.47% and 3.69% of consolidated total liabilities as of June 30, 2023 and 2022, respectively, and total comprehensive (loss) gain amounting to \$(283,782) thousand, \$(474,675) thousand, \$(486,867) thousand and \$237,644 thousand, constituting (4.95)%, (5.66)%, (5.66)% and 1.38% of consolidated total comprehensive income for the three months and the six months ended June 30, 2023 and 2022, respectively.

Furthermore, as stated in Note 6(g), the other equity accounted investments of Pegatron Corporation and its subsidiaries in its investee companies of \$28,261,472 thousand and \$23,851,547 thousand as of June 30, 2023 and 2022, respectively, and its equity in net earnings on these investee companies of \$1,008,665 thousand, \$13,380 thousand, \$1,091,249 thousand and \$1,140,686 thousand for the three months and the six months ended June 30, 2023 and 2022, respectively, were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Pegatron Corporation and its subsidiaries as of June 30, 2023 and 2022, and of its consolidated financial performance for the three months and six months ended June 30, 2023 and 2022, and its consolidated cash flows for the six months ended June 30, 2023 and 2022 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Other Matter

We did not review the financial statements of certain consolidated subsidiaries, with total assets of \$94,273,578 thousand and \$82,657,688 thousand, representing 17.49% and 13.35% of the related consolidated total assets as of June 30, 2023 and 2022, and net sales of \$13,169,435 thousand, \$17,245,150 thousand, \$26,524,867 thousand and \$34,540,440 thousand, representing 4.69%, 6.08%, 4.43% and 5.69% of the related consolidated total net sales for the three months and the six months ended June 30, 2023 and 2022, respectively. Those financial statements were reviewed by other auditors whose reports have been furnished to us, and our review, insofar as it relates to the amounts included for certain consolidated subsidiaries, are based solely on the reports of the other auditors.

The engagement partners on the review resulting in this independent auditors’ report are Shih-Chin Chih and Chun-Kuang Chen.

KPMG

Taipei, Taiwan (Republic of China)
August 10, 2023

Notes to Readers

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

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

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

PEGATRON CORPORATION AND SUBSIDIARIES**Consolidated Balance Sheets****June 30, 2023, December 31, 2022, and June 30, 2022****(Expressed in Thousands of New Taiwan Dollars)**

	June 30, 2023		December 31, 2022		June 30, 2022		
	Amount	%	Amount	%	Amount	%	
Assets							
Current assets:							
1100	Cash and cash equivalents (Note 6(a))	\$ 79,836,072	15	84,577,382	13	96,884,617	16
1110	Current financial assets at fair value through profit or loss (Note 6(b))	9,848,978	2	9,024,851	2	9,030,024	1
1170	Accounts receivable, net (Notes 6(d), (x) and 7)	156,220,823	29	190,247,179	30	189,209,497	31
1200	Other receivables, net (Notes 6(e) and 7)	1,069,859	-	1,329,144	-	10,032,271	2
130X	Inventories (Note 6(f))	137,813,303	26	199,441,528	31	173,207,895	28
1476	Other current financial assets (Notes 6(m) and 8)	10,691,565	2	12,012,749	2	14,400,955	2
1479	Other current assets (Note 6(m))	4,606,429	1	5,854,949	1	5,777,409	1
		<u>400,087,029</u>	<u>75</u>	<u>502,487,782</u>	<u>79</u>	<u>498,542,668</u>	<u>81</u>
Non-current assets:							
1510	Non-current financial assets at fair value through profit or loss (Note 6(b))	2,082,236	-	2,170,427	-	1,494,091	-
1517	Non-current financial assets at fair value through other comprehensive income (Note 6(c))	1,510,310	-	1,403,646	-	1,312,763	-
1550	Investments accounted for using the equity method (Note 6(g))	28,381,738	5	27,861,177	5	24,230,177	4
1600	Property, plant and equipment (Notes 6(i) and 8)	81,379,407	15	79,689,609	13	76,396,063	12
1755	Right-of-use assets (Note 6(j))	6,121,527	1	6,176,134	1	6,521,191	1
1760	Investment property, net (Note 6(k))	32,910	-	33,985	-	34,351	-
1780	Intangible assets (Note 6(l))	213,037	-	225,014	-	220,837	-
1840	Deferred tax assets	2,480,319	1	2,794,744	-	3,121,976	1
1915	Prepayments on purchase of equipment (Note 9)	16,168,196	3	12,984,052	2	6,880,632	1
1980	Other non-current financial assets (Notes 6(m) and 8)	437,657	-	374,605	-	400,238	-
1990	Other non-current assets (Note 6(m))	20,983	-	21,612	-	49,482	-
		<u>138,828,320</u>	<u>25</u>	<u>133,735,005</u>	<u>21</u>	<u>120,661,801</u>	<u>19</u>
Total assets		\$ <u>538,915,349</u>	<u>100</u>	<u>636,222,787</u>	<u>100</u>	<u>619,204,469</u>	<u>100</u>

See accompanying notes to financial statements.

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

PEGATRON CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets (CONT'D)

June 30, 2023, December 31, 2022, and June 30, 2022

(Expressed in Thousands of New Taiwan Dollars)

	June 30, 2023		December 31, 2022		June 30, 2022		
	Amount	%	Amount	%	Amount	%	
Liabilities and Equity							
Current liabilities:							
2100	Short-term loans (Note 6(n))	\$ 46,735,733	9	79,589,451	13	107,671,647	17
2130	Current contract liabilities (Note 6(x))	1,092,367	-	1,200,270	-	1,185,052	-
2170	Accounts payable (Note 7)	139,414,635	26	202,467,364	32	176,708,142	29
2209	Accrued expenses (Note 7)	21,184,353	4	24,131,570	4	24,880,228	4
2216	Dividends payable	13,084,423	2	-	-	15,720,440	3
2219	Other payables (Notes 7 and 9)	5,771,959	1	9,203,327	2	6,430,017	1
2230	Current tax liabilities	3,511,705	1	5,264,896	1	3,286,109	1
2281	Current lease liabilities (Note 6(q))	1,050,100	-	1,366,074	-	1,378,052	-
2321	Bonds payable, current portion (Note 6(p))	6,000,000	1	4,500,000	-	6,500,000	1
2322	Long-term loans payable, current portion (Note 6(o))	3,568,789	1	2,773,471	-	1,741,527	-
2399	Other current liabilities (Notes 6(o) and 7)	32,238,273	6	34,939,573	6	27,334,347	4
		<u>273,652,337</u>	<u>51</u>	<u>365,435,996</u>	<u>58</u>	<u>372,835,561</u>	<u>60</u>
Non-Current liabilities:							
2527	Non-current contract liabilities (Note 6(x))	5,640,408	1	2,627,942	-	1,040,128	-
2530	Bonds payable (Note 6(p))	24,380,690	5	30,376,992	5	30,373,293	5
2540	Long-term loans (Note 6(o))	15,615,692	3	14,225,427	2	12,662,020	2
2570	Deferred tax liabilities	2,114,316	-	1,889,662	-	1,613,134	-
2581	Non-current lease liabilities (Note 6(q))	1,815,247	-	1,522,527	-	1,886,600	-
2650	Credit balance of investments accounted for using equity method (Note 6(g))	4,286	-	4,314	-	2,558	-
2670	Other non-current liabilities (Note 6(o))	5,630,942	1	5,571,664	1	2,569,960	1
		<u>55,201,581</u>	<u>10</u>	<u>56,218,528</u>	<u>8</u>	<u>50,147,693</u>	<u>8</u>
	Total liabilities	<u>328,853,918</u>	<u>61</u>	<u>421,654,524</u>	<u>66</u>	<u>422,983,254</u>	<u>68</u>
Equity Attributable to Owners of the Parent Company (Note 6(t)):							
3110	Ordinary share	26,666,484	5	26,676,337	4	26,684,533	4
Capital surplus:							
3210	Capital surplus, premium on capital stock	78,739,356	14	78,703,620	13	78,154,083	13
3280	Capital surplus, others (Note (u))	4,679,775	1	4,648,384	-	5,331,130	1
		<u>83,419,131</u>	<u>15</u>	<u>83,352,004</u>	<u>13</u>	<u>83,485,213</u>	<u>14</u>
Retained earnings:							
3310	Legal reserve	19,239,612	4	17,721,898	3	17,721,898	3
3320	Special reserve	7,523,660	1	20,918,849	3	20,918,849	3
3350	Unappropriated retained earnings	48,781,252	9	41,419,117	7	31,017,979	5
		<u>75,544,524</u>	<u>14</u>	<u>80,059,864</u>	<u>13</u>	<u>69,658,726</u>	<u>11</u>
Other equity interest:							
3410	Exchange differences on translation of foreign financial statements	(5,820,334)	(1)	(7,603,630)	(1)	(12,048,410)	(2)
3420	Unrealized Gains on financial assets measured at fair value through other comprehensive income	131,959	-	79,970	-	136,692	-
3491	Deferred compensation cost arising from issuance of restricted stock (Note 6(u))	(9,649)	-	(68,877)	-	(458,788)	-
		<u>(5,698,024)</u>	<u>(1)</u>	<u>(7,592,537)</u>	<u>(1)</u>	<u>(12,370,506)</u>	<u>(2)</u>
3500	Treasury stock	(20,680)	-	(7,103)	-	(5,269)	-
	Equity attributable to the parent company	<u>179,911,435</u>	<u>33</u>	<u>182,488,565</u>	<u>29</u>	<u>167,452,697</u>	<u>27</u>
36xx	Non-controlling interests (Notes 6(h) and (t))	<u>30,149,996</u>	<u>6</u>	<u>32,079,698</u>	<u>5</u>	<u>28,768,518</u>	<u>5</u>
	Total equity	<u>210,061,431</u>	<u>39</u>	<u>214,568,263</u>	<u>34</u>	<u>196,221,215</u>	<u>32</u>
	Total liabilities and equity	<u>\$ 538,915,349</u>	<u>100</u>	<u>636,222,787</u>	<u>100</u>	<u>619,204,469</u>	<u>100</u>

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
PEGATRON CORPORATION AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
For the three months and six months ended June 30, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)

	For the three months ended June 30				For the six months ended June 30				
	2023		2022(After restatement)		2023		2022(After restatement)		
	Amount	%	Amount	%	Amount	%	Amount	%	
4110	Operating revenue (Notes 6(x) and 7)	\$ 281,643,349	100	284,204,743	100	600,632,257	100	608,421,271	100
4170	Less: Sales returns and allowances	935,091	-	866,936	-	1,787,453	-	1,722,703	-
	Operating revenue, net	<u>280,708,258</u>	<u>100</u>	<u>283,337,807</u>	<u>100</u>	<u>598,844,804</u>	<u>100</u>	<u>606,698,568</u>	<u>100</u>
5000	Cost of sales (Notes 6(f), (q), (r), (u), (v), (y) and 7)	<u>270,179,607</u>	<u>96</u>	<u>268,729,393</u>	<u>95</u>	<u>577,952,958</u>	<u>97</u>	<u>580,575,460</u>	<u>96</u>
	Gross profit from operations	<u>10,528,651</u>	<u>4</u>	<u>14,608,414</u>	<u>5</u>	<u>20,891,846</u>	<u>3</u>	<u>26,123,108</u>	<u>4</u>
6000	Operating expenses (Notes 6(q), (r), (u), (v), (y) and 7):								
6100	Selling expenses	1,101,939	-	1,305,064	-	2,221,932	-	2,550,442	-
6200	General and administrative expenses	2,540,716	1	2,744,568	1	5,145,465	1	5,053,260	1
6300	Research and development expenses	3,811,860	1	3,851,165	1	7,626,629	1	7,470,250	1
	Total operating expenses	<u>7,454,515</u>	<u>2</u>	<u>7,900,797</u>	<u>2</u>	<u>14,994,026</u>	<u>2</u>	<u>15,073,952</u>	<u>2</u>
	Net operating income	<u>3,074,136</u>	<u>2</u>	<u>6,707,617</u>	<u>3</u>	<u>5,897,820</u>	<u>1</u>	<u>11,049,156</u>	<u>2</u>
	Non-operating income and expenses:								
7100	Interest income (Notes 6(z) and 7)	1,132,060	-	387,266	-	2,424,349	-	781,799	-
7010	Other income (Note 6(z))	919,362	-	1,219,357	-	2,106,961	-	2,764,678	-
7020	Other gains and losses (Notes 6(i) and (z))	2,625	-	(1,073,436)	-	(268,527)	-	(4,333,005)	(1)
7050	Finance costs (Notes 6(d), (p), (q) and (z))	(837,799)	-	(396,920)	-	(1,928,480)	-	(648,543)	-
7060	Share of profit of associates and joint ventures accounted for using the equity method (Note 6(g))	916,230	-	21,223	-	1,091,249	-	1,143,907	-
	Total non-operating income and expenses	<u>2,132,478</u>	<u>-</u>	<u>157,490</u>	<u>-</u>	<u>3,425,552</u>	<u>-</u>	<u>(291,164)</u>	<u>(1)</u>
	Profit before tax	<u>5,206,614</u>	<u>2</u>	<u>6,865,107</u>	<u>3</u>	<u>9,323,372</u>	<u>1</u>	<u>10,757,992</u>	<u>1</u>
7950	Less: Tax expenses (Note 6(s))	1,676,345	1	2,016,171	1	2,450,152	-	2,644,012	-
8000	Profit from continuing operations	3,530,269	1	4,848,936	2	6,873,220	1	8,113,980	1
8100	Loss from discontinued operations, net of tax (Note 12)	(31,096)	-	(78,229)	-	(99,236)	-	(195,079)	-
	Profit for the year	<u>3,499,173</u>	<u>1</u>	<u>4,770,707</u>	<u>2</u>	<u>6,773,984</u>	<u>1</u>	<u>7,918,901</u>	<u>1</u>
8300	Other comprehensive income:								
8310	Components of other comprehensive income that will not be reclassified to profit or loss								
8311	Gain on remeasurements of defined benefit plans (Note 6(r))	28	-	-	-	4,281	-	-	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	41,865	-	(151,496)	-	51,989	-	(308,086)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-	-	-	-	-
	Total components of other comprehensive income (loss) that will not be reclassified to profit or loss	<u>41,893</u>	<u>-</u>	<u>(151,496)</u>	<u>-</u>	<u>56,270</u>	<u>-</u>	<u>(308,086)</u>	<u>-</u>
8360	Components of other comprehensive income that will be reclassified to profit or loss								
8361	Exchange differences on translation of foreign financial statements	2,911,246	1	4,165,562	1	2,384,836	-	9,085,516	1
8370	Share of other comprehensive (loss) income of associates and joint ventures accounted for using the equity method, components of other comprehensive income that will be reclassified to profit or loss (Note 6(g))	(722,212)	-	(398,428)	-	(613,948)	-	479,451	-
8399	Income tax related to components of other comprehensive loss that will be reclassified to profit or loss (Note 6(s))	(5,598)	-	(5,493)	-	(6,729)	-	(4,719)	-
	Total components of other comprehensive income that will be reclassified to profit or loss	<u>2,194,632</u>	<u>1</u>	<u>3,772,627</u>	<u>1</u>	<u>1,777,617</u>	<u>-</u>	<u>9,569,686</u>	<u>1</u>
8300	Other comprehensive income for the period, net of tax	<u>2,236,525</u>	<u>1</u>	<u>3,621,131</u>	<u>1</u>	<u>1,833,887</u>	<u>-</u>	<u>9,261,600</u>	<u>1</u>
8500	Total comprehensive income for the period	<u>\$ 5,735,698</u>	<u>2</u>	<u>8,391,838</u>	<u>3</u>	<u>8,607,871</u>	<u>1</u>	<u>17,180,501</u>	<u>2</u>
	Profit attributable to:								
8610	Owners of the parent company	\$ 3,127,407	1	3,115,905	1	6,135,274	1	4,783,330	
8620	Non-controlling interests	371,766	-	1,654,802	1	638,710	-	3,135,571	1
		<u>\$ 3,499,173</u>	<u>1</u>	<u>4,770,707</u>	<u>2</u>	<u>6,773,984</u>	<u>1</u>	<u>7,918,901</u>	<u>1</u>
	Comprehensive income attributable to:								
8710	Owners of the parent company	\$ 5,342,624	2	6,656,029	2	7,974,840	1	13,790,461	1
8720	Non-controlling interests	393,074	-	1,735,809	1	633,031	-	3,390,040	1
		<u>\$ 5,735,698</u>	<u>2</u>	<u>8,391,838</u>	<u>3</u>	<u>8,607,871</u>	<u>1</u>	<u>17,180,501</u>	<u>2</u>
	Earnings per share, net of tax (Note 6(w))								
9750	Basic earnings per share								
	Basic earnings per share from continuing operations	\$ 1.18		1.19		2.33		1.84	
	Basic loss per share from discontinued operations	(0.01)		(0.02)		(0.03)		(0.05)	
	Total basic earnings per share	<u>\$ 1.17</u>		<u>1.17</u>		<u>2.30</u>		<u>1.79</u>	
9850	Diluted earnings per share								
	Diluted earnings per share from continuing operations	\$ 1.18		1.18		2.32		1.83	
	Diluted loss per share from discontinued operations	(0.01)		(0.02)		(0.03)		(0.05)	
	Total diluted earnings per share	<u>\$ 1.17</u>		<u>1.16</u>		<u>2.29</u>		<u>1.78</u>	

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

PEGATRON CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the six months ended June 30, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of the parent company													Total equity
	Share capital	Retained earnings					Total other equity interest					Non-controlling interests		
		Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Deferred compensation cost arising from issuance of restricted stock	Total other equity interest		Treasury stock	
Balance on January 1, 2022	\$ 26,691,316	83,321,308	15,698,039	15,866,201	46,661,789	78,226,029	(21,363,627)	444,778	(712,701)	(21,631,550)	(2,558)	166,604,545	27,662,332	194,266,877
Profit for the period	-	-	-	-	4,783,330	4,783,330	-	-	-	-	-	4,783,330	3,135,571	7,918,901
Other comprehensive income (loss) for the period	-	-	-	-	-	-	9,315,217	(308,086)	-	9,007,131	-	9,007,131	254,469	9,261,600
Total comprehensive income (loss) for the period	-	-	-	-	4,783,330	4,783,330	9,315,217	(308,086)	-	9,007,131	-	13,790,461	3,390,040	17,180,501
Appropriation and distribution of retained earnings:														
Legal reserve appropriated	-	-	2,023,859	-	(2,023,859)	-	-	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	5,052,648	(5,052,648)	-	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(13,343,303)	(13,343,303)	-	-	-	-	-	(13,343,303)	-	(13,343,303)
Changes in equity of associates and joint ventures accounted for using equity method	-	62,874	-	-	-	-	-	-	-	-	-	62,874	-	62,874
Changes in ownership interests in subsidiaries	-	2,341	-	-	-	-	-	-	-	-	-	2,341	(2,341)	-
Expiration of restricted shares of stock issued to employees	(6,783)	9,494	-	-	(7,330)	(7,330)	-	-	-	-	(2,711)	(7,330)	-	(7,330)
Compensation cost arising from restricted shares of stock	-	89,196	-	-	-	-	-	-	253,913	253,913	-	343,109	-	343,109
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(2,281,513)	(2,281,513)
Balance on June 30, 2022	\$ 26,684,533	83,485,213	17,721,898	20,918,849	31,017,979	69,658,726	(12,048,410)	136,692	(458,788)	(12,370,506)	(5,269)	167,452,697	28,768,518	196,221,215
Balance on January 1, 2023	\$ 26,676,337	83,352,004	17,721,898	20,918,849	41,419,117	80,059,864	(7,603,630)	79,970	(68,877)	(7,592,537)	(7,103)	182,488,565	32,079,698	214,568,263
Profit for the period	-	-	-	-	6,135,274	6,135,274	-	-	-	-	-	6,135,274	638,710	6,773,984
Other comprehensive income (loss) for the period	-	-	-	-	4,281	4,281	1,783,296	51,989	-	1,835,285	-	1,839,566	(5,679)	1,833,887
Total comprehensive income (loss) for the period	-	-	-	-	6,139,555	6,139,555	1,783,296	51,989	-	1,835,285	-	7,974,840	633,031	8,607,871
Appropriation and distribution of retained earnings:														
Legal reserve appropriated	-	-	1,517,714	-	(1,517,714)	-	-	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	(13,395,189)	13,395,189	-	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(10,667,426)	(10,667,426)	-	-	-	-	-	(10,667,426)	-	(10,667,426)
Changes in equity of associates and joint ventures accounted for using equity method	-	38,256	-	-	-	-	-	-	-	-	-	38,256	-	38,256
Changes in ownership interests in subsidiaries	-	(3,084)	-	-	-	-	-	-	-	-	-	(3,084)	3,084	-
Expiration of restricted shares of stock issued to employees	(9,853)	23,430	-	-	12,531	12,531	-	-	-	-	(13,577)	12,531	-	12,531
Compensation cost arising from restricted shares of stock	-	8,525	-	-	-	-	-	-	59,228	59,228	-	67,753	-	67,753
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(2,565,817)	(2,565,817)
Balance on June 30, 2023	\$ 26,666,484	83,419,131	19,239,612	7,523,660	48,781,252	75,544,524	(5,820,334)	131,959	(9,649)	(5,698,024)	(20,680)	179,911,435	30,149,996	210,061,431

See accompanying notes to financial statements.

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

PEGATRON CORPORATION AND SUBSIDIARIES**Consolidated Statements of Cash Flows****For the six months ended June 30, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	For the six months ended June 30	
	2023	2022
Cash flows from operating activities:		
Profit from continuing operations before tax	\$ 9,323,372	10,757,992
Loss from discontinued operations before tax	(99,236)	(195,079)
Profit before tax	9,224,136	10,562,913
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	7,384,635	7,016,737
Amortization expense	79,796	76,271
Expected credit gain	(27,121)	(1,174)
Net loss on financial assets and liabilities at fair value through profit or loss	86,713	3,720,253
Interest expense	1,917,947	653,155
Interest income	(2,424,349)	(782,359)
Dividend income	(54,170)	(90,792)
Compensation cost arising from share-based payments	197,157	417,566
Amortization of issuance costs on bonds payable	3,698	3,698
Share of profit of associates and joint ventures accounted for using the equity method	(1,091,249)	(1,143,907)
Gain on lease modification	(24,098)	(108,996)
Gain on disposal of property, plant and equipment	(32,005)	(243,964)
Property, plant and equipment charged to expenses	220,323	137,147
Impairment loss on non-financial assets	11,893	17,374
Government grants income	(51,175)	(43,534)
Total adjustments to reconcile profit	6,197,995	9,627,475
Changes in operating assets and liabilities:		
Changes in operating assets:		
Increase in financial assets at fair value through profit or loss	(822,649)	(984,842)
Decrease in accounts receivable	34,053,578	60,324,869
Decrease (increase) in other receivables	420,673	(253,850)
Decrease (increase) in inventories	61,628,510	(25,211,198)
Decrease (increase) in other current assets	676,259	(1,102,479)
Decrease in other financial assets	1,321,184	15,915,989
Decrease in other non-current assets	629	550
Total changes in operating assets	97,278,184	48,689,039
Changes in operating liabilities:		
Increase (decrease) in contract liabilities	2,025,861	(129,147)
Decrease in accounts payable	(63,052,729)	(89,953,398)
Decrease in accrued expenses	(3,136,293)	(1,354,915)
Decrease in other payables	(745,145)	(1,465,633)
(Decrease) increase in other current liabilities	(2,680,280)	3,811,631
Increase in other non-current liabilities	89,563	45,804
Total changes in operating liabilities	(67,499,023)	(89,045,658)
Total changes in operating assets and liabilities	29,779,161	(40,356,619)
Total adjustments	35,977,156	(30,729,144)
Cash inflow (outflow) generated from operations	45,201,292	(20,166,231)
Interest received	2,279,300	738,036
Dividends received	32,129	2,679
Interest paid	(1,996,702)	(588,612)
Income taxes paid	(2,961,688)	(2,564,391)
Net cash flows from (used in) operating activities	42,554,331	(22,578,519)

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

PEGATRON CORPORATION AND SUBSIDIARIES**Consolidated Statements of Cash Flows (CONT'D)****For the six months ended June 30, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	For the six months ended June 30	
	2023	2022
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(52,533)	(124,574)
Acquisition of property, plant and equipment	(9,831,865)	(7,573,956)
Proceeds from disposal of property, plant and equipment	523,652	540,389
Acquisition of intangible assets	(65,862)	(96,091)
Proceeds from disposal of right-of-use assets	-	138,008
Increase in other financial assets	(61,201)	(20,822)
Increase in prepayments on purchase of equipment	(3,185,173)	(5,201,683)
Net cash flows used in investing activities	(12,672,982)	(12,338,729)
Cash flows from financing activities:		
(Decrease) increase in short-term loans	(32,853,718)	13,648,343
Repayments of bonds	(4,500,000)	-
Proceeds from long-term loans	3,500,000	2,508,166
Repayments of long-term loans	(1,326,495)	(1,415,998)
Repayments of lease liabilities	(671,939)	(727,456)
Cash dividends paid	(391,017)	-
Redemption of restricted stock	-	(9,494)
Changes in non-controlling interests	17,416	24,240
Net cash flows (used in) from financing activities	(36,225,753)	14,027,801
Effect of exchange rate fluctuations on cash held	1,603,094	6,749,978
Net decrease in cash and cash equivalents	(4,741,310)	(14,139,469)
Cash and cash equivalents, beginning of the period	84,577,382	111,024,086
Cash and cash equivalents, end of the period	\$ 79,836,072	96,884,617

See accompanying notes to financial statements.

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

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2023 and 2022

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

(1) Company history

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

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

The consolidated financial statements of the Company as of and for the six months ended June 30, 2023 comprise the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”) and the Group’s interest in associates entities.

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

The accompanying consolidated financial statements were authorized for issuance by the Board of Directors on August 10, 2023.

(3) New standards, amendments and interpretations adopted

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

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2023:

- 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”

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

<u>Standards or Interpretations</u>	<u>Content of amendment</u>	<u>Effective date per IASB</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	<p>The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture.</p> <p>The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.</p>	Effective date to be determined by IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	<p>Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance.</p> <p>The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.</p>	January 1, 2024
Amendments to IAS12 ” International Tax Reform – Pillar Two Model Rules”	<ul style="list-style-type: none"> ● provide companies with a temporary mandatory relief from deferred tax accounting for the impact of the top-up tax; and ● require them to provide new disclosures. 	May 23, 2023

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

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- IFRS16 “Requirements for Sale and Leaseback Transactions”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”

(4) Summary of significant accounting policies

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

The significant accounting policies presented in the consolidated financial statements are summarized below. The following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the revised Regulations Governing the Preparation of Financial Reports by Securities Issuers in the Republic of China (hereinafter referred to the Regulations), and guidelines of IAS 34 “Interim Financial Reporting” which are endorsed and issued into effect by FSC, and do not include all of the information required by the Regulations and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to IFRS endorsed by the FSC) for a complete set of the annual consolidated financial statements.

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2022. For the related information, please refer to Note 4 of the consolidated financial statements for the year ended December 31, 2022.

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Basis of consolidation

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

Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			June 30, 2023	December 31, 2022	June 30, 2022	
THE COMPANY	UNIHAN HOLDING LTD. (UNIHAN)	Investing activities	100.00 %	100.00 %	100.00 %	Note 14
UNIHAN	CASETEK HOLDINGS LIMITED (CASETEK)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 14
CASETEK	SLITEK HOLDINGS LIMITED (SLITEK)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 14
CASETEK	CASETEK COMPUTER (SUZHOU) CO., LTD. (CASETEK SUZHOU)	Manufacturing, developing and selling computers, computer parts, application systems, and providing after-sales service	100.00 %	100.00 %	100.00 %	Note 14
CASETEK	KAEDAR HOLDINGS LIMITED (KHL)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 14
KHL	KAEDAR ELECTRONICS (KUNSHAN) CO., LTD. (KAEDAR)	Tooling molds of stainless-steel computer cases	100.00 %	100.00 %	100.00 %	Note 14
CASETEK	KAEDAR TRADING LTD. (KTL)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 14
CASETEK	CORE-TEK (SHANGHAI) LIMITED (CORE-TEK)	Researching and producing spare parts for notebook computers, designing nonmetal tooling, electronic specific equipment and related products, repairing and producing precision equipment and providing after-sales service	100.00 %	100.00 %	100.00 %	Note 14
CASETEK	KAI-CHUAN ELECTRONICS (CHONGQING) CO., LTD. (KAI-CHUAN)	Manufacturing, developing and inspecting computers and application systems, designing and manufacturing nonmetal and metal tooling, developing plastic and electronic component, selling self-manufactured products	100.00 %	100.00 %	100.00 %	Note 14
THE COMPANY, ASUSPOWER INVESTMENT AND ASUSTEK INVESTMENT	AZUREWAVE TECHNOLOGIES, INC. (AZUREWAVE)	Wireless network development and computer and business equipment, wholesale and retail sales of telecommunications equipment and information software, provision of computer peripheral hardware and mobile e-commerce services	32.38 %	32.37 %	32.35 %	Note 1
AZUREWAVE	EZWAVE TECHNOLOGIES, INC. (EZWAVE)	Information products service	100.00 %	100.00 %	100.00 %	Note 14
AZUREWAVE	Azurewave Technologies (USA) Inc. (Azurewave USA)	Market development activities	100.00 %	100.00 %	100.00 %	Note 14
AZUREWAVE	AZURE LIGHTING TECHNOLOGIES, INC. (AZURE)	Selling electronic parts	100.00 %	100.00 %	100.00 %	Note 14
AZUREWAVE	Azwave Holding (Samoa) Inc. (Azwave)	Investing activities	100.00 %	100.00 %	100.00 %	
Azwave	Azurewave Technologies (Shanghai) Inc. (Azurewave Shanghai)	Designing, manufacturing and trading computer products	100.00 %	100.00 %	100.00 %	Note 14

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			June 30, 2023	December 31, 2022	June 30, 2022	
Azwave	AZURE LIGHTING TECHNOLOGIES, INC. (YANGZHOU) (AZURE YANQZHOU)	Manufacturing and selling LED and relevant lighting products	100.00 %	100.00 %	100.00 %	Note 14
Azwave	AIGALE CORPORATION (SHANGHAI) (AIGALE)	Designing and selling electronic products and communication equipment	100.00 %	100.00 %	100.00 %	Note 14
THE COMPANY	AMA PRECISION INC. (AMA)	Designing and developing computer parts	100.00 %	100.00 %	100.00 %	Note 14
THE COMPANY	PEGATRON HOLLAND HOLDING B.V. (PHH)	Investing activities	100.00 %	100.00 %	100.00 %	Note 14
PHH	PEGATRON Czech s.r.o. (PCZ)	Installing, repairing and selling electronic products	100.00 %	100.00 %	100.00 %	Note 14
THE COMPANY	PEGATRON HOLDING LTD. (PEGA HOLDING)	Investing activities	100.00 %	100.00 %	100.00 %	
PEGA HOLDING	POWTEK HOLDINGS LIMITED (POWTEK)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 14
POWTEK	POWTEK (SHANGHAI) LTD. (POWTEK SHANGHAI)	Selling main boards, computer peripherals, notebooks, servers and software, and providing after-sales service	100.00 %	100.00 %	100.00 %	Note 14
PEGA HOLDING, KINSUS SAMOA	PIOTEK HOLDINGS LTD. (CAYMAN) (PIOTEK CAYMAN)	Investing activities	100.00 %	100.00 %	100.00 %	
PIOTEK CAYMAN	PIOTEK HOLDING LIMITED (PIOTEK)	Investing activities	100.00 %	100.00 %	100.00 %	
PIOTEK	PIOTEK COMPUTER (SUZHOU) CO., LTD. (PIOTEK SUZHOU)	Researching, developing, producing and selling electronic components, PCBs and related products and providing after-sale services	100.00 %	100.00 %	100.00 %	
PIOTEK	PIOTEK (H.K.) TRADING LIMITED (PIOTEK (H.K.))	Trading activities	100.00 %	100.00 %	100.00 %	
PEGA HOLDING	GRAND UPRIGHT TECHNOLOGY LIMITED (GUT)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 14
PEGA HOLDING	ASLINK PRECISION CO., LTD. (ASLINK)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 14
ASLINK	PEGAGLOBE (KUNSHAN) CO., LTD. (PEGAGLOBE KUNSHAN)	Manufacturing satellite navigation and positioning receiving equipment and key components, mobile phones, third generation and subsequent mobile communication mobile phones, base stations, core equipment and network testity equipment, large and medium-sized electronic computers, portable microcomputers, high-ends servers, large-capacity optical, disle drives and their components, high-end server, disk drive, and other related components	100.00 %	100.00 %	100.00 %	

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			June 30, 2023	December 31, 2022	June 30, 2022	
ASLINK	PEGAGLOBE INVESTMENT (JIANGSU) CO., LTD. (PEGAGLOBE JIANGSU)	Investing activities with own funds: equity investment	100.00 %	100.00 %	100.00 %	Note 14
PEGA HOLDING	DIGITEK GLOBAL HOLDINGS LIMITED (DIGITEK)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 14
DIGITEK	DIGITEK (CHONGQING) CO. LTD. (DIGITEK CHONGQING)	Research and development, manufacture, sale of satellite communication equipment, satellite navigation receive equipment, cellphone, internet related equipment, computer, video decoding equipment, car-used electrical equipment and component. The company also provides export, proxy, repair services	100.00 %	100.00 %	100.00 %	
DIGITEK CHONGQING	CHONGQING ZUANSHUO TRADING CO., LTD. (ZUANSHUO)	Computer software and hardware, computer parts, electronic products (excluding electronic publications), electric appliance, industrial communication device (excluding wireless transmitter and transmitter), communication equipment (excluding wireless transmitter and satellite ground receiving facilities), and providing related technical consulting services. Import and export of goods and technology. Packaging service, product design, marketing planning, business consulting	100.00 %	100.00 %	100.00 %	Note 14
PEGA HOLDING	MAGNIFICENT BRIGHTNESS LIMITED (MAGNIFICENT)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 14
MAGNIFICENT	MAINTEK COMPUTER (SUZHOU) CO., LTD. (MAINTEK)	Manufacture, develop and research and sale of power supplier, new electronic component, computer case, and computer system. Repair of laptop, motherboard and related product	100.00 %	100.00 %	100.00 %	
PEGA HOLDING	PROTEK GLOBAL HOLDINGS LTD. (PROTEK)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 14
PROTEK	PROTEK (SHANGHAI) LTD. (PROTEK SHANGHAI)	Develop and research, manufacture, assemble, repair, sale and design of satellite communication equipment, satellite navigation receive equipment and essential component. Sale of cellphone, medium and large sized computer, portable computer, printing machine and electrical component, and providing after-sales service	100.00 %	100.00 %	100.00 %	
PEGA HOLDING	COTEK HOLDINGS LIMITED (COTEK)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 14

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			June 30, 2023	December 31, 2022	June 30, 2022	
COTEK	COTEK ELECTRONICS (SUZHOU) CO., LTD. (COTEK SUZHOU)	Developing, manufacturing and selling new electronic components, circuit boards and relevant products, and providing after-sales service	100.00 %	100.00 %	100.00 %	Note 14
PEGA HOLDING	TOP QUARK LIMITED (TOP QUARK)	Investing activities	100.00 %	100.00 %	100.00 %	Note 14
THE COMPANY	ASUSPOWER INVESTMENT CO., LTD. (ASUSPOWER INVESTMENT)	Investing activities	100.00 %	100.00 %	100.00 %	
THE COMPANY	ASUS INVESTMENT CO., LTD. (ASUS INVESTMENT)	Investing activities	100.00 %	100.00 %	100.00 %	
THE COMPANY	ASUSTEK INVESTMENT CO., LTD. (ASUSTEK INVESTMENT)	Investing activities	100.00 %	100.00 %	100.00 %	
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	ASROCK INCORPORATION (ASROCK)	Selling motherboards, related product development and design	55.31 %	55.30 %	54.88 %	Note 3
ASROCK	ASIAROCK TECHNOLOGY LIMITED (ASIAROCK)	Investing and holding activities	100.00 %	100.00 %	100.00 %	
ASIAROCK	ASROCK EUROPE B.V. (ASROCK EUROPE)	Data storage and sale of electronic material and international trade	100.00 %	100.00 %	100.00 %	
ASIAROCK	Calrock Holdings, LLC. (Calrock)	Office building leasing	100.00 %	100.00 %	100.00 %	Note 14
ASROCK	LEADER INSIGHT HOLDINGS LIMITED. (LEADER)	Investing and holding activities	100.00 %	100.00 %	100.00 %	Note 14
LEADER	FIRSTPLACE INTERNATIONAL LTD. (FIRSTPLACE)	Investing and holding activities	100.00 %	100.00 %	100.00 %	Note 14
FIRSTPLACE	ASRock America, Inc. (ASRock America)	Selling database service and trading electronic components	100.00 %	100.00 %	100.00 %	
ASROCK	ASRock Rack Incorporation (ASRock Rack)	Manufacturing and selling computer and related peripherals	59.73 %	59.68 %	59.67 %	Note 4
ASROCK	ASRock Industrial Computer Corporation (ASRock Industrial)	Manufacturing and selling computer and related peripherals	63.46 %	64.46 %	65.83 %	Note 5
ASROCK	Soaring Asia Limited (Soaring)	Trading activities	100.00 %	100.00 %	100.00 %	Note 14
ASROCK	ASJade Technology Incorporation (ASJade)	Information software service	82.50 %	82.50 %	78.57 %	Note 6
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND CASETEK CAYMAN	PEGATRON Mexico, S.A. DE C.V. (PMX)	Manufacture of electronic products, the whole-sale and retail-sale of electronic materials.	100.00 %	100.00 %	100.00 %	Note 7 and Note 14

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			June 30, 2023	December 31, 2022	June 30, 2022	
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	KINSUS INTERCONNECT TECHNOLOGY CORP. (KINSUS)	Manufacturing electronic parts, whole selling and retailing of electronic components, as well as providing business management consultant service	38.27 %	38.41 %	38.58 %	Note 2
KINSUS	KINSUS INVESTMENT CO., LTD. (KINSUS INVESTMENT)	Investing activities	100.00 %	100.00 %	100.00 %	
KINSUS INVESTMENT, ASUSPOWER INVESTMENT AND ASUSTEK INVESTMENT	PEGAVISION CORPORATION (PEGAVISION)	Medical equipment manufacturers, optical instruments, precision instruments manufacturers and sales of the preceding products	45.21 %	45.21 %	45.21 %	Note 8
PEGAVISION	PEGAVISION JAPAN INC. (PEGAVISION JAPAN)	Selling medical appliances	100.00 %	100.00 %	100.00 %	
PEGAVISION	Pegavision (Jiangsu) Limited. (Pegavision Jiangsu)	Manufacturing and selling medical appliances	100.00 %	100.00 %	100.00 %	
PEGAVISION	PEGAVISION CONTACT LENSES CORPORATION (PEGAVISION SHANGHAI)	Selling medical appliances	- %	- %	100.00 %	Note 10
PEGAVISION	Mayin Investment Co., Ltd.(Mayin)	Investing activities	100.00 %	100.00 %	100.00 %	
Mayin	BeautyTech Platform Corporation (BeautyTech)	Selling medical appliances and cosmetics	85.00 %	85.00 %	100.00 %	Note 9
BeautyTech	PEGAVISION CONTACT LENSES CORPORATION (PEGAVISION SHANGHAI)	Selling medical appliances	100.00 %	100.00 %	- %	Note 10
PEGAVISION SHANGHAI	Gemvision Technology (Zhejiang) Limited (Gemvision Zhejiang).	Selling medical appliances	100.00 %	100.00 %	100.00 %	
BeautyTech	BEAUTYTECH PLATFORM (SINGAPORE) PTE. LTD (BEAUTYTECH SG)	Selling medical appliances and cosmetics	100.00 %	100.00 %	- %	Note 10
BeautyTech	BeautyTech Platform (Shanghai) Corporation (BeautyTech Shanghai)	Selling medical appliances and cosmetics	100.00 %	100.00 %	100.00 %	Note 10
BeautyTech	Aquamax Vision Corporation(Aquamax)	Selling medical appliances and cosmetics	- %	- %	100.00 %	Note 10
Mayin	FacialBeau International Corporation(FacialBeau)	Selling medical appliances and cosmetics	55.00 %	55.00 %	55.00 %	
FacialBeau	FacialBeau (Jiangsu) Corporation (FacialBeau Jiangsu)	Selling medical appliances and cosmetics	100.00 %	100.00 %	100.00 %	Note 10
FacialBeau	Aquamax Vision Corporation(Aquamax)	Selling medical appliances and cosmetics	100.00 %	100.00 %	- %	Note 10
FacialBeau	IKIDO Inc. (IKIDO)	Selling medical appliances and cosmetics	100.00 %	100.00 %	100.00 %	

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			June 30, 2023	December 31, 2022	June 30, 2022	
FacialBeau	RODNA CO. LTD. (RODNA)	Selling medical appliances and cosmetics	100.00 %	100.00 %	100.00 %	
KINSUS INVESTMENT, ASUSTEK INVESTMENT AND ASUS INVESTMENT	FUYANG TECHNOLOGY CORPORATION (FUYANG)	Manufacturing and wholesaling of wires, cables, and electronic components	89.13 %	89.13 %	89.13 %	Note 14
FUYANG	FUYANG FLEX HOLDING LTD. (FUYANG HOLDING)	Investing activities	100.00 %	100.00 %	100.00 %	Note 14
FUYANG HOLDING	FUYANG ELECTRONICS (SUZHOU) CO., LTD. (FUYANG SUZHOU)	Researching, producing, inspecting, repairing and selling flexible multilayer model, computer digital signal process system and card; selling own produced products and providing related technical consulting service	- %	100.00 %	100.00 %	Note 13
KINSUS	KINSUS CORP. (USA) (KINSUS USA)	Designing substracts, formulating marketing strategy analysis, developing new customers, researching and development new product technology	100.00 %	100.00 %	100.00 %	
KINSUS	KINSUS HOLDING (SAMOA) LIMITED (KINSUS SAMOA)	Investing activities	100.00 %	100.00 %	100.00 %	
KINSUS SAMOA	KINSUS HOLDING (CAYMAN) LIMITED (KINSUS CAYMAN)	Investing activities	100.00 %	100.00 %	100.00 %	
KINSUS CAYMAN	KINSUS INTERCONNECT TECHNOLOGY (SUZHOU) CORP. (KINSUS SUZHOU)	Manufacturing and selling circuit boards (PCB) (not high-density fine-line)	100.00 %	100.00 %	100.00 %	
KINSUS CAYMAN	XIANG-SHOU (SUZHOU) TRADING LIMITED (XIANG-SHOU)	Trading of PCB related products and materials (not high-density fine-line)	- %	- %	100.00 %	Note 11
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	STARLINK ELECTRONICS CORPORATION (STARLINK)	Manufacturing electronic parts and plastic products, and manufacturing and wholesaling electronic components	100.00 %	100.00 %	100.00 %	Note 14
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	ASUSPOWER CORPORATION (ASUSPOWER)	Investing and trading activities	100.00 %	100.00 %	100.00 %	
THE COMPANY	CASETEK HOLDINGS LIMITED (CAYMAN) (CASETEK CAYMAN)	Investing activities	100.00 %	100.00 %	100.00 %	
CASETEK CAYMAN	RIH LI INTERNATIONAL LIMITED (RIH LI)	Investing activities	100.00 %	100.00 %	100.00 %	

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			June 30, 2023	December 31, 2022	June 30, 2022	
RIH LI	RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD. (RI-TENG)	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling	100.00 %	100.00 %	100.00 %	Note 14
RIH LI	RI-PRO PRECISION MODEL (SHANGHAI) CO., LTD. (RI-PRO)	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling	100.00 %	100.00 %	100.00 %	Note 14
CASETEK CAYMAN	RI-KUAN METAL CORPORATION (RI-KUAN)	Selling iron and aluminum products	100.00 %	100.00 %	100.00 %	Note 14
RI-KUAN	RITENG USA, INC (RITENG)	Market survey	100.00 %	100.00 %	100.00 %	Note 14
CASETEK CAYMAN	APLUS PRECISION LIMITED (APLUS)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 14
APLUS	UNITED NEW LIMITED (UNITED)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 14
UNITED	KAI HE COMPUTER ACCESSORY (SUZHOU) CO., LTD. (KAI HE)	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling and surface processing for the aforementioned product	100.00 %	100.00 %	100.00 %	Note 14
CASETEK CAYMAN	MEGA MERIT LIMITED (MEGA)	Trading activities	100.00 %	100.00 %	100.00 %	Note 14
ASUS INVESTMENT	AS FLY TRAVEL SERVICE LIMITED (AS FLY)	Travel agency	100.00 %	100.00 %	100.00 %	Note 14
ASUSPOWER INVESTMENT	PEGATRON TECHNOLOGY SERVICE INC. (PTSI)	Sales and repair service center in North America	100.00 %	100.00 %	100.00 %	Note 14
PTSI	PEGATRON SERVICOS DE INFORMATICA LTDA.(PCBR)	Maintenance service	100.00 %	100.00 %	100.00 %	Note 14
ASUSPOWER INVESTMENT	PEGA INTERNATIONAL LIMITED (PEGA INTERNATIONAL)	Design service and sales	100.00 %	100.00 %	100.00 %	Note 14
ASUSPOWER INVESTMENT	PEGATRON JAPAN INC.(PJ)	Sales and repair service center in Japan	100.00 %	100.00 %	100.00 %	Note 14
ASUSPOWER INVESTMENT	PEGATRON LOGISTIC SERVICE INC.(PLSI)	Sales and logistics center in North America	- %	100.00 %	100.00 %	Note 13
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	Lumens Digital Optics Inc. (Lumens)	Developing, manufacturing and selling computer data projectors and related peripherals	55.21 %	55.21 %	55.20 %	Note 14
Lumens	Lumens Integration Inc. (Lumens Integration)	Selling computer communication products and peripherals	100.00 %	100.00 %	100.00 %	Note 14
Lumens	Lumens Digit Image Inc. (SAMOA) (Lumens SAMOA)	Investing activities	100.00 %	100.00 %	100.00 %	Note 14
Lumens SAMOA	Lumens (Suzhou) Digital Image Inc. (Lumens Suzhou)	Manufacturing and selling projectors, projection screens and related products	100.00 %	100.00 %	100.00 %	Note 14
ASUSPOWER INVESTMENT	Pegatron Service Singapore Pte. Ltd. (PSG)	Sales and repair service center in Singapore	100.00 %	100.00 %	100.00 %	Note 14

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			June 30, 2023	December 31, 2022	June 30, 2022	
PSG	PEGATRON SERVICE KOREA LLC.(PKR)	Sales and repair service center in Korea	100.00 %	100.00 %	100.00 %	Note 14
ASUS INVESTMENT	HUA-YUAN INVESTMENT LIMITED (HUA-YUAN)	Investing activities	100.00 %	100.00 %	100.00 %	Note 14
THE COMPANY	PEGATRON SERVICE AUSTRALIA PTY. LTD.(PAU)	Sales and repair service center in Australia	100.00 %	100.00 %	100.00 %	Note 14
THE COMPANY	PEGATRON USA, INC. (PUSA)	Sales and repair service center in North America	100.00 %	100.00 %	100.00 %	Note 14
THE COMPANY, ASUSPOWER INVESTMENT	PT PEGAUNIHAN TECHNOLOGY INDONESIA (PTB)	Data storage and processing equipment, manufacturing wired and wireless communication equipment, installing and selling of computer equipment and electronic components	100.00 %	100.00 %	100.00 %	Note 14
THE COMPANY, CASETEK CAYMAN	PEGATRON VIETNAM COMPANY LIMITED (PVN)	Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts	100.00 %	100.00 %	100.00 %	Note 12 and Note 14
THE COMPANY	PEGATRON TECHNOLOGY HAI PHONG COMPANY LIMITED (PHP)	Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts	100.00 %	100.00 %	100.00 %	Note 14
THE COMPANY, ASUSPOWER INVESTMENT	Pegatron Technology India Private Limited (PTI)	Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts	100.00 %	100.00 %	100.00 %	Note 14
THE COMPANY	PEGATRON TECHNOLOGY TEXAS INC. (PTX)	Sales center in North America	100.00 %	100.00 %	100.00 %	Note 14
THE COMPANY	PEGATRON ELECTRONICS INC. (PEL)	Sales center in North America	100.00 %	100.00 %	100.00 %	Note 14
THE COMPANY	Pegapower Investment Co., Ltd. (Pegapower Investment)	Investing activities	100.00 %	100.00 %	100.00 %	Note 14
THE COMPANY	Pegatron Investment Co., Ltd. (Pegatron Investment)	Investing activities	100.00 %	100.00 %	100.00 %	Note 14
Pegapower Investment, Pegatron Investment	Pegatron Venture Capital Co., Ltd. (Pegatron Venture)	Investing activities	100.00 %	100.00 %	100.00 %	Note 14

Note 1 : On November 8, 2022 and May 10, 2023, AzureWave resolved to capital reduction through cancellation of the repurchases of restricted employee new shares, resulting in an increase in the shareholding of the Group from 32.35% to 32.37% and from 32.37% to 32.38%, respectively. The Group held 32.38% voting shares of AzureWave; However, the Group considered the remaining 67.62% of shareholdings are not concentrated and the Group has an ability to lead the decision making in relevant activities of the investee company based on the experience in its previous shareholders' meeting. In addition, there is no indication that other shareholders are collaborating together for passing any resolution. Therefore, the Group included AzureWave into the consolidated financial report.

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- Note 2 : On July 25, 2022, February 13, 2023, and April 28, 2023, KINSUS resolved to issue restricted employee new shares, resulting in a decrease in the shareholding of the Group from 38.58% to 38.41% and a decrease from 38.41% to 38.27%, respectively. The Group held 45.21% voting shares of PEGAVISION; However, the Group considered the remaining 54.79% of shareholdings are not concentrated and the Group has an ability to lead the decision making in relevant activities of the investee company based on the experience in its previous shareholders' meeting. In addition, there is no indication that other shareholders are collaborating together for passing any resolution. Therefore, the Group included KINSUS into the consolidated financial report.
- Note 3 : On November 2, 2022 and March 7, 2023, ASRock resolved to capital reduction through cancellation of the repurchase of restricted employee new shares, resulting in an increase in the shareholding of the Group from 54.88% to 55.30% and from 55.30% to 55.31%.
- Note 4 : ASRock Rack issued stock dividends to inject its capital with surplus on July 26, 2022, resulting in the Group's shareholding ratio in ASRock Rack increasing from 59.67% to 59.68%. The group cancelled treasury shares on March 6, 2023, resulting in the Group's shareholding ratio in ASRock Rack increasing from 59.68% to 59.73%.
- Note 5 : On July 19, 2022, ASRock Industrial processed employee share options through Board of Directors resolution of issuing new shares, which reduced the original shareholding of the Group from 65.83% to 64.46% after the capital increase. After the company handled employee share options on May 5, 2023, the company issued new shares per the resolution of the Board of Directors, which reduced the original shareholding of the Group from 64.46% to 63.46% after the capital increase.
- Note 6 : On December 16, 2022, ASROCK increased its investment by \$113,438 thousand to purchase 9,075 thousand share of stock in ASJade, resulting in the Group's shareholding ratio in ASJade increasing from 78.57% to 82.50%.
- Note 7 : In September, December 2022, and March 2023, PMX increased its capital by cash, and all of the capital was subscribed by CASETEK CAYMAN, a subsidiary of the same Group.
- Note 8 : The Group held 45.21% voting shares of PEGAVISION; However, the Group considered the remaining 54.79% of shareholdings are not concentrated and the Group has an ability to lead the decision making in relevant activities of the investee company based on the experience in its previous shareholders' meeting. In addition, there is no indication that other shareholders are collaborating together for passing any resolution. Therefore, the Group included PEGAVISION into the consolidated financial report.
- Note 9 : To improve the synergy of the Group, the board of directors decided to reorganize at August 26, 2022. BeautyTech increased its capital by cash on September 26, 2022. and retain 15% of the total number of new shares issued. After the capital increase, Mayin's shareholding ratio decreased to 85%.
- Note 10 : To improve the synergy of the Group, the board of directors decided to reorganize and set up the subsidiaries at July 26, 2021:
- 1) BeautyTech Shanghai, which is 100% held by BeautyTech was registered at January 24, 2022.
 - 2) BEAUTYTECH SG, which is 100% held by BeautyTech was registered at August 30, 2022.
 - 3) FacialBeau Jiangsu, which is 100% held by FacialBeau was registered at February 25, 2022. The investment amount has not been remitted as at June 30, 2023.
 - 4) The equity of PEGAVISION SHANGHAI was transferred to BeautyTech from PEGAVISION.
 - 5) The equity of Aquamax was transferred to FacialBeau from BeautyTech.

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- Note 11 : The subsidiary has been cancelled in July 2022.
 Note 12 : PVN engaged in cash capital increase in March 2023 and May 2023 respectively and was fully subscribed by CASETEK CAYMAN, a subsidiary of the same group.
 Note 13 : The company completed its cancellation in May 2023.
 Note 14 : It is an insignificant subsidiary that the financial statements for the six months ended June 30, 2023 and 2022, have not been reviewed.

(c) **Income taxes**

The income tax expenses have been prepared and disclosed in accordance with paragraph B12 of International Financial Reporting Standards 34, Interim Reporting.

Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period using the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period.

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled, and be recognized directly in equity or other comprehensive income as tax expense.

(d) **Employee benefits**

The pension cost in the interim period was calculated and disclosed on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off event.

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

The preparation of the consolidated financial statements in conformity with the Regulations and IFRSs (in accordance with IAS 34 “Interim Financial Reporting” and 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 preparation of the consolidated financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2022. For related information, please refer to Note 5 of the consolidated financial statements for the year ended December 31, 2022.

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(6) Explanation of significant accounts

Except for the following disclosures, there were no material differences in the disclosures of significant accounts between the consolidated financial statements for the current period and the 2022 consolidated financial statements. Please refer to Note 6 of the 2022 annual consolidated financial statements.

(a) Cash and cash equivalents

	June 30, 2023	December 31, 2022	June 30, 2022
Cash on hand	\$ 8,820	9,424	26,719
Cash in banks	35,593,409	47,438,984	45,234,413
Time deposits	28,232,642	34,399,399	50,710,054
Cash equivalents	<u>16,001,201</u>	<u>2,729,575</u>	<u>913,431</u>
	<u>\$ 79,836,072</u>	<u>84,577,382</u>	<u>96,884,617</u>

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

(ii) Please refer to note 6(aa) for the credit risk and market risk.

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

	June 30, 2023	December 31, 2022	June 30, 2022
Current mandatorily measured at fair value through profit or loss:			
Non-derivative financial assets			
Shares of stock of listed companies	\$ 1,075,231	1,012,989	1,027,541
Shares of emerging stock of listed companies	114,810	114,810	139,750
Shares of stock of unlisted companies	10,688	10,688	7,704
Beneficiary certificates	3,080,753	2,308,443	1,908,032
Shares of stock of overseas listed companies	5,485,196	5,496,226	5,861,076
Convertible bonds	<u>82,300</u>	<u>81,695</u>	<u>85,921</u>
Subtotal	<u>9,848,978</u>	<u>9,024,851</u>	<u>9,030,024</u>

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	June 30, 2023	December 31, 2022	June 30, 2022
Non-current mandatorily measured at fair value through profit or loss:			
Non-derivative financial assets			
Shares of stock of listed companies	\$ 209,650	201,250	217,350
Shares of stock of unlisted companies	192,314	192,314	183,780
Beneficiary certificates	1,283,501	1,114,902	526,657
Shares of stock of overseas listed companies	243,625	510,102	319,856
Share of stock of overseas unlisted companies	153,146	151,859	246,448
Subtotal	<u>2,082,236</u>	<u>2,170,427</u>	<u>1,494,091</u>
Total	<u>\$ 11,931,214</u>	<u>11,195,278</u>	<u>10,524,115</u>

(i) Please refer to Note 6(z) for re-measurement at fair value recognized in profit or loss.

(ii) Please refer to note 6(aa) for the 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

	June 30, 2023	December 31, 2022	June 30, 2022
Debt investments at fair value through other comprehensive income:			
Beneficiary certificates	\$ -	-	166,358
Equity instruments at fair value through other comprehensive income:			
Shares of stock of listed companies	681,063	672,778	739,062
Shares of stock of unlisted companies	190,017	161,247	151,187
Shares of stock of overseas listed companies	245,038	201,334	209,932
Shares of stock of overseas unlisted companies	394,192	368,287	46,224
Total	<u>\$ 1,510,310</u>	<u>1,403,646</u>	<u>1,312,763</u>

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

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

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

During the three months and the six months ended June 30, 2023 and 2022, the dividends of \$6,115 thousand, \$33,142 thousand, \$6,115 thousand, and \$33,142 thousand, related to equity investments at fair value through other comprehensive income respectively, were recognized.

(iii) Please refer to note 6(aa) for the credit risk and market risk.

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

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

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

	June 30, 2023	December 31, 2022	June 30, 2022
Notes receivables from operating activities	\$ 6,545	11,200	2,969
Accounts receivable-measured at amortized cost	156,372,596	190,423,074	189,324,616
Less: Allowance for impairment	<u>158,318</u>	<u>187,095</u>	<u>118,088</u>
	<u>\$ 156,220,823</u>	<u>190,247,179</u>	<u>189,209,497</u>

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

(ii) Credit loss

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

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The loss allowance provision was determined as follows:

	June 30, 2023		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 154,617,145	0%~1%	(36,855)
Overdue 0 to 30 days	1,508,121	1%~30%	(27,699)
Overdue 31 to 120 days	182,094	1%~100%	(34,500)
Overdue 121 to 365 days	71,151	11%~100%	(58,634)
Over 365 days past due	<u>630</u>	100%	<u>(630)</u>
	<u>\$ 156,379,141</u>		<u>(158,318)</u>
	December 31, 2022		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 187,806,209	0%~1%	(33,269)
Overdue 0 to 30 days	2,217,855	1%~30%	(61,117)
Overdue 31 to 120 days	378,226	2%~100%	(63,225)
Overdue 121 to 365 days	30,280	33%~100%	(27,780)
Over 365 days past due	<u>1,704</u>	100%	<u>(1,704)</u>
	<u>\$ 190,434,274</u>		<u>(187,095)</u>
	June 30, 2022		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 187,109,345	0%~1%	(35,740)
Overdue 0 to 30 days	2,034,505	1%~30%	(39,822)
Overdue 31 to 120 days	163,693	2%~100%	(24,068)
Overdue 121 to 365 days	12,345	14%~100%	(10,761)
Over 365 days past due	<u>7,697</u>	100%	<u>(7,697)</u>
	<u>\$ 189,327,585</u>		<u>(118,088)</u>

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	For the six months ended June 30	
	2023	2022
Balance on January 1	\$ 187,095	119,064
Impairment losses recognized	2,580	7,148
Impairment loss reversed	(29,802)	(8,057)
Amounts written off	(1,801)	(1,631)
Effect of movement in exchange rates	246	1,564
Balance on June 30	<u>\$ 158,318</u>	<u>118,088</u>

The aforesaid financial assets were not pledged as collateral.

- (iii) Please refer to note 6(aa) for credit risk and market 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 June 30, 2023, December 31, 2022 and June 30, 2022, the relevant information on accounts receivable factored by the Company, but unsettled, was as follows:

June 30, 2023						
Purchaser	Amount Derecognized	Factoring Line (thousands)	Amount Advanced Paid (thousands)	Collateral	Range of Interest Rate	Significant Factoring Terms
ANZ (Note 1 and 2)	\$ -	USD 420,000	USD -	None	-	The accounts receivable factoring is without recourse but the seller still bears the risks except for eligible obligor's insolvency.

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
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June 30, 2022

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

Note1: In October, 2017, the Company signed a joint accounts receivable factoring agreement with ANZ Bank and five other banks where each bank will factor on pro-rata basis.

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

For the three months and the six months ended June 30, 2023 and 2022, the Company recognized a fee and interest on bank advance payment of \$0, \$0, \$279 and \$0 thousand from the factoring of accounts receivable.

As of June 30, 2023, December 31, 2022 and June 30, 2022, KINSUS sold its accounts receivable without recourse as follows:

June 30, 2023

Purchaser	Amount Derecognized	Factoring Line (thousands)	Amount Advanced (thousands) Paid	Collateral	Range of Interest Rate	Significant Factoring Terms
Mega International Commercial Bank	\$ 433,967	USD 30,000	\$ -	None	-	The accounts receivable factoring is without recourse

December 31, 2022

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

June 30, 2022

Purchaser	Amount Derecognized	Factoring Line (thousands)	Amount Advanced (thousands) Paid	Collateral	Range of Interest Rate	Significant Factoring Terms
Mega International Commercial Bank	\$ 670,737	USD 30,000	\$ 173,279	None	0.47% ~2.02%	The accounts receivable factoring is without recourse

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(e) Other receivables

	June 30, 2023	December 31, 2022	June 30, 2022
Other receivables	\$ 1,063,657	1,201,107	1,006,494
Other receivables-Related parties	22,231	144,336	9,042,290
Less: Allowance for impairment	<u>16,029</u>	<u>16,299</u>	<u>16,513</u>
	<u>\$ 1,069,859</u>	<u>1,329,144</u>	<u>10,032,271</u>

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

(f) Inventories

	June 30, 2023	December 31, 2022	June 30, 2022
Merchandise	\$ 2,269,591	1,707,990	1,880,592
Finished goods	65,895,024	82,232,393	59,145,493
Work in process	17,460,336	23,693,836	22,237,383
Raw materials	<u>52,188,352</u>	<u>91,807,309</u>	<u>89,944,427</u>
	<u>\$ 137,813,303</u>	<u>199,441,528</u>	<u>173,207,895</u>

The components of cost of goods sold were as follows:

	For the three months ended June 30					
	2023			2022		
	Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
Cost of goods sold	\$ 267,344,029	-	267,344,029	266,123,763	321,849	266,445,612
Provision on (reversal of) evaluation of inventory	(136,330)	(392)	(136,722)	584,297	87,125	671,422
Loss on disposal of inventory	2,950,987	1,185	2,952,172	1,950,522	25,522	1,976,044
Unallocated manufacturing overhead	32,703	-	32,703	66,949	-	66,949
Loss (gain) on physical inventory	(11,782)	-	(11,782)	3,862	-	3,862
	<u>\$ 270,179,607</u>	<u>793</u>	<u>270,180,400</u>	<u>268,729,393</u>	<u>434,496</u>	<u>269,163,889</u>

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	For the six months ended June 30					
	2023			2022		
	Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
Cost of goods sold	\$ 571,921,733	-	571,921,733	574,987,320	770,539	575,757,859
Provision on (reversal of) evaluation of inventory	239,836	(392)	239,444	1,430,413	62,891	1,493,304
Loss on disposal of inventory	5,704,367	1,185	5,705,552	4,029,176	124,900	4,154,076
Unallocated manufacturing overhead	77,805	-	77,805	120,268	-	120,268
Loss on physical inventory	9,217	-	9,217	8,283	-	8,283
	\$ 577,952,958	793	577,953,751	580,575,460	958,330	581,533,790

For the three months ended June 30, 2023, the inventory valuation loss reversal resulting from de-stocking was recognized as deduction in cost of goods sold. For the three months ended June 30, 2022 and six months ended June 30, 2023 and 2022, inventory is written down to net realizable value and was recognized as losses on inventories and accounted for cost of goods sold.

As of June 30, 2023, December 31, 2022 and June 30, 2022, the aforesaid inventories were not pledged as collateral.

(g) Investments accounted for using the equity method

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

	June 30, 2023	December 31, 2022	June 30, 2022
Associates	\$ 28,381,738	27,861,177	24,230,177
Credit balance of investments accounted for using equity method-associate	\$ 4,286	4,314	2,558

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

Name of Associates	Nature of Relationship with the Group	Main operating location/ Registered Country of the Company	Proportion of shareholding and voting rights		
			June 30, 2023	December 31, 2022	June 30, 2022
Luxcase (Former RI KAI)	Designing, developing, manufacturing and selling electronic components, precision, non-metal and metal tooling	China	48.17 %	48.17 %	48.17 %

(Continued)

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The consolidated financial information of the material associate for the Group is listed below. The amounts in such financial information has been adjusted to reflect the fair value and accounting differences adjustments made by the Group upon acquiring associates.

Luxcase

	June 30, 2023	December 31, 2022	June 30, 2022
Current assets	\$ 112,652,810	94,901,775	81,255,069
Non-current assets	38,636,333	43,530,571	40,643,891
Current liabilities	(91,731,880)	(81,475,601)	(70,788,853)
Non-current liabilities	(2,641,650)	(923,620)	(1,592,524)
Net assets attributable to shareholders	<u>\$ 56,915,613</u>	<u>56,033,125</u>	<u>49,517,583</u>

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
Operating revenue	<u>\$ 67,398,015</u>	<u>57,456,927</u>	<u>144,139,717</u>	<u>126,945,440</u>
Profit from continuing operations	\$ 1,915,480	32,528	2,099,612	2,372,648
Other comprehensive income	96,414	77,706	74,256	74,240
Comprehensive income attributable to shareholders	<u>\$ 2,011,894</u>	<u>110,234</u>	<u>2,173,868</u>	<u>2,446,888</u>

	For the six months ended June 30	
	2023	2022
Shares of net assets of the associate as of January 1	\$ 26,992,837	22,168,901
Profit attributable to the Group	1,000,975	1,142,975
Comprehensive (loss) income attributable to the Group	(614,109)	479,355
Changes in the ownership interest attributable to the Group	38,256	62,874
Shares of net assets of associates	27,417,959	23,854,105
Goodwill	115,980	110,702
Carrying amount of the associate's equity as of June 30	<u>\$ 27,533,939</u>	<u>23,964,807</u>

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

	June 30, 2023	December 31, 2022	June 30, 2022
Carrying amount of individually insignificant associates' equity	<u>\$ 843,513</u>	<u>749,616</u>	<u>262,812</u>

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
Attributable to the Group:				
Profit (loss) from continuing operations	\$ (6,445)	5,554	90,274	932
Other comprehensive income	218	97	161	96
Total comprehensive income (loss)	<u>\$ (6,227)</u>	<u>5,651</u>	<u>90,435</u>	<u>1,028</u>

As of June 30, 2023, December 31, 2022 and June 30, 2022, the aforesaid investments accounted for using the equity method were not pledged as collateral.

The unreviewed financial statements of investments accounted for using the equity method.

The investments accounted for using the equity method and the Group's share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements that were not reviewed.

(h) Subsidiaries that have material non-controlling interest

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

Subsidiaries	Main operation place/Country of registration	Percentage of non-controlling interest		
		June 30, 2023	December 31, 2022	June 30, 2022
KINSUS and its subsidiaries	Taiwan	61.73 %	61.59 %	61.42 %
ASROCK and its subsidiaries	Taiwan	44.69 %	44.70 %	45.12 %

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

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Information regarding KINSUS and its subsidiaries

	June 30, 2023	December 31, 2022	June 30, 2022
Current assets	\$ 27,558,169	28,100,289	26,298,374
Non-current assets	47,293,989	44,533,127	36,657,883
Current liabilities	(15,065,914)	(15,373,749)	(16,759,160)
Non-current liabilities	<u>(23,827,752)</u>	<u>(18,443,774)</u>	<u>(11,579,436)</u>
Net assets	<u>\$ 35,958,492</u>	<u>38,815,893</u>	<u>34,617,661</u>
Non-controlling interest	<u>\$ 23,112,983</u>	<u>24,764,767</u>	<u>21,957,170</u>
	For the three months ended June 30	For the six months ended June 30	
	2023	2022	2023
Operating revenue	\$ <u>6,462,205</u>	<u>11,133,901</u>	<u>13,296,949</u>
Net income for the period	\$ 265,759	2,294,918	482,663
Other comprehensive income	<u>(98,156)</u>	<u>(51,629)</u>	<u>(83,958)</u>
Comprehensive income	<u>\$ 167,603</u>	<u>2,243,289</u>	<u>398,705</u>
Net income attribute to non-controlling interest	<u>\$ 218,906</u>	<u>1,473,754</u>	<u>416,015</u>
Comprehensive income attribute to non-controlling interest	<u>\$ 169,431</u>	<u>1,440,861</u>	<u>366,497</u>
		For the six months ended June 30	
		2023	2022
Cash flows from operating activities		\$ 5,419,637	5,052,958
Cash flows used in investing activities		(7,469,013)	(7,719,101)
Cash flows from financing activities		2,754,253	282,291
Effect of movement in exchange rate		<u>(58,295)</u>	<u>39,709</u>
Net increase (decrease) in cash and cash equivalents		<u>\$ 646,582</u>	<u>(2,344,143)</u>

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Information regarding ASROCK and its subsidiaries

	June 30, 2023	December 31, 2022	June 30, 2022
Current assets	\$ 13,442,598	13,993,593	13,629,844
Non-current assets	849,106	774,221	653,583
Current liabilities	(5,983,936)	(5,813,692)	(5,717,177)
Non-current liabilities	(116,373)	(60,195)	(95,593)
Net assets	<u>\$ 8,191,395</u>	<u>8,893,927</u>	<u>8,470,657</u>
Non-controlling interest	<u>\$ 4,045,337</u>	<u>4,399,123</u>	<u>4,202,030</u>

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
Operating revenue	\$ <u>4,086,598</u>	<u>3,617,465</u>	<u>8,481,669</u>	<u>8,655,813</u>
Net income for the period	\$ 158,274	294,729	266,242	943,356
Other comprehensive income	93,424	149,982	57,169	278,923
Comprehensive income	<u>\$ 251,698</u>	<u>444,711</u>	<u>323,411</u>	<u>1,222,279</u>
Net income attribute to non-controlling interest	<u>\$ 70,810</u>	<u>158,207</u>	<u>109,632</u>	<u>470,064</u>
Comprehensive income attribute to non-controlling interest	<u>\$ 112,567</u>	<u>225,877</u>	<u>135,183</u>	<u>595,912</u>

	For the six months ended June 30	
	2023	2022
Cash flows from (used in) operating activities	\$ 1,014,926	(1,689,939)
Cash flows (used in) from investing activities	(650,091)	403,083
Cash flows (used in) from financing activities	(648,591)	271,935
Effect of movement in exchange rate	53,102	260,374
Net decrease in cash and cash equivalents	<u>\$ (230,654)</u>	<u>(754,547)</u>

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Property, plant and equipment

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

	<u>Land</u>	<u>Buildings</u>	<u>Machinery equipment</u>	<u>Instrument equipment</u>	<u>Other facilities</u>	<u>Construction in progress</u>	<u>Total</u>
Cost or deemed cost:							
Balance on January 1, 2023	\$ 12,099,104	55,266,759	52,705,931	1,343,727	38,236,146	8,661,817	168,313,484
Additions	-	110,995	76,911	78,202	1,032,704	5,077,275	6,376,087
Disposals and obsolescence	-	(400,957)	(963,026)	(117,311)	(1,415,896)	-	(2,897,190)
Reclassifications	-	726,313	1,180,761	29,471	2,298,529	(2,425,719)	1,809,355
Effect of movement in exchange rate	<u>10,845</u>	<u>459,701</u>	<u>147,888</u>	<u>8,119</u>	<u>480,551</u>	<u>145,763</u>	<u>1,252,867</u>
Balance on June 30, 2023	<u>\$ 12,109,949</u>	<u>56,162,811</u>	<u>53,148,465</u>	<u>1,342,208</u>	<u>40,632,034</u>	<u>11,459,136</u>	<u>174,854,603</u>
Balance on January 1, 2022	\$ 11,856,650	51,500,156	53,338,900	1,313,354	34,999,356	3,058,362	156,066,778
Additions	-	123,917	408,510	87,704	819,926	4,392,215	5,832,272
Disposals and obsolescence	-	(97,045)	(1,252,453)	(104,963)	(2,147,862)	-	(3,602,323)
Reclassifications	196,960	27,344	4,503,408	20,857	1,772,620	(1,466,220)	5,054,969
Effect of movement in exchange rate	<u>8,417</u>	<u>2,522,464</u>	<u>1,375,512</u>	<u>52,327</u>	<u>1,593,234</u>	<u>121,777</u>	<u>5,673,731</u>
Balance on June 30, 2022	<u>\$ 12,062,027</u>	<u>54,076,836</u>	<u>58,373,877</u>	<u>1,369,279</u>	<u>37,037,274</u>	<u>6,106,134</u>	<u>169,025,427</u>
Depreciation and impairment loss:							
Balance on January 1, 2023	\$ -	26,668,850	36,379,503	1,054,512	24,521,010	-	88,623,875
Depreciation for the period	-	1,524,304	2,491,065	83,009	2,532,894	-	6,631,272
Impairment loss	-	-	-	-	11,893	-	11,893
Disposals and obsolescence	-	(404,115)	(796,663)	(115,874)	(1,088,891)	-	(2,405,543)
Reclassifications	-	-	(804)	-	809	-	5
Effect of movement in exchange rate	<u>-</u>	<u>266,552</u>	<u>81,639</u>	<u>8,307</u>	<u>257,196</u>	<u>-</u>	<u>613,694</u>
Balance on June 30, 2023	<u>\$ -</u>	<u>28,055,591</u>	<u>38,154,740</u>	<u>1,029,954</u>	<u>26,234,911</u>	<u>-</u>	<u>93,475,196</u>
Balance on January 1, 2022	\$ -	21,880,939	41,304,823	1,023,595	22,120,891	-	86,330,248
Depreciation for the period	-	1,389,013	2,264,961	89,373	2,433,678	-	6,177,025
Impairment loss (reversal gain)	-	198	(257)	-	15,809	-	15,750
Disposals and obsolescence	-	(97,028)	(1,181,376)	(99,739)	(1,927,755)	-	(3,305,898)
Reclassifications	-	(5,925)	-	-	(6,432)	-	(12,357)
Effect of movement in exchange rate	<u>-</u>	<u>1,148,653</u>	<u>1,147,776</u>	<u>50,867</u>	<u>1,077,300</u>	<u>-</u>	<u>3,424,596</u>
Balance on June 30, 2022	<u>\$ -</u>	<u>24,315,850</u>	<u>43,535,927</u>	<u>1,064,096</u>	<u>23,713,491</u>	<u>-</u>	<u>92,629,364</u>
Carrying value:							
Balance on January 1, 2023	<u>\$ 12,099,104</u>	<u>28,597,909</u>	<u>16,326,428</u>	<u>289,215</u>	<u>13,715,136</u>	<u>8,661,817</u>	<u>79,689,609</u>
Balance on June 30, 2023	<u>\$ 12,109,949</u>	<u>28,107,220</u>	<u>14,993,725</u>	<u>312,254</u>	<u>14,397,123</u>	<u>11,459,136</u>	<u>81,379,407</u>
Balance on January 1, 2022	<u>\$ 11,856,650</u>	<u>29,619,217</u>	<u>12,034,077</u>	<u>289,759</u>	<u>12,878,465</u>	<u>3,058,362</u>	<u>69,736,530</u>
Balance on June 30, 2022	<u>\$ 12,062,027</u>	<u>29,760,986</u>	<u>14,837,950</u>	<u>305,183</u>	<u>13,323,783</u>	<u>6,106,134</u>	<u>76,396,063</u>

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

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Impairment loss	<u>\$ 9,096</u>	<u>6,957</u>	<u>11,893</u>	<u>15,750</u>

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PEGATRON CORPORATION AND SUBSIDIARIES
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- (ii) KINSUS and its subsidiaries purchased 40 parcels of land with a total area of 36,115.24 square meters. Lands are located at the addresses of No.1113, 1114, 1438 to 1443, 1479, 1486 to 1487 at ShiLeiZi Sub-section, ShiLeiZi Section, No.1044, 1047 to 1049 at QingHua Section, and No.0001, 697 to 700 and 712 to 726 at RongHua Section, XinFeng Village. Due to regulatory restrictions, the agricultural land cannot be registered under KINSUS's name while it has been temporarily registered under the general manager's name and, to secure KINSUS's right to the land, mortgage registration has been set aside with KINSUS being the obligee.
- (iii) Please refer to Note 6(z) for gain and loss on the disposal of property, plant and equipment.
- (iv) Please refer to Note 8 for the details of property, plant and equipment pledged as collateral.
- (j) Right-of-use assets

The movements in the cost and depreciation of the right-of-use assets of the leased land, buildings and transportation equipment were as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Total</u>
Cost:				
Balance on January 1, 2023	\$ 4,359,191	4,986,033	2,822	9,348,046
Additions	19,643	938,802	-	958,445
Disposals and obsolescence	(5,184)	(824,571)	-	(829,755)
Effect of movement in exchange rate	36,054	82,162	20	118,236
Balance on June 30, 2023	<u>\$ 4,409,704</u>	<u>5,182,426</u>	<u>2,842</u>	<u>9,594,972</u>
Balance on January 1, 2022	\$ 4,051,052	5,015,576	3,977	9,070,605
Additions	10,186	824,464	-	834,650
Reductions	(69,401)	(1,294,510)	-	(1,363,911)
Reclassifications	-	29,240	-	29,240
Effect of movement in exchange rate	258,423	227,456	99	485,978
Balance on June 30, 2022	<u>\$ 4,250,260</u>	<u>4,802,226</u>	<u>4,076</u>	<u>9,056,562</u>
Accumulated depreciation:				
Balance on January 1, 2023	\$ 974,270	2,196,561	1,081	3,171,912
Depreciation for the period	54,170	697,512	136	751,818
Reductions	(1,057)	(490,642)	-	(491,699)
Effect of movement in exchange rate	7,323	34,081	10	41,414
Balance on June 30, 2023	<u>\$ 1,034,706</u>	<u>2,437,512</u>	<u>1,227</u>	<u>3,473,445</u>
Balance on January 1, 2022	\$ 837,553	1,995,046	1,547	2,834,146
Depreciation for the period	51,183	786,676	299	838,158
Reductions	(28,833)	(1,259,599)	-	(1,288,432)
Effect of movement in exchange rate	51,834	99,640	25	151,499
Balance on June 30, 2022	<u>\$ 911,737</u>	<u>1,621,763</u>	<u>1,871</u>	<u>2,535,371</u>
Carrying value:				
Balance on January 1, 2023	<u>\$ 3,384,921</u>	<u>2,789,472</u>	<u>1,741</u>	<u>6,176,134</u>
Balance on June 30, 2023	<u>\$ 3,374,998</u>	<u>2,744,914</u>	<u>1,615</u>	<u>6,121,527</u>
Balance on January 1, 2022	<u>\$ 3,213,499</u>	<u>3,020,530</u>	<u>2,430</u>	<u>6,236,459</u>
Balance on June 30, 2022	<u>\$ 3,338,523</u>	<u>3,180,463</u>	<u>2,205</u>	<u>6,521,191</u>

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(k) Investment property

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

	Buildings
Carrying amounts:	
Balance on January 1, 2023	\$ <u><u>33,985</u></u>
Balance on June 30, 2023	\$ <u><u>32,910</u></u>
Balance on January 1, 2022	\$ <u><u>33,433</u></u>
Balance on June 30, 2022	\$ <u><u>34,351</u></u>

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

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
Rental income	\$ -	-	-	-
Direct operating expenses arising from investment property that generate rental income	\$ <u><u>774</u></u>	<u><u>783</u></u>	<u><u>1,545</u></u>	<u><u>1,554</u></u>

(ii) As of June 30, 2023, December 31, 2022 and June 30, 2022, the fair value of investment property of the Group was \$72,772 thousand, \$70,374 thousand and \$76,412 thousand, respectively. The fair value has not been valued by independent appraisers, but only by the management of the Group according to the third level input value using the evaluation model which is commonly used by market participants, with the transaction amount based on the nearby real estate price.

(iii) There were no significant additions, disposal, or recognition and reversal of impairment losses of investment property for the six months ended June 30, 2023 and 2022. Information on depreciation for the period is discussed in Note 12. Please refer to Note 6(m) of the consolidated financial statements for the year ended December 31, 2022 for other related information.

(iv) As of June 30, 2023, December 31, 2022 and June 30, 2022, the aforesaid investment properties were not pledged as collateral.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(l) Intangible assets

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

	<u>Goodwill</u>	<u>Others</u>	<u>Total</u>
Costs:			
Balance on January 1, 2023	\$ 1,746,111	596,122	2,342,233
Additions	-	65,862	65,862
Disposals	-	(45,374)	(45,374)
Reclassifications	-	1,431	1,431
Effect of movement in exchange rate	<u>14,721</u>	<u>906</u>	<u>15,627</u>
Balance on June 30, 2023	<u>\$ 1,760,832</u>	<u>618,947</u>	<u>2,379,779</u>
Balance on January 1, 2022	\$ 1,640,132	997,715	2,637,847
Additions	-	96,091	96,091
Disposals	-	(513,554)	(513,554)
Reclassifications	-	(9,000)	(9,000)
Effect of movement in exchange rate	<u>71,212</u>	<u>26,103</u>	<u>97,315</u>
Balance on June 30, 2022	<u>\$ 1,711,344</u>	<u>597,355</u>	<u>2,308,699</u>
Amortization and impairment losses:			
Balance on January 1, 2023	\$ 1,701,854	415,365	2,117,219
Amortization for the period	-	79,796	79,796
Disposals	-	(45,374)	(45,374)
Reclassifications	-	(5)	(5)
Effect of movement in exchange rate	<u>14,134</u>	<u>972</u>	<u>15,106</u>
Balance on June 30, 2023	<u>\$ 1,715,988</u>	<u>450,754</u>	<u>2,166,742</u>
Balance on January 1, 2022	\$ 1,600,097	829,564	2,429,661
Amortization for the period	-	76,271	76,271
Disposals	-	(513,554)	(513,554)
Impairment loss	-	1,624	1,624
Effect of movement in exchange rate	<u>68,375</u>	<u>25,485</u>	<u>93,860</u>
Balance on June 30, 2022	<u>\$ 1,668,472</u>	<u>419,390</u>	<u>2,087,862</u>
Carrying value:			
Balance on January 1, 2023	<u>\$ 44,257</u>	<u>180,757</u>	<u>225,014</u>
Balance on June 30, 2023	<u>\$ 44,844</u>	<u>168,193</u>	<u>213,037</u>
Balance on January 1, 2022	<u>\$ 40,035</u>	<u>168,151</u>	<u>208,186</u>
Balance on June 30, 2022	<u>\$ 42,872</u>	<u>177,965</u>	<u>220,837</u>

For the six months ended June 30, 2023 and 2022, there were no significant addition, disposal, impairment loss, or reversal gain on goodwill. Please refer to Note 6(n) of the consolidated financial statements for the year ended December 31, 2022 for other related information.

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(m) Other financial assets and other assets

Other financial assets and other assets were as follows:

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Other financial assets - current	\$ 10,691,565	12,012,749	14,400,955
Other financial assets - non-current	437,657	374,605	400,238
Other current assets	4,606,429	5,854,949	5,777,409
Other non-current assets	<u>20,983</u>	<u>21,612</u>	<u>49,482</u>
	<u><u>\$ 15,756,634</u></u>	<u><u>18,263,915</u></u>	<u><u>20,628,084</u></u>

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

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

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

(n) Short-term loans

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Unsecured bank loans	\$ 46,735,733	79,589,451	105,293,887
Other unsecured loans	-	-	2,377,760
Total	<u>\$ 46,735,733</u>	<u>79,589,451</u>	<u>107,671,647</u>
Range of interest rate	<u>0.75%~6.58%</u>	<u>0.38%~5.94%</u>	<u>0.38%~4.52%</u>

The Group has no related assets pledged as collateral. Please refer to the details in Note 8.

(o) Long-term loans

The details were as follows:

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Unsecured bank loans	\$ 18,925,456	16,726,682	14,130,408
Secured bank loans	<u>259,025</u>	<u>272,216</u>	<u>273,139</u>
	19,184,481	16,998,898	14,403,547
Less: current portion	<u>(3,568,789)</u>	<u>(2,773,471)</u>	<u>(1,741,527)</u>
Total	<u><u>\$ 15,615,692</u></u>	<u><u>14,225,427</u></u>	<u><u>12,662,020</u></u>
Range of interest rate	<u>0.95%~6.40%</u>	<u>0.35%~5.74%</u>	<u>0.35%~3.06%</u>

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Borrowing and repayment

In consideration of the operating situation and the terms of the loan agreement, the Group repaid the long-term loans of \$1,326,495 thousand and \$1,415,998 thousand for the six months ended June 30, 2023 and 2022, respectively. In addition, the Group proceeded from long-term loans of \$3,500,000 thousand and \$2,508,166 thousand for the six months ended June 30, 2023 and 2022, respectively. Please refer to Note 6(z) for interest expenses.

(ii) Collateral for bank loans

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

(iii) Government low-interest loan

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

(p) Bonds payable

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

	June 30, 2023	December 31, 2022	June 30, 2022
Ordinary corporate bonds issued	\$ 30,400,000	34,900,000	36,900,000
Unamortized discount on bonds payable	(19,310)	(23,008)	(26,707)
Bonds payable, end of the year	30,380,690	34,876,992	36,873,293
Less: current portion	(6,000,000)	(4,500,000)	(6,500,000)
	<u>\$ 24,380,690</u>	<u>30,376,992</u>	<u>30,373,293</u>

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
Interest expense	<u>\$ 56,423</u>	<u>72,040</u>	<u>113,256</u>	<u>143,288</u>

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The main rights and obligations of the second unsecured ordinary corporate bonds issued in 2017 and repaid in January 2023, were as follows:

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

Please refer to Note 6(r) of 2022 annual consolidated financial statements for other related information.

(q) Lease liabilities

The Group's lease liabilities were as follows:

	June 30, 2023	December 31, 2022	June 30, 2022
Current	\$ <u>1,050,100</u>	<u>1,366,074</u>	<u>1,378,052</u>
Non-current	\$ <u>1,815,247</u>	<u>1,522,527</u>	<u>1,886,600</u>

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

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The amounts recognized in profit or loss were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
Interest on lease liabilities	<u>\$ 24,879</u>	<u>27,701</u>	<u>44,417</u>	<u>56,238</u>
Variable lease payments not included in the measurement of lease liabilities	<u>\$ 10,501</u>	<u>10,164</u>	<u>22,566</u>	<u>20,850</u>
Income from sub-leasing right-of-use assets	<u>\$ 199</u>	<u>115</u>	<u>396</u>	<u>115</u>
Expenses relating to short-term leases	<u>\$ 27,416</u>	<u>63,973</u>	<u>74,298</u>	<u>155,162</u>
Expenses relating to leases of low-value, excluding short-term leases of low-value assets	<u>\$ 8,213</u>	<u>609</u>	<u>10,143</u>	<u>1,458</u>
Covid-19 - related rent concessions	<u>\$ -</u>	<u>-</u>	<u>19</u>	<u>238</u>

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

	For the six months ended June 30	
	2023	2022
Total cash outflow for leases	<u>\$ 823,344</u>	<u>960,926</u>

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

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(r) Employee benefits

(i) Defined benefit plans

There was no material market volatility, no material reimbursement and settlement or other material one-time events. As a result, the pension cost in the accompanying interim consolidated financial statements was measured and disclosed according to the actuarial report as of December 31, 2022 and 2021.

The expenses recognized in profit or loss for the Group were as follows:

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Operating cost	\$ 209	1,746	407	1,772
Operating expense	<u>1,628</u>	<u>1,337</u>	<u>3,244</u>	<u>2,391</u>
	<u>\$ 1,837</u>	<u>3,083</u>	<u>3,651</u>	<u>4,163</u>

(ii) Defined contribution plans

The contributions of the Group for the employees' pension benefits were as follows:

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Operating cost	\$ 788,685	1,114,657	1,758,609	2,162,925
Operating expense	<u>216,907</u>	<u>204,124</u>	<u>445,903</u>	<u>404,468</u>
	<u>\$ 1,005,592</u>	<u>1,318,781</u>	<u>2,204,512</u>	<u>2,567,393</u>

(s) Income tax

(i) Tax expense in the interim financial statements is measured and disclosed according to paragraph B12 of IAS 34 "Interim Financial Reporting."

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

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Current income tax expense				
Current period incurred	\$ 1,781,093	2,105,858	2,533,885	2,733,500
Prior years income tax adjustment	(104,748)	(89,687)	(83,733)	(89,488)
Income tax expense	<u>\$ 1,676,345</u>	<u>2,016,171</u>	<u>2,450,152</u>	<u>2,644,012</u>

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (iii) The amount of income tax expense recognized in other comprehensive income were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
Items that will be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign financial statements	\$ (5,598)	(5,493)	(6,729)	(4,719)

- (iv) Status of approval of income tax

- 1) The Company's income tax returns through 2020 have been assessed and approved by the Tax Authority.
- 2) The tax returns of the Group's subsidiaries approved by the Tax Authority were as follows:

Years of Approval	Company Name
2019	KINSUS
2020	PEGAVISION, ASRock Rack, ASROCK, ASRock Industrial, RI KUAN.
2021	AMA, KINSUS INVESTMENT, LUMENS, FUYANG, ASUSPOWER INVESTMENT, ASUS INVESTMENT, PEGA INTERNATIONAL, ASUSTEK INVESTMENT, HUA YUAN, BeautyTech, STARLINK, AS FLY, AZUREWAVE, AZURE, EZWAVE, ASJade, Mayin, and FacialBeau.

- (t) Capital and other equity

Except for the following disclosure, there were no significant change for capital and other equity for the six months ended June 30, 2023 and 2022. For the related information, please refer to Note 6(v) of the consolidated financial statements for the year ended December 31, 2022.

- (i) Ordinary shares

For the six months ended June 30, 2023 and 2022, the Company had retired 985 thousand and 678 thousand shares, respectively, of restricted stock to employees. The authorized ordinary shares consisted of \$3,000,000 thousand shares, with par value of \$10 per share of which 2,666,648 thousand, 2,667,634 thousand and 2,668,453 thousand shares were issued and outstanding as of June 30, 2023, December 31, 2022 and June 30, 2022, respectively. All share proceeds from outstanding capital have been collected.

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

As of June 30, 2023, December 31, 2022 and June 30, 2022, the restricted Company shares of stock issued to employees have expired, of which 2,068 thousand, 710 thousand and 527 thousand shares, respectively, have not been retired.

(ii) Global depositary receipts

As of June 30, 2023, December 31, 2022 and June 30, 2022, the Company has listed, in total, 225 thousand, 225 thousand and 225 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, 1,126 thousand and 1,126 thousand shares of stock, respectively.

(iii) Capital surplus

The components of the capital surplus were as follows:

	June 30, 2023	December 31, 2022	June 30, 2022
From issuance of share capital	\$ 67,665,693	67,629,957	67,080,420
From conversion of convertible bonds	11,073,663	11,073,663	11,073,663
From treasury stock transactions	47,865	47,865	47,865
Difference between consideration and carrying amount of subsidiaries acquired or disposed	2,273,401	2,273,401	2,273,401
Changes in equity of associates accounted for using the equity method	209,082	170,826	83,736
Changes in ownership interest in subsidiaries	1,318,227	1,353,306	1,438,668
Employee stock options	6,094	6,094	6,094
Restricted stock to employees	415,189	386,975	1,071,449
Other	409,917	409,917	409,917
	<u>\$ 83,419,131</u>	<u>83,352,004</u>	<u>83,485,213</u>

(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.

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

1) Legal reserve

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

2) Special reserve

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

3) Earnings distribution

On June 15, 2023 and June 15, 2022, the Group resolved to earnings distribution of 2022 and 2021, the amounts of dividends distributed to owners are as follows:

	For the year ended December 31	
	2022	2021
Common stock dividends per share (dollars)		
— Cash	\$ 4.00	5.00

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Other equity (net of tax)

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Deferred compensation arising from issuance of restricted stock	Total
Balance on January 1, 2023	\$ (7,603,630)	79,970	(68,877)	(7,592,537)
Exchange differences on foreign operations	2,397,244	-	-	2,397,244
Exchange differences on associates accounted for using the equity method	(613,948)	-	-	(613,948)
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	51,989	-	51,989
Deferred compensation cost arising from issuance of restricted stock	-	-	59,228	59,228
Balance on June 30, 2023	<u>\$ (5,820,334)</u>	<u>131,959</u>	<u>(9,649)</u>	<u>(5,698,024)</u>
Balance on January 1, 2022	\$ (21,363,627)	444,778	(712,701)	(21,631,550)
Exchange differences on foreign operations	8,835,766	-	-	8,835,766
Exchange differences on associates accounted for using the equity method	479,451	-	-	479,451
Unrealized gains from financial assets measured at fair value through other comprehensive income	-	(308,086)	-	(308,086)
Deferred compensation cost arising from issuance of restricted stock	-	-	253,913	253,913
Balance on June 30, 2022	<u>\$ (12,048,410)</u>	<u>136,692</u>	<u>(458,788)</u>	<u>(12,370,506)</u>

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

	For the six months ended June 30	
	2023	2022
Balance on January 1	\$ 32,079,698	27,662,332
Income attributable to non-controlling interests	638,710	3,135,571
Other comprehensive (loss) income attributable to non-controlling interests		
Exchange differences on foreign operations	(5,679)	254,469
Changes in ownership interest in subsidiaries	3,084	(2,341)
Changes in non-controlling interests	(2,565,817)	(2,281,513)
Balance on June 30	<u>\$ 30,149,996</u>	<u>28,768,518</u>

(u) Share-based payment

Except for the following disclosure, there were no significant change for share-based payment for the six months ended June 30, 2023 and 2022. For the related information, please refer to Note 6(w) of the consolidated financial statements for the year ended December 31, 2022.

The provisions of the “The Issuance Measures of Restricted Employee New Shares in 2020” were amended by a resolution of the Board of Directors on April 18, 2023 and were approved by a resolution of the shareholders’ meeting on June 15, 2023.

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) New shares of restricted stock awards

For the six months ended June 30, 2023 and 2022, 2,343 thousand and 949 thousand new shares of restricted stock awards issued to employees have expired and recalled, which increased capital surplus with \$23,430 thousand and \$9,494 thousand, respectively. As of June 30, 2023, December 31, 2022 and June 30, 2022, the Company has deferred compensation cost arising from issuance of new shares of restricted stock awards of \$9,649 thousand, \$68,877 thousand and \$458,788 thousand, respectively.

(ii) Expenses recognized in profit or loss

The Company incurred expenses of share-based arrangements for the three months and the six months ended June 30, 2023 and 2022 were as follows:

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Expenses resulting from the issuance of new shares of restricted stock awards	\$ <u>9,933</u>	<u>151,253</u>	<u>103,868</u>	<u>320,718</u>

(v) Subsidiary's share-based payments

Except for the following disclosure, there were no significant change for share-based payment for the six months ended June 30, 2023 and 2022. For the related information, please refer to Note 6(x) of the consolidated financial statements for the year ended December 31, 2022.

(i) New shares of restricted stock awards of AZUREWAVE

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

The issuance of new shares of restricted stock awards was made free of charge, and 20%, 40% and 40% of the restricted stock is vested in one, two and three years of employment with AZUREWAVE from the subscription date. The new shares of restricted stock awards are kept by a trust, which is appointed by AZUREWAVE, before it is vested. These shares of stock shall not be sold, pledged, transferred, gifted or by any other means of disposed to third parties during the custody period. These shares of stock are entitled to the same right as the holders of common stock once issued, except for those shares kept by a trust or shares that do not meet the vesting condition. If the employee does not fulfill the vesting conditions, AZUREWAVE has the rights to recall the shares without cost.

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the six months ended June 30, 2022, AZUREWAVE's employees entitled to restricted employees new shares fail to meet vesting conditions. Thus, AZUREWAVE passed the resolution on May 10, 2023, March 7 and May 11, 2022 to cancel all repurchased restricted employee new shares of 204 thousand, 45 thousand and 531 thousand. The date of the capital reduction were May 15, 2023, March 15 and May 13, 2022, respectively.

For the three months and the six months ended June 30, 2023 and 2022, AZUREWAVE recognized share-based compensation cost of \$5,039 thousand, \$9,676 thousand, \$10,090 thousand and \$19,032 thousand, respectively, due to the issuance of restricted employee stock.

(ii) New shares of restricted stock awards of ASROCK

1) ASROCK

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

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

A. The overall performance of ASROCK:

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

B. Personal performance:

- a. The mid-year assessment is A or above (including A), with a personal weight of 100%.
- b. The mid-year assessment is between B+~A (excluding A), with a personal weight of 80%.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
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- c. The mid-year assessment is between B~B+ (excluding B+), with a personal weight of 60%.
- d. The mid-year assessment is C, without any personal weight.
- C. One year of employment after subscription of new shares of restricted stock awards, and there should be no violation of laws or regulations, company working rules, business ethics codes, as well as other related regulations and agreements, in the first year, with the existing 40% of the shares are multiplied by the overall weight, then multiplied by the personal weight.
- D. Two years of employment after subscription of new shares of restricted stock awards, and there should be no violation of laws or regulations, company working rules, business ethics codes, as well as other related regulations and agreements, in the second year, with the existing 30% of the shares are multiplied by the overall weight, then multiplied by the personal weight.
- E. Three years of employment after subscription of new shares of restricted stock awards, and there should be no violation of laws or regulations, company working rules, business ethics codes, as well as other related regulations and agreements, in the third year, with the existing 30% of the shares are multiplied by the overall weight, then multiplied by the personal weight.

The new shares of restricted stock awards are kept by a trust, which is appointed by ASROCK, before it is vested. These shares of stock shall not be sold, pledged, transferred, gifted or by any other means of disposal to third parties during the custody period. These shares of stock are entitled to the same right as the holders of common shares once issued, except for those shares kept by a trust or shares that do not meet the vesting condition.

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

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

(Continued)

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

2) ASRock Rack

As of June 30, 2023, the share-based payment transactions issued by ASRock RACK were as follows:

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

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

If ASRock Rack is required to apply for a public issuance of shares due to its anticipated listing onto emerging stock board, it is exempted from the provisions of item 1 of the employee share option measures, and the option certificates without the right to exercise shall be automatically accelerated in process without the restrictions of aforementioned expiration and proportion. Within 60 days from receiving the note of public issuance date from ASRock Rack, the employee share option holder shall exercise of all or part of options. If such options were not subscribed by the deadline, the right to share subscription shall be deemed as abandoned, and the option holder shall not further exercise the right to share subscription.

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

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

(Continued)

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

The assumptions and pricing model adopted in the aforesaid share-based payments on June 30, 2022 were as follows:

	<u>June 30, 2022</u>
Fair value at grant date (dollars)	\$ 1.85~2.26
Exercise price (dollars)	\$ 22
Expected volatility rate	41.16%~44.34%
Risk-free interest rate	0.9867%~1.0237%
Expected duration of option	2.5~3.5 years
Weighted average stock price (dollars)	\$ 13.74
Pricing model	Binomial options pricing model

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

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

	<u>For the six months ended June 30</u>			
	<u>2023</u>		<u>2022</u>	
<u>June 30, 2023</u>	<u>Outstanding number of options (In thousand units)</u>	<u>Weighted average exercise price (dollars)</u>	<u>Outstanding number of options (In thousand units)</u>	<u>Weighted average exercise price (dollars)</u>
Outstanding as of January 1	2,300	\$ 19.45	-	\$ -
Granted during the period	-	-	2,300	22
Forfeited during the period	-	-	-	-
Exercised during the period	-	-	-	-
Outstanding as of June 30	<u>2,300</u>	19.45	<u>2,300</u>	22
Exerisable as of June 30	<u>2,300</u>	19.45	<u>-</u>	

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
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As of June 30, 2023 and 2022, related information about outstanding options on the share-based payment were as follows:

	Exercise price (dollars)(Note)	Weighted average residual duration (years)
June 30, 2023		
Outstanding option	\$ 19.45	0.12
June 30, 2022		
Outstanding option	\$ 22	3.50

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

On June 13, 2023, ASRock Rack notified the option holders of the resolution for public issuance. The option certificates which do not have the right to exercise according to the Employee Share Option Measures shall be automatically accelerated in processing without the original expiry date and proportion restrictions.

3) ASRock Industrial

As of June 30, 2023, the share-based payment transactions issued by ASRock Industrial were as follows:

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

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

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PEGATRON CORPORATION AND SUBSIDIARIES
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If ASRock Industrial is required to apply for a public issuance of shares due to its anticipated listing onto emerging stock board, it is exempted from the provisions of item 1 of the Employee Share Option Measures, and the option certificates without the right to exercise shall be automatically accelerated in process without the restrictions of aforementioned expiration and proportion. Within 60 days from receiving the note of public issuance date from ASRock Industrial, the employee share option holder shall exercise of all or part of options. If such options were not subscribed by the deadline, the right to share subscription shall be deemed as abandoned, and the option holder shall not further exercise the right to share subscription.

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

The assumptions and pricing model adopted in the aforesaid share-based payments on April 20, 2021 and July 8, 2022 were as follows:

	<u>April 20, 2021</u>	<u>July 8, 2022</u>
Fair value at grant date (dollars)	\$ 1.2~2.16	3.94~4.41
Exercise price (dollars)	\$ 14.5	22
Expected volatility rate	29.61%~31.19%	26.40%~28.49%
Risk-free interest rate	0.1185%~0.2523%	0.8988%~0.9707%
Expected duration of option	1.5~3.5 years	2.5~3.5 years
Weighted average stock price (dollars)	\$ 12.49	21.69
Pricing model	Binomial options pricing model	

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

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

	For the six months ended June 30			
	<u>2023</u>		<u>2022</u>	
	<u>Outstanding number of options (In thousand units)</u>	<u>Weighted average exercise price (dollars)</u>	<u>Outstanding number of options (In thousand units)</u>	<u>Weighted average exercise price (dollars)</u>
April 20, 2021				
Outstanding as of January 1	1,430	\$ 10	2,200	\$ 12.5
Granted during the period	-	-	-	-
Exercised during the period	(766)	10.0	-	-
Expired during the period	(4)	-	-	-
Outstanding as of June 30	<u>660</u>	10	<u>2,200</u>	12.5
Exercisable as of June 30	<u>660</u>	10	<u>-</u>	-

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
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As of June 30, 2023 and 2022, the related information about outstanding options on the share-based payment were as follows:

	Exercise price (dollars) (Note)	Weighted average residual duration (years)
June 30, 2023		
Outstanding option	\$10.0	0.04
June 30, 2022		
Outstanding option	\$12.5	2.30

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

On May 16, 2023, ASRock Industrial notified the option holders of the resolution for public issuance. The option certificates which do not have the right to exercise according to the Employee Share Option Measures shall be automatically accelerated in processing without the original expiry date and proportion restrictions

	For the six months ended June 30, 2023	
<u>July 8, 2022</u>	Outstanding number of options (In thousand units)	Weighted average exercise price (dollars)
Outstanding as of January 1	2,100	\$ 16.15
Granted during the period	-	-
Exercised during the period	-	-
Outstanding as of June 30	<u>2,100</u>	16.15
Exercisable as of June 30	<u>2,100</u>	16.15

As of June 30, 2023, the related information about outstanding options on the share-based payments were as follows:

	Exercise price (dollars) (Note)	Weighted average residual duration (years)
June 30, 2023		
Outstanding option	\$ 16.15	0.04

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

On May 16, 2023, ASRock Industrial notified the option holders of the resolution for public issuance. The option certificates which do not have the right to exercise according to the Employee Share Option Measures shall be automatically accelerated in processing without the original expiry date and proportion restrictions

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4) ASJade

As of June 30, 2023, the share-based payment transactions issued by ASJade were as follows:

<u>Type of agreement</u>	<u>Grant date</u>	<u>Number of shares granted (In thousands of shares)</u>	<u>Contract term</u>	<u>Vesting condition</u>
Employee share option plan	September 7, 2022	3,240	10 years	Cumulative exercisable share options 2 years of service vested 50% 3 years of service vested 100%

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

The assumptions and pricing model adopted in the aforesaid share-based payments on September 7, 2022 were as follows:

	<u>September 7, 2022</u>
Fair value at grant date (dollars)	\$ 6.16
Exercise price (dollars)	\$ 10
Expected volatility rate	22.71%
Risk-free interest rate	1.3170%
Expected duration of option	10 years
Weighted average stock price (dollars)	\$ 13.69
Pricing model	Binomial options pricing model

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

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

	<u>For the six months ended June 30, 2023</u>	
<u>September 7, 2022</u>	<u>Outstanding number of options (In thousand units)</u>	<u>Weighted average exercise price (dollars)</u>
Outstanding as of January 1	3,240	\$ 10
Granted during the period	-	-
Exercised during the period	-	-
Outstanding as of June 30	<u>3,240</u>	10
Exercisable as of June 30	<u>-</u>	

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As of June 30, 2023, the share-based payment transactions issued by ASJade were as follows:

	Exercise price (dollars)	Weighted average residual duration (years)
June 30, 2023		
Outstanding option	\$ 10	9.15

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

No modification or cancellation of the share-based payment plan has occurred for the six months ended June 30, 2023.

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

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
Expense arising from share-based payment transaction (resulting from equity-settled share-based payment)	\$ 23,195	34,497	38,980	70,737

- (iii) Employee stock option of Lumens

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

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

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

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

	<u>September 15, 2021</u>	
Fair value at grant date (dollars)	\$	97.7
Stock price at grant date (dollars)	\$	112.2
Exercise price (dollars)	\$	78.6
Expected volatility rate		31.44%
Risk-free interest rate		0.3%
Expected duration of option		4.56 years
Expected dividends rate		4.04%

2) Employee stock options

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

	<u>For the six months ended June 30</u>			
	<u>2023</u>		<u>2022</u>	
	<u>Weighted- average exercise price (dollars)</u>	<u>Units of stock option</u>	<u>Weighted- average exercise price (dollars)</u>	<u>Units of stock option</u>
Outstanding as of January 1 (In thousand units)	\$ 78.6	1,517	78.6	1,613
Granted during the period	-	-	-	-
Outstanding as of June 30 (In thousand units)	78.6	<u>1,517</u>	78.6	<u>1,613</u>
Exercisable as of June 30 (In thousand units)	-	<u>-</u>	-	<u>-</u>

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

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Exercise price (dollars)	\$78.6	78.6
Weighted average residual duration	4.21 years	5.21 years

3) Expenses resulting from share-based payment

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Expense arising from employee stock options	<u>\$ 3,329</u>	<u>3,540</u>	<u>6,658</u>	<u>7,079</u>

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

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

On February 13, 2023, the board of KINSUS approved to issue 2,036 thousand new shares of restricted stock, with the record date for the capital increase on March 20, 2023. However, only 1,448 thousand shares were actually issued, with a fair value of \$105 (dollars) per share at the grant date.

On April 28, 2023, the board of KINSUS approved to issue 456 thousand new shares of restricted stock, with the record date for the capital increase on May 19, 2023. However, only 280 thousand shares were actually issued, with a fair value of \$108 (dollars) per share at the grant date.

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

I. Employees above grade 8 (inclusive)

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

II. Employees from grade 6 to grade 7

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

The restricted obligation before vested was as follows:

- a) The new shares of restricted stock awards are kept by a trust before being vested. These shares shall not be sold, pledged, transferred, gifted, or disposed of by any other means to third parties during the custody period.

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PEGATRON CORPORATION AND SUBSIDIARIES
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- b) Upon the issuance of the new shares of restricted stock awards, it shall be kept by a trust immediately. Before the vesting conditions have been met, there shall not be any reason or way to request trustee returning the new shares of restricted stock awards.
- c) The new shares of restricted stock awards can participate in the distribution of cash dividend and stock dividend in the vesting period.
- d) The voting rights of these shareholders are executed by the custodian, and the custodian will act based on law and regulations.

On August 19, 2022, KINSUS issued 1,932 thousand new shares of restricted stock awards, and incurred 226,134 thousand to capital surplus. As of June 30, 2023, 19 thousand new shares of restricted stock awards have expired, resulting in the increase of the capital surplus of KINSUS by \$185 thousand. Subsequently, as of June 30, 2023, the deferred compensation cost of KINSUS arising from the issuance of its new shares of restricted stock awards amounted to \$16,631 thousand.

On March 20, 2023, KINSUS issued 1,448 thousand new shares restricted stock awards, and incurred \$109,469 thousand of captal surplus, As of June 30, 2023, 11 thousand new shares of restricted stock awards have expired, resulting in the increase of the capital surplus of KINSUS by \$110 thousand. Subsequently, as of June 30, 2023, the deferred compensation cost of KINSUS arising from the issuance of its new shares of restricted stock amounted to \$12,592 thousand.

On May 19, 2023, KINSUS issued 280 thousand new shares of restricted stock awards, and incurred \$21,168 thousand of capital surplus. As of June 30, 2023, the deferred compensation cost of KINSUS arising from the issuance of its new shares of restricted stock amounted to \$3,567 thousand.

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

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
Expenses arising from equity-settled share-based payment	\$ 18,582	-	37,561	-

- 3) KINSUS did not make any cancellation or amendment to share-based payment transactions for the six months ended June 30, 2023 and 2022.

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(w) Earnings per share

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

	For the three months ended June 30					
	2023			2022		
	Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
Basic earnings per share						
Profit (loss) attributable to ordinary shareholders	\$ <u>3,148,706</u>	<u>(21,299)</u>	<u>3,127,407</u>	<u>3,169,629</u>	<u>(53,724)</u>	<u>3,115,905</u>
Weighted-average number of ordinary shares	<u>2,666,192</u>	<u>2,666,192</u>	<u>2,666,192</u>	<u>2,668,085</u>	<u>2,668,085</u>	<u>2,668,085</u>
	\$ <u>1.18</u>	<u>(0.01)</u>	<u>1.17</u>	<u>1.19</u>	<u>(0.02)</u>	<u>1.17</u>
Diluted earnings per share						
Profit (loss) attributable to ordinary shareholders (diluted)	\$ <u>3,148,706</u>	<u>(21,299)</u>	<u>3,127,407</u>	<u>3,169,629</u>	<u>(53,724)</u>	<u>3,115,905</u>
Weighted-average number of ordinary shares	<u>2,666,192</u>	<u>2,666,192</u>	<u>2,666,192</u>	<u>2,668,085</u>	<u>2,668,085</u>	<u>2,668,085</u>
Effect of potentially dilutive ordinary share						
Effect of employee stock compensation	<u>7,901</u>	<u>7,901</u>	<u>7,901</u>	<u>7,561</u>	<u>7,561</u>	<u>7,561</u>
Weighted-average number of ordinary shares (diluted)	<u>2,674,093</u>	<u>2,674,093</u>	<u>2,674,093</u>	<u>2,675,646</u>	<u>2,675,646</u>	<u>2,675,646</u>
	\$ <u>1.18</u>	<u>(0.01)</u>	<u>1.17</u>	<u>1.18</u>	<u>(0.02)</u>	<u>1.16</u>
	For the six months ended June 30					
	2023			2022		
	Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
Basic earnings per share						
Profit (loss) attributable to ordinary shareholders	\$ <u>6,203,268</u>	<u>(67,994)</u>	<u>6,135,274</u>	<u>4,917,302</u>	<u>(133,972)</u>	<u>4,783,330</u>
Weighted-average number of ordinary shares	<u>2,666,192</u>	<u>2,666,192</u>	<u>2,666,192</u>	<u>2,668,360</u>	<u>2,668,360</u>	<u>2,668,360</u>
	\$ <u>2.33</u>	<u>(0.03)</u>	<u>2.30</u>	<u>1.84</u>	<u>(0.05)</u>	<u>1.79</u>
Diluted earnings per share						
Profit (loss) attributable to ordinary shareholders (diluted)	\$ <u>6,203,268</u>	<u>(67,994)</u>	<u>6,135,274</u>	<u>4,917,302</u>	<u>(133,972)</u>	<u>4,783,330</u>
Weighted-average number of ordinary shares	<u>2,666,192</u>	<u>2,666,192</u>	<u>2,666,192</u>	<u>2,675,646</u>	<u>2,675,646</u>	<u>2,675,646</u>
Effect of potentially dilutive ordinary share						
Effect of employee stock compensation	<u>15,834</u>	<u>15,834</u>	<u>15,834</u>	<u>16,442</u>	<u>16,442</u>	<u>16,442</u>
Weighted-average number of ordinary shares (diluted)	<u>2,682,026</u>	<u>2,682,026</u>	<u>2,682,026</u>	<u>2,692,088</u>	<u>2,692,088</u>	<u>2,692,088</u>
	\$ <u>2.32</u>	<u>(0.03)</u>	<u>2.29</u>	<u>1.83</u>	<u>(0.05)</u>	<u>1.78</u>

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(x) Revenue from contracts with customers

(i) Disaggregation of revenue

For the three months ended June 30, 2023					
Continuing Operations					
	DMS	Strategic Investment Group	Subtotal	Discontinued Operations	Total
Primary geographical markets:					
Europe	\$ 123,405,749	1,215,119	124,620,868	-	124,620,868
U.S.A.	103,392,288	2,498,020	105,890,308	-	105,890,308
Taiwan	20,113,657	2,540,258	22,653,915	-	22,653,915
China	6,380,165	4,627,454	11,007,619	20	11,007,639
Japan	2,091,670	1,127,626	3,219,296	-	3,219,296
Other countries	11,677,542	1,638,710	13,316,252	-	13,316,252
	\$ 267,061,071	13,647,187	280,708,258	20	280,708,278

For the three months ended June 30, 2022					
Continuing Operations					
	DMS	Strategic Investment Group	Subtotal	Discontinued Operations	Total
Primary geographical markets:					
Europe	\$ 119,613,268	722,881	120,336,149	8,540	120,344,689
U.S.A.	99,901,250	4,482,068	104,383,318	176,324	104,559,642
Taiwan	23,333,523	3,919,040	27,252,563	6,075	27,258,638
China	5,958,995	6,760,907	12,719,902	317,583	13,037,485
Japan	2,387,847	812,241	3,200,088	-	3,200,088
Other countries	14,971,156	474,631	15,445,787	(188,812)	15,256,975
	\$ 266,166,039	17,171,768	283,337,807	319,710	283,657,517

For the six months ended June 30, 2023					
Continuing Operations					
	DMS	Strategic Investment Group	Subtotal	Discontinued Operations	Total
Primary geographical markets:					
Europe	\$ 274,123,230	2,686,621	276,809,851	-	276,809,851
U.S.A.	216,272,309	5,259,577	221,531,886	-	221,531,886
Taiwan	37,690,501	3,922,383	41,612,884	-	41,612,884
China	12,382,361	8,801,336	21,183,697	(396)	21,183,301
Japan	7,112,123	2,072,343	9,184,466	-	9,184,466
Other countries	24,773,978	3,748,042	28,522,020	-	28,522,020
	\$ 572,354,502	26,490,302	598,844,804	(396)	598,844,408

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For the six months ended June 30, 2022					
	Continuing Operations			Discontinued Operations	Total
	DMS	Strategic Investment Group	Subtotal		
Primary geographical markets:					
Europe	\$ 267,346,984	1,921,222	269,268,206	15,257	269,283,463
U.S.A.	209,188,561	8,366,908	217,555,469	176,324	217,731,793
Taiwan	49,658,733	7,919,191	57,577,924	38,417	57,616,341
China	13,078,300	13,816,392	26,894,692	483,439	27,378,131
Japan	4,336,270	1,655,552	5,991,822	-	5,991,822
Other countries	28,886,496	523,959	29,410,455	70,051	29,480,506
	\$ 572,495,344	34,203,224	606,698,568	783,488	607,482,056

(ii) Contract balances

	June 30, 2023	December 31, 2022	June 30, 2022
Notes receivable	\$ 6,545	11,200	2,969
Accounts receivable	156,372,596	190,423,074	189,324,616
Less: Allowance for impairment	158,318	187,095	118,088
Total	\$ 156,220,823	190,247,179	189,209,497
Contract liabilities	\$ 6,732,775	3,828,212	2,225,180

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 six months ended June 30, 2023 and 2022.

(y) 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 three months and the six months ended June 30, 2023 and 2022 the Company estimated its employee remuneration amounting to \$317,000 thousand, \$300,000 thousand, \$591,000 thousand and \$431,000 thousand, and directors' remuneration amounting to \$31,000 thousand, \$30,000 thousand, \$58,000 thousand and \$42,000 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. 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 in next year. The numbers of shares to be distributed were calculated based on the closing price of the Company's ordinary shares, one day before the approval by the Board of Directors.

For the years ended December 31, 2022 and 2021, the Company had accrued remuneration of employees of \$1,365,000 thousand and \$1,605,000 thousand, respectively, and remuneration of directors of \$135,000 thousand and \$159,000 thousand, respectively. There was no difference between the amounts approved in the Board of Directors meeting. For further information, please refer to Market Observation Post System.

(z) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	For the three months ended June 30					
	2023			2022		
	Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
Interest income from bank deposits	\$ <u>1,132,060</u>	<u>370</u>	<u>1,132,430</u>	<u>387,266</u>	<u>462</u>	<u>387,728</u>

	For the six months ended June 30					
	2023			2022		
	Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
Interest income from bank deposits	\$ <u>2,424,349</u>	<u>1,067</u>	<u>2,425,416</u>	<u>781,799</u>	<u>560</u>	<u>782,359</u>

(ii) Other income

The details of other income were as follows:

	For the three months ended June 30					
	2023			2022		
	Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
Subsidy income	\$ 575,631	-	575,631	775,394	-	775,394
Rental income	35,866	-	35,866	112,080	1,236	113,316
Dividend income	52,877	-	52,877	89,500	-	89,500
Technical service income	179,390	-	179,390	142,839	-	142,839
Other income	75,598	12,293	87,891	99,544	3,730	103,274
	<u>\$ 919,362</u>	<u>12,293</u>	<u>931,655</u>	<u>1,219,357</u>	<u>4,966</u>	<u>1,224,323</u>

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PEGATRON CORPORATION AND SUBSIDIARIES
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	For the six months ended June 30					
	2023			2022		
	Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
Subsidy income	\$ 1,289,344	-	1,289,344	1,756,591	-	1,756,591
Rental income	160,583	-	160,583	306,060	1,236	307,296
Dividend income	54,170	-	54,170	90,792	-	90,792
Technical service income	448,563	-	448,563	240,254	-	240,254
Other income	154,301	24,619	178,920	370,981	7,718	378,699
	<u>\$ 2,106,961</u>	<u>24,619</u>	<u>2,131,580</u>	<u>2,764,678</u>	<u>8,954</u>	<u>2,773,632</u>

(iii) Other gains and losses

The details of other gains and losses were as follows:

	For the three months ended June 30					
	2023			2022		
	Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
Foreign exchange (losses) gains	\$ 7,508	(2,007)	5,501	(651,858)	20,601	(631,257)
Gains on disposal of property, plant and equipment	16,057	-	16,057	14,022	152,667	166,689
Gains on lease modifications	5,409	-	5,409	5,928	97,440	103,368
Impairment losses on non-financial assets	(9,096)	-	(9,096)	(8,581)	-	(8,581)
Net profit (loss) on financial assets measured at fair value through profit or loss	13,409	-	13,409	(384,908)	-	(384,908)
Others	(30,662)	(4,423)	(35,085)	(48,039)	(188,108)	(236,147)
	<u>\$ 2,625</u>	<u>(6,430)</u>	<u>(3,805)</u>	<u>(1,073,436)</u>	<u>82,600</u>	<u>(990,836)</u>

	For the six months ended June 30					
	2023			2022		
	Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
Foreign exchange (losses) gains	\$ (203,070)	(1,186)	(204,256)	(562,889)	16,890	(545,999)
Gains on disposal of property, plant and equipment	32,005	-	32,005	71,584	172,625	244,209
Gains on lease modifications	24,098	-	24,098	11,556	97,440	108,996
Impairment losses on non-financial assets	(11,893)	-	(11,893)	(17,374)	-	(17,374)
Net loss on financial assets measured at fair value through profit or loss	(86,713)	-	(86,713)	(3,720,253)	-	(3,720,253)
Others	(22,954)	(4,431)	(27,385)	(115,629)	(204,667)	(320,296)
	<u>\$ (268,527)</u>	<u>(5,617)</u>	<u>(274,144)</u>	<u>(4,333,005)</u>	<u>82,288</u>	<u>(4,250,717)</u>

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(iv) Finance costs

The details of finance costs were as follows:

	For the three months ended June 30					
	2023			2022		
	Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
Interest expenses	\$ 831,124	15,244	846,368	393,253	7,509	400,762
Financial expense- bank fees and factoring fees, etc.	6,675	-	6,675	3,667	-	3,667
	<u>\$ 837,799</u>	<u>15,244</u>	<u>853,043</u>	<u>396,920</u>	<u>7,509</u>	<u>404,429</u>
	For the six months ended June 30					
	2023			2022		
	Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
Interest expenses	\$ 1,917,947	30,768	1,948,715	641,079	12,076	653,155
Financial expense- bank fees and factoring fees, etc.	10,533	-	10,533	7,464	-	7,464
	<u>\$ 1,928,480</u>	<u>30,768</u>	<u>1,959,248</u>	<u>648,543</u>	<u>12,076</u>	<u>660,619</u>

(aa) Financial instruments

(i) Credit risk

1) Credit risk exposure

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

2) Concentration of credit risk

As of June 30, 2023, December 31, 2022 and June 30, 2022, the accounts receivable from the Group's top three customers were amounted to \$113,924,569 thousand, \$131,973,672 thousand and \$138,568,641 thousand, representing 73%, 69% and 73% of accounts receivable, respectively, which exposes the Group to credit risk.

3) Credit risk of accounts receivable

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

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

All of these financial assets are considered to be low risk, and thus the impairment provision recognized during the period was limited to 12 months expected losses.

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The loss allowance provision for the six months ended June 30, 2023 and 2022 was determined as follows:

	Other receivables
Balance on January 1, 2023	\$ 16,299
Impairment loss recognized	101
Effect of movement in exchange rates	(371)
Balance on June 30, 2023	<u>\$ 16,029</u>
Balance on January 1, 2022	\$ 16,438
Reversal of impairment loss recognized	(265)
Effect of movement in exchange rates	340
Balance on June 30, 2022	<u>\$ 16,513</u>

(ii) Liquidity risk

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

	Carrying amount	Contractual cash flows	Within 1 year	1-2 years	More than 2 years
June 30, 2023					
Non-derivative financial liabilities					
Secured bank loans	\$ 259,025	259,025	7,466	7,872	243,687
Unsecured bank loans	65,661,189	65,709,384	50,297,056	3,849,976	11,562,352
Unsecured ordinary corporate bonds	30,380,690	30,400,000	6,000,000	4,500,000	19,900,000
Non-interest bearing liabilities	184,431,937	184,431,937	179,014,575	5,417,362	-
Lease liabilities	2,865,347	2,865,347	1,050,100	728,385	1,086,862
	<u>\$ 283,598,188</u>	<u>283,665,693</u>	<u>236,369,197</u>	<u>14,503,595</u>	<u>32,792,901</u>
December 31, 2022					
Non-derivative financial liabilities					
Secured bank loans	\$ 272,216	272,216	6,655	7,872	257,689
Unsecured bank loans	96,316,133	96,451,788	82,371,617	3,729,565	10,350,606
Unsecured ordinary corporate bonds	34,876,992	34,900,000	4,500,000	8,000,000	22,400,000
Non-interest bearing liabilities	240,715,180	240,715,180	235,385,475	5,329,705	-
Lease liabilities	2,888,601	2,888,601	1,366,074	853,722	668,805
	<u>\$ 375,069,122</u>	<u>375,227,785</u>	<u>323,629,821</u>	<u>17,920,864</u>	<u>33,677,100</u>

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	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>More than 2 years</u>
June 30, 2022					
Non-derivative financial liabilities					
Secured bank loans	\$ 273,139	273,139	1,167	1,716	270,256
Unsecured bank loans	119,424,295	119,498,839	107,034,247	3,258,948	9,205,644
Other unsecured loans	2,377,760	2,377,760	2,377,760	-	-
Unsecured ordinary corporate bonds	36,873,293	36,900,000	6,500,000	6,000,000	24,400,000
Non-interest bearing liabilities	226,011,351	226,011,351	223,738,827	2,272,524	-
Lease liabilities	<u>3,264,652</u>	<u>3,264,652</u>	<u>1,378,052</u>	<u>863,464</u>	<u>1,023,136</u>
	<u>\$ 388,224,490</u>	<u>388,325,741</u>	<u>341,030,053</u>	<u>12,396,652</u>	<u>34,899,036</u>

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

(iii) Market risk

1) Exposure to foreign currency risk

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

(Unit: Foreign currency / NTD in thousands)

	<u>June 30, 2023</u>			<u>June 30, 2022</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:NTD	\$ 10,666,624	31.1390	332,148,005	12,718,724	29.7220	378,025,915
USD:CNY	34,308	7.2258	1,068,317	61,250	6.7114	1,820,471
CNY:USD	4,433,166	0.1384	19,104,370	6,118,354	0.1490	27,095,646
INR:USD	4,058,349	0.0122	1,540,382	-	-	-
<u>Non-monetary items</u>						
CNY:USD	6,386,022	0.1384	27,533,939	5,410,145	0.1490	23,964,807
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	10,618,350	31.1390	330,644,801	12,731,995	29.7220	378,420,355
USD:CNY	19,372	7.2258	603,225	33,537	6.7114	996,786
CNY:USD	3,890,276	0.1384	16,764,829	3,476,605	0.1490	15,396,438
INR:USD	1,232,942	0.0122	467,974	-	-	-
<u>December 31, 2022</u>						
	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>NTD</u>			
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 17,243,548	30.7175	529,678,686			
USD:CNY	71,105	6.9646	2,184,168			
CNY:USD	5,242,415	0.1436	23,121,770			
USD:INR	379,710	82.7605	11,663,742			

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	December 31, 2022		
	Foreign Currency	Exchange Rate	NTD
<u>Non-monetary items</u>			
CNY:USD	6,143,809	0.1436	27,107,247
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	16,896,396	30.7175	519,015,044
USD:CNY	26,744	6.9646	821,509
CNY:USD	4,957,472	0.1436	21,865,029
USD:INR	784,019	82.7605	24,083,104

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, loans and other payables that are denominated in foreign currency. 1% appreciation (depreciation) of the major foreign currency against the Group's functional currency as of June 30, 2023 and 2022 would have increased the before-tax net income for the six months ended June 30, 2023 and 2022 by \$55,994 thousand and \$139,863 thousand, respectively. The analysis is performed on the same basis for both periods.

3) Foreign exchange gains or losses on monetary items

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the three months and the six months ended June 30, 2023 and 2022, foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$5,501 thousand, (\$631,257) thousand, (\$204,256) thousand and (\$545,999) thousand, respectively.

4) Interest rate analysis

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

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

If the interest rate increases/decreases by 1%, the Group's net income will decrease /increase by \$79,676 thousand and \$80,445 thousand for the six months ended June 30, 2023 and 2022, respectively, assuming all other variable factors remain constant. This is mainly due to the Group's variable rate borrowing and cash advances for accounts receivable factoring.

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5) Other market price risk

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

<u>Equity price on reporting date</u>	For the six months ended June 30			
	2023		2022	
	Comprehensive Income (Loss) (net of tax)	Net Income (Loss) (before tax)	Comprehensive Income (Loss) (net of tax)	Net Income (Loss) (before tax)
Increase 3%	\$ 45,309	224,540	34,392	240,105
Decrease 3%	\$ (45,309)	(224,540)	(34,392)	(240,105)

(iv) Fair value of financial instruments

1) Fair value hierarchy

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

	June 30, 2023				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Financial assets mandatorily measured at fair value through profit or loss	\$ 11,931,214	10,176,755	-	1,754,459	11,931,214
Financial assets at fair value through other comprehensive income					
Stock of listed companies	\$ 681,063	681,063	-	-	681,063
Stock of unlisted companies	190,017	-	-	190,017	190,017
Stock of overseas listed companies	245,038	245,038	-	-	245,038
Stock of overseas unlisted companies	394,192	-	-	394,192	394,192
Subtotal	\$ 1,510,310	926,101	-	584,209	1,510,310

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		June 30, 2023			
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets at amortized cost					
Cash and cash equivalents	\$ 79,836,072	-	-	-	-
Notes and accounts receivable	156,220,823	-	-	-	-
Other receivables	1,069,859	-	-	-	-
Other financial assets	<u>11,129,222</u>	-	-	-	-
Subtotal	<u>\$248,255,976</u>	-	-	-	-
Financial liabilities at amortized cost					
Bank loans	\$ 65,920,214	-	-	-	-
Non-interest bearing liabilities	184,433,834	-	-	-	-
Lease liabilities	2,865,347	-	-	-	-
Unsecured ordinary corporate bonds	<u>30,380,690</u>	-	-	-	-
Subtotal	<u>\$283,600,085</u>	-	-	-	-
		December 31, 2022			
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Financial assets mandatorily measured at fair value through profit or loss	\$ <u>11,195,278</u>	<u>9,610,705</u>	-	<u>1,584,573</u>	<u>11,195,278</u>
Financial assets at fair value through other comprehensive income					
Stock of listed companies	\$ 672,778	672,778	-	-	672,778
Stock of unlisted companies	161,247	-	-	161,247	161,247
Stock of overseas listed companies	201,334	201,334	-	-	201,334
Stock of overseas unlisted companies	<u>368,287</u>	-	-	<u>368,287</u>	<u>368,287</u>
Subtotal	<u>\$ 1,403,646</u>	<u>874,112</u>	-	<u>529,534</u>	<u>1,403,646</u>
Financial assets at amortized cost					
Cash and cash equivalents	\$ 84,577,382	-	-	-	-
Notes and accounts receivable	190,247,179	-	-	-	-
Other receivables	1,329,144	-	-	-	-
Other financial assets	<u>12,387,354</u>	-	-	-	-
Subtotal	<u>\$288,541,059</u>	-	-	-	-
Financial liabilities at amortized cost					
Bank loans	\$ 96,588,349	-	-	-	-
Non-interest bearing liabilities	240,715,180	-	-	-	-
Lease liabilities	2,888,601	-	-	-	-
Unsecured ordinary corporate bonds	<u>34,876,992</u>	-	-	-	-
Subtotal	<u>\$375,069,122</u>	-	-	-	-

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	June 30, 2022				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Financial assets mandatorily measured at fair value through profit or loss	\$ 10,524,115	9,419,776	-	1,104,339	10,524,115
Financial assets at fair value through other comprehensive income					
Stock of listed companies	\$ 739,062	739,062	-	-	739,062
Stock of unlisted companies	151,187	-	-	151,187	151,187
Stock of overseas listed companies	209,932	209,932	-	-	209,932
Stock of overseas unlisted companies	46,224	-	-	46,224	46,224
Private fund	166,358	-	-	166,358	166,358
Subtotal	\$ 1,312,763	948,994	-	363,769	1,312,763
Financial assets at amortized cost					
Cash and cash equivalents	\$ 96,884,617	-	-	-	-
Notes and accounts receivable	189,209,497	-	-	-	-
Other receivables	10,032,271	-	-	-	-
Other financial assets	14,801,193	-	-	-	-
Subtotal	\$310,927,578	-	-	-	-
Financial liabilities at amortized cost					
Bank loans	\$119,697,434	-	-	-	-
Other loans	2,377,760	-	-	-	-
Non-interest bearing liabilities	226,011,351	-	-	-	-
Lease liabilities	3,264,652	-	-	-	-
Unsecured ordinary corporate bonds	36,873,293	-	-	-	-
Subtotal	\$388,224,490	-	-	-	-

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

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

a) Financial assets and financial liabilities measured at amortized cost

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
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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 six months ended June 30, 2023 and 2022.

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PEGATRON CORPORATION AND SUBSIDIARIES
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5) Reconciliation of Level 3 fair values

	<u>Fair value through profit or loss</u>	<u>Fair value through other comprehensive income</u>		<u>Total</u>
	<u>Non-derivative financial assets mandatorily measured at fair value through profit or loss</u>	<u>Unquoted equity instruments</u>	<u>Unquoted debt instruments</u>	
Opening balance, January 1, 2023	\$ 1,584,573	529,534	-	2,114,107
Total gains and losses recognized:				
In profit or loss	72,237	-	-	72,237
Purchased	96,363	52,533	-	148,896
Impact of exchange rate	1,286	2,142	-	3,428
Ending Balance, June 30, 2023	<u>\$ 1,754,459</u>	<u>584,209</u>	<u>-</u>	<u>2,338,668</u>
Opening balance, January 1, 2022	\$ 715,758	194,010	41,784	951,552
Total gains and losses recognized:				
In profit or loss	65,051	-	-	65,051
In other comprehensive income	-	3,401	-	3,401
Purchased	323,530	-	124,574	448,104
Ending Balance, June 30, 2022	<u>\$ 1,104,339</u>	<u>197,411</u>	<u>166,358</u>	<u>1,468,108</u>

For the six months ended June 30, 2023 and 2022, total gains and losses that were included in “other gains and losses” and “unrealized gains from financial assets at fair value through other comprehensive income” were as follows:

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Total gains and losses recognized:				
In profit or loss, and presented in “other gains and losses”	<u>\$ 24,145</u>	<u>27,434</u>	<u>72,237</u>	<u>65,051</u>
In other comprehensive income, and presented in “unrealized gains from financial assets at fair value through other comprehensive income”	<u>\$ -</u>	<u>1,830</u>	<u>-</u>	<u>3,401</u>

(Continued)

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

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

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

Quantified information of significant unobservable inputs were as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through profit or loss-equity investments without an active market	Market Approach	<ul style="list-style-type: none"> ·The multiplier of price-to-book ratio (As of June 30, 2023, December 31, 2022 and June 30, 2022, were 2.1~9.5, 2.1~9.5 and 2.2~8.9, respectively.) ·Market illiquidity discount (As of June 30, 2023, December 31, 2022 and June 30, 2022, were 20%) 	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> ·the multiplier were higher (lower) ·the market illiquidity discount were lower (higher).
Financial assets at fair value through other comprehensive income-equity investments without an active market	Market Approach	<ul style="list-style-type: none"> ·The multiplier of price-to-book ratio (As of June 30, 2023, December 31, 2022 and June 30, 2022, were 1.5~1.6, 1.5~1.6 and 1.4~1.6, respectively.) ·Market illiquidity discount (As of June 30, 2023, December 31, 2022 and June 30, 2022, were 20%) 	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> ·the multiplier were higher (lower) ·the market illiquidity discount were lower (higher).
Financial assets at fair value through profit or loss-private fund	Net Asset Value Method	·Net Asset Value	Not applicable
Financial assets at fair value through other comprehensive income-private fund	Net Asset Value Method	·Net Asset Value	Not applicable

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

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

	Inputs	Fluctuation in inputs	Profit or loss		Other comprehensive income	
			Favorable	Unfavorable	Favorable	Unfavorable
June 30, 2023						
Financial assets at fair value through profit or loss						
Equity investments without an active market	Multiplier of price-to-book ratio	1%	4,710	(4,710)	-	-
Equity investments without an active market	Market illiquidity discount	1%	4,710	(4,710)	-	-
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	Multiplier of price-to-book ratio	1%	-	-	5,842	(5,842)
Equity investments without an active market	Market illiquidity discount	1%	-	-	5,842	(5,842)
December 31, 2022						
Financial assets at fair value through profit or loss						
Equity investments without an active market	Multiplier of price-to-book ratio	1%	4,697	(4,697)	-	-
Equity investments without an active market	Market illiquidity discount	1%	4,697	(4,697)	-	-
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	Multiplier of price-to-book ratio	1%	-	-	5,295	(5,295)
Equity investments without an active market	Market illiquidity discount	1%	-	-	5,295	(5,295)
June 30, 2022						
Financial assets at fair value through profit or loss						
Equity investments without an active market	Multiplier of price-to-book ratio	1%	5,777	(5,777)	-	-
Equity investments without an active market	Market illiquidity discount	1%	5,777	(5,777)	-	-
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	Multiplier of price-to-book ratio	1%	-	-	1,974	(1,974)
Equity investments without an active market	Market illiquidity discount	1%	-	-	1,974	(1,974)

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

(v) Offsetting financial assets and financial liabilities

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

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

June 30, 2023						
Financial assets that are offset which have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial assets (a)	Gross amounts of financial liabilities offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)		Net amounts (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral instruments	
Accounts Receivable and Payable	\$ 15,275,072	11,518,702	3,756,370	-	-	3,756,370
Other financial asset and short-term loan	\$ 132,777,681	132,777,681	-	-	-	-

June 30, 2023						
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	\$ 11,518,702	11,518,702	-	-	-	-
Other financial asset and short-term loan	\$ 132,777,681	132,777,681	-	-	-	-

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

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

June 30, 2022						
Financial assets that are offset which have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial assets (a)	Gross amounts of financial liabilities offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)		Net amounts (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral instruments	
Accounts Receivable and Payable	\$ 15,779,891	14,334,506	1,445,385	-	-	1,445,385
Other financial asset and short-term loan	\$ 11,591,400	11,591,400	-	-	-	-

June 30, 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	\$ 14,334,506	14,334,506	-	-	-	-
Other financial asset and short-term loan	\$ 11,591,400	11,591,400	-	-	-	-

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

(ab) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in Note 6(ae) of the consolidated financial statements for the year ended December 31, 2022.

(ac) Capital management

Management believes that there were no changes in the Group's approach to the targets, policies and procedures in capital management as disclosed in the consolidated financial statements for the year ended December 31, 2022. Also, they believe that for the year ended December 31, 2022, there were also no changes in the Group's capital management information. For other related information, please refer to Note 6(af) of the consolidated financial statements for the year ended December 31, 2022.

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Notes to the Consolidated Financial Statements

(ad) Financing activities not affecting current cash flow

For the six months ended June 30, 2023 and 2022, reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2023	Cash flows	Non-cash changes		June 30, 2023
			Foreign exchange movement	Other	
Long-term loans	\$ 16,998,898	2,173,505	13,909	(1,831)	19,184,481
Short-term loans	79,589,451	(32,853,718)	-	-	46,735,733
Bonds payable	34,876,992	(4,500,000)	-	3,698	30,380,690
Lease liabilities	2,888,601	(671,939)	52,395	596,290	2,865,347
Non-controlling interests	32,079,698	17,416	(5,679)	(1,941,439)	30,149,996
Total liabilities from financing activities	<u>\$ 166,433,640</u>	<u>(35,834,736)</u>	<u>60,625</u>	<u>(1,343,282)</u>	<u>129,316,247</u>

	January 1, 2022	Cash flows	Non-cash changes		June 30, 2022
			Foreign exchange movement	Other	
Long-term loans	\$ 13,237,371	1,092,168	77,481	(3,473)	14,403,547
Short-term loans	94,023,304	13,648,343	-	-	107,671,647
Bonds payable	36,869,595	-	-	3,698	36,873,293
Lease liabilities	3,071,000	(727,456)	132,926	788,182	3,264,652
Non-controlling interests	27,662,332	24,240	254,469	827,477	28,768,518
Total liabilities from financing activities	<u>\$ 174,863,602</u>	<u>14,037,295</u>	<u>464,876</u>	<u>1,615,884</u>	<u>190,981,657</u>

(7) Related-party transactions

(a) Names and relationship with related parties

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

<u>Name of related party</u>	<u>Relationship with the Group</u>
Luxcase (Kunshan)	An associate
Luxcase (Yancheng)	An associate
RI-MING	An associate
RI-SHAN	An associate
SHENG-RUI	An associate
RI PEI	An associate
RI Da	An associate
CSG	An associate
ADVANTECH CO., LTD	Other related party
Adantech Technology (China) Company Ltd.	Other related party
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd	Other related party

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Significant transactions with related parties

(i) Sale of Goods to Related Parties

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

	Sales			
	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
Associates	\$ 41,661	-	41,661	-
Other related party	15,551	9,330	60,547	50,590
	\$ 57,212	9,330	102,208	50,590

The terms and the selling price for related parties were not significantly different with other customers. Amounts receivable from related parties were uncollateralized, and no expected credit loss were required after the assessment by the management.

(ii) Purchase of Goods from Related Parties

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

	Purchases			
	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
Associates	\$ 80,841	82,199	147,433	239,877

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

(iii) Receivables from Related Parties

The receivables from related parties were as follows:

Account	Relationship	June 30, 2023	December 31, 2022	June 30, 2022
Accounts receivable	Other related party	\$ 8,920	14,341	14,071
Accounts receivable	Associates	381	-	-
Other receivables	Associates	22,231	144,336	373,867
		\$ 31,532	158,677	387,938

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Payables to Related Parties

The payables to related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Accounts payable	Associates	\$ 55,346	83,609	84,279
Other payables	Associates	-	491	-
Accrued expenses	Associates	39,348	6,134	475
		<u>\$ 94,694</u>	<u>90,234</u>	<u>84,754</u>

(v) Loans to Related Parties

The loans to related parties were as follows:

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Associates - RI SHAN	\$ -	-	<u>8,668,423</u>
Range of interest rate	-%	1%	1%
Interest income	\$ -	<u>50,328</u>	<u>42,621</u>

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

(vi) Other

The other current liabilities of the Group were as follows:

<u>Account</u>	<u>Relationship</u>	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Temporary receipts	Associates	<u>\$ 905,283</u>	-	-

(c) Transactions with key management personnel

Compensation for key management personnel was as follows:

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 99,796	78,689	203,104	190,519
Post-employment benefits	1,184	1,091	2,315	2,104
Share-based payments	3,615	35,016	24,637	73,333
	<u>\$ 104,595</u>	<u>114,796</u>	<u>230,056</u>	<u>265,956</u>

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

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(8) Assets pledged as security

The carrying amounts of assets pledged as security were as follows:

Assets pledged as security	Object	June 30, 2023	December 31, 2022	June 30, 2022
Other financial asset- restricted deposit	Post-release duty deposits, customs duty, lease deposits, travel agency guarantee, etc.	\$ 124,400	136,674	121,348
Property, plant and equipment	Bank loans	319,368	321,504	314,166
Other financial asset- guarantee deposits	Customs duty guarantee, litigation guarantee, rental deposits, and deposits for performance guarantee	66,090	39,954	41,532
		<u>\$ 509,858</u>	<u>498,132</u>	<u>477,046</u>

(9) Commitments and contingencies

(a) Significant commitments and contingencies

(i) Unused standby letters of credit

	June 30, 2023	December 31, 2022	June 30, 2022
EUR	\$ -	-	711
JPY	7,729,545	8,726,739	6,256,578
USD	4,409	10,244	18,563

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

	June 30, 2023	December 31, 2022	June 30, 2022
NTD	<u>\$ 170,039</u>	<u>14,190</u>	<u>10,490</u>

(iii) As of June 30, 2023, December 31, 2022 and June 30, 2022, the significant contracts for purchase of properties by the Group amounted to \$29,038,816 thousand, \$28,224,912 thousand and \$18,480,823 thousand, of which \$9,689,071 thousand, \$12,644,022 thousand and \$8,153,652 thousand, respectively, were unpaid.

(iv) As of June 30, 2023, December 31, 2022 and June 30, 2022, the Group provided endorsement guarantee for bank loans, including Group entities, amounting to \$2,524,810 thousand, \$2,490,634 thousand and \$2,526,370 thousand, respectively.

(v) As of June 30, 2023, December 31, 2022 and June 30, 2022, the Group issued a tariff guarantee of \$751,110 thousand, \$876,349 thousand and \$805,399 thousand, respectively, to the bank for the purpose of importing goods.

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(10) Losses due to major disasters: None.

(11) Subsequent events: None.

(12) Others

(a) The employee benefits, depreciation and amortization expenses categorized by function were as follows:

By function	For the three months ended June 30					
	2023			2022		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Employee benefit						
Salary	\$ 7,837,805	4,001,700	11,839,505	11,268,952	3,809,239	15,078,191
Health and labor insurance	725,167	289,308	1,014,475	1,094,204	252,880	1,347,084
Pension	788,894	218,535	1,007,429	1,116,403	205,461	1,321,864
Others	371,262	194,740	566,002	415,154	715,925	1,131,079
Depreciation	3,164,809	552,833	3,717,642	3,087,888	481,195	3,569,083
Amortization	11,231	30,029	41,260	9,022	40,217	49,239

By function	For the six months ended June 30					
	2023			2022		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Employee benefits						
Salary	\$ 17,271,333	7,935,651	25,206,984	22,983,368	7,589,526	30,572,894
Labor and health insurance	1,734,049	594,382	2,328,431	2,362,237	530,986	2,893,223
Pension	1,759,016	449,147	2,208,163	2,164,697	406,859	2,571,556
Others	767,629	413,888	1,181,517	837,699	924,480	1,762,179
Depreciation	6,278,763	1,104,327	7,383,090	6,044,784	970,399	7,015,183
Amortization	22,633	57,163	79,796	19,710	56,561	76,271

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

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
Depreciation in investment property	\$ 774	783	1,545	1,554

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(b) Discontinued operations

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

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

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Results from discontinued operations:				
Operating revenue	\$ 20	319,710	(396)	783,488
Cost of sales	(793)	(434,496)	(793)	(958,330)
Gross loss from operations	(773)	(114,786)	(1,189)	(174,842)
Operating expenses	(21,312)	(43,962)	(87,348)	(99,963)
Operating loss	(22,085)	(158,748)	(88,537)	(274,805)
Non-operating income and expense				
Interest income	370	462	1,067	560
Other income	12,293	4,966	24,619	8,954
Other gains and losses	(6,430)	82,600	(5,617)	82,288
Finance costs	(15,244)	(7,509)	(30,768)	(12,076)
Total non-operating income and expenses	(9,011)	80,519	(10,699)	79,726
Loss before tax	(31,096)	(78,229)	(99,236)	(195,079)
Tax expenses	-	-	-	-
Loss of discontinued operations	<u>\$ (31,096)</u>	<u>(78,229)</u>	<u>(99,236)</u>	<u>(195,079)</u>
Cash flows from discontinued operations:				
Net cash from (used in) operating activities	\$ 11,625	(270,331)	18,515	(516,465)
Net cash (used in) from investing activities	(104)	295,630	(149)	298,403
Net cash (used in) from financing activities	(20,945)	26,147	(149,620)	312,423
Net cash (outflow) inflow	(29,951)	(25,183)	(144,181)	29,454

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(13) Other disclosures

(a) Information on significant transactions:

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

No.	Item	Table
1	Loans to other parties	Table 1
2	Guarantees and endorsements for other parties	Table 2
3	Securities held at the reporting date (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 real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock	Table 5
6	Disposal of real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock	None
7	Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock	Table 6
8	Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock	Table 7
9	Trading in derivative instruments	None
10	Information on investees	Table 8
11	Information on investment in Mainland China	Table 9
12	Business relationships and significant inter-company transactions	Table 10

(b) Information on investees:

Please refer to Table 8 for the information on investees for the six months ended June 30, 2023.

(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, investment gains and losses, the book value of the investment, investment gains and losses have been repatriated, and the upper limit on investment.
- (ii) Significant direct or indirect transactions with investee companies in Mainland China through the third area, the prices, terms of receipt (payment), unrealized gains and losses, and other relevant information that help to understand the impact of the investment in Mainland China on the financial statements: Please refer to the "Information on Significant Transactions" for details of significant direct or indirect transactions between the Group and the investee companies in Mainland China for the six months ended June 30, 2023 (eliminated at the time of the preparation of the consolidated financial statements).

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
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(d) Major shareholders:

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

(14) Segment information

Please refer to Note 6(x) for the information on revenue for the three months and the six months ended June 30, 2023 and 2022. The Group's operating segment information and reconciliation were as follows:

	DMS	Strategic Investment Group	Discontinued Operations	Adjustment and eliminations	Total
For the three months ended June 30, 2023					
Reportable segment profit or loss	\$ <u>4,630,387</u>	<u>1,485,221</u>	<u>(31,096)</u>	<u>(908,994)</u>	<u>5,175,518</u>
For the three months ended June 30, 2022					
Reportable segment profit or loss	\$ <u>4,329,681</u>	<u>3,791,721</u>	<u>(78,229)</u>	<u>(1,256,295)</u>	<u>6,786,878</u>
For the six months ended June 30, 2023					
Reportable segment profit or loss	\$ <u>8,319,279</u>	<u>2,197,513</u>	<u>(99,236)</u>	<u>(1,193,420)</u>	<u>9,224,136</u>
For the six months ended June 30, 2022					
Reportable segment profit or loss	\$ <u>5,946,992</u>	<u>7,726,183</u>	<u>(195,079)</u>	<u>(2,915,183)</u>	<u>10,562,913</u>
Reportable segment assets					
June 30, 2023	\$ <u>472,883,379</u>	<u>148,663,747</u>	<u>751,118</u>	<u>(83,382,895)</u>	<u>538,915,349</u>
December 31, 2022	\$ <u>572,454,496</u>	<u>146,748,061</u>	<u>1,008,099</u>	<u>(83,987,869)</u>	<u>636,222,787</u>
June 30, 2022	\$ <u>551,944,915</u>	<u>139,209,338</u>	<u>1,658,744</u>	<u>(73,608,528)</u>	<u>619,204,469</u>