

PEGATRON CORPORATION AND SUBSIDIARIES**Consolidated Financial Statements****With Independent Auditors' Review Report
For the Three Months Ended March 31, 2022 and 2021**

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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 March 31, 2022 and 2021, and the related consolidated statements of comprehensive income and changes in equity and cash flows for the three months ended March 31, 2022 and 2021, 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 Statement of Auditing Standards 65, "Review of Financial Information Performed by the Independent Auditor of the Entity". 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 generally accepted auditing standards 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 \$62,512,686 thousand and \$45,848,075 thousand, constituting 9.72% and 8.17% of consolidated total assets as of March 31, 2022 and 2021, respectively, total liabilities amounting to \$14,626,097 thousand and \$13,952,079 thousand, constituting 3.21% and 3.63% of consolidated total liabilities as of March 31, 2022 and 2021, respectively, and total comprehensive gain amounting to \$712,319 thousand and \$601,269 thousand, constituting 8.10% and 11.75% of consolidated total comprehensive income for the three months ended March 31, 2022 and 2021, respectively.

Furthermore, as stated in Note 6(g), the other equity accounted investments of Pegatron Corporation and its subsidiaries in its investee companies of \$24,196,764 thousand and \$20,128,799 thousand as of March 31, 2022 and 2021, respectively, and its equity in net earnings (loss) on these investee companies of \$1,127,306 thousand and \$(157,618) thousand for the three months ended March 31, 2022 and 2021, 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 and the review reports of other auditors (please refer to Other Matter paragraph), 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 March 31, 2022 and 2021, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2022 and 2021 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 \$82,091,795 thousand and \$62,578,278 thousand, representing 12.77% and 11.16% of the related consolidated total assets as of March 31, 2022 and 2021, and net sales of \$17,295,290 thousand and \$14,266,510 thousand, representing 5.34% and 6.59% of the related consolidated total net sales for the three months ended March 31, 2022 and 2021, 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 Kuo-Yang Tseng and Chi-Lung Yu.

KPMG

Taipei, Taiwan (Republic of China)
May 12, 2022

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)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE GENERALLY ACCEPTED AUDITING STANDARDS
AS OF MARCH 31, 2022 AND 2021

PEGATRON CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2022, December 31, 2021, and March 31, 2021

(Expressed in Thousands of New Taiwan Dollars)

	March 31, 2022		December 31, 2021		March 31, 2021		
	Amount	%	Amount	%	Amount	%	
Assets							
Current assets:							
1100	Cash and cash equivalents (Note 6(a))	\$ 121,109,907	19	111,024,086	16	133,360,567	24
1110	Current financial assets at fair value through profit or loss (Note 6(b))	8,818,542	1	11,671,446	2	9,366,951	2
1170	Accounts receivable, net (Notes 6(d), 6(z) and 7)	178,052,201	28	249,533,457	37	110,404,690	20
1200	Other receivables, net (Notes 6(e) and 7)	10,428,347	2	9,628,610	2	17,186,290	3
130X	Inventories (Note 6(f))	183,297,488	28	148,061,197	22	146,563,824	26
1476	Other current financial assets (Notes 6(o) and 8)	18,957,066	3	30,316,944	4	31,785,799	5
1479	Other current assets (Note 6(o))	<u>5,115,950</u>	<u>1</u>	<u>4,615,086</u>	<u>1</u>	<u>9,031,650</u>	<u>2</u>
		<u>525,779,501</u>	<u>82</u>	<u>564,850,826</u>	<u>84</u>	<u>457,699,771</u>	<u>82</u>
Non-current assets:							
1510	Non-current financial assets at fair value through profit or loss (Note 6(b))	1,614,868	-	1,588,080	-	688,508	-
1517	Non-current financial assets at fair value through other comprehensive income (Note 6(c))	1,462,429	-	1,492,875	-	949,848	-
1550	Investments accounted for using the equity method (Note 6(g))	24,561,408	4	22,534,158	3	20,840,712	4
1600	Property, plant and equipment (Notes 6(k) and 8)	72,254,005	11	69,736,530	10	61,213,365	11
1755	Right-of-use assets (Note 6(l))	6,691,817	1	6,236,459	1	5,496,316	1
1760	Investment property, net (Note 6(m))	33,835	-	33,433	-	38,696	-
1780	Intangible assets (Note 6(n))	208,225	-	208,186	-	198,081	-
1840	Deferred tax assets	3,005,562	1	2,820,827	1	3,463,686	-
1915	Prepayments on purchase of equipment	6,994,350	1	6,812,380	1	3,545,770	1
1980	Other non-current financial assets (Notes 6(o) and 8)	396,598	-	406,576	-	6,732,740	1
1990	Other non-current assets (Note 6(o))	<u>49,357</u>	<u>-</u>	<u>50,033</u>	<u>-</u>	<u>37,424</u>	<u>-</u>
		<u>117,272,454</u>	<u>18</u>	<u>111,919,537</u>	<u>16</u>	<u>103,205,146</u>	<u>18</u>
Total assets		<u>\$ 643,051,955</u>	<u>100</u>	<u>676,770,363</u>	<u>100</u>	<u>560,904,917</u>	<u>100</u>

See accompanying notes to financial statements.

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AS OF MARCH 31, 2022 AND 2021

PEGATRON CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets (CONT'D)

March 31, 2022, December 31, 2021, and March 31, 2021

(Expressed in Thousands of New Taiwan Dollars)

	March 31, 2022		December 31, 2021		March 31, 2021	
	Amount	%	Amount	%	Amount	%
Liabilities and Equity						
Current liabilities:						
2100 Short-term loans (Note 6(p))	\$ 93,331,878	15	94,023,304	14	136,934,900	24
2130 Current contract liabilities (Note 6(z))	1,392,115	-	1,325,274	-	1,120,343	-
2170 Accounts payable (Note 7)	225,496,634	35	266,661,540	40	139,442,918	26
2209 Accrued expenses (Note 7)	23,905,951	4	25,898,985	4	18,905,714	4
2216 Dividends payable	15,649,656	3	-	-	12,877,061	2
2219 Other payables (Note 9)	8,376,416	1	9,683,535	2	3,987,468	1
2230 Current tax liabilities	3,200,071	1	2,598,928	-	1,632,053	-
2281 Current lease liabilities (Note 6(s))	1,377,460	-	1,067,674	-	1,208,373	-
2321 Bonds payable, current portion (Note 6(r))	6,500,000	1	2,000,000	-	-	-
2322 Long-term loans payable, current portion (Note 6(q))	1,358,762	-	1,026,949	-	5,948,881	1
2399 Other current liabilities	26,599,170	4	24,301,864	4	23,755,218	4
	407,188,113	64	428,588,053	64	345,812,929	62
Non-Current liabilities:						
2527 Non-current contract liabilities (Note 6(z))	155,469	-	150,352	-	154,966	-
2530 Bonds payable (Note 6(r))	30,371,444	5	34,869,595	5	27,975,099	5
2540 Long-term loans (Note 6(q))	11,498,063	2	12,210,422	2	7,112,985	1
2570 Deferred tax liabilities	1,448,296	-	2,134,397	-	1,360,246	-
2581 Non-current lease liabilities (Notes 6(s))	2,083,062	-	2,003,326	-	977,704	-
2650 Credit balance of investments accounted for using equity method (Note 6(g))	779	-	258	-	-	-
2670 Other non-current liabilities	2,660,791	-	2,547,083	-	708,441	-
	48,217,904	7	53,915,433	7	38,289,441	6
Total liabilities	455,406,017	71	482,503,486	71	384,102,370	68
Equity Attributable to Owners of the Parent Company (Note 6(v)):						
3110 Ordinary share	26,688,758	4	26,691,316	4	26,628,737	5
Capital surplus:						
3210 Capital surplus, premium on capital stock	78,057,566	12	78,057,441	12	77,472,478	14
3280 Capital surplus, others (Notes 6(j) and 6(w))	5,314,711	1	5,263,867	1	5,398,923	1
	83,372,277	13	83,321,308	13	82,871,401	15
Retained earnings:						
3310 Legal reserve	15,698,039	3	15,698,039	2	13,706,083	2
3320 Special reserve	15,866,201	3	15,866,201	2	11,286,050	2
3350 Unappropriated retained earnings	34,985,911	5	46,661,789	7	37,344,007	7
	66,550,151	11	78,226,029	11	62,336,140	11
Other equity interest:						
3410 Exchange differences on translation of foreign financial statements (Note 6(j))	(15,740,029)	(3)	(21,363,627)	(3)	(17,749,774)	(3)
3420 Unrealized losses on financial assets measured at fair value through other comprehensive income	288,188	-	444,778	-	(72,753)	-
3491 Deferred compensation cost arising from issuance of restricted stock (Note 6(w))	(566,137)	-	(712,701)	-	(942,322)	-
	(16,017,978)	(3)	(21,631,550)	(3)	(18,764,849)	(3)
3500 Treasury stock	(4,225)	-	(2,558)	-	(860)	-
Equity attributable to the parent company	160,588,983	25	166,604,545	25	153,070,569	28
36xx Non-controlling interests (Notes 6(i), 6(j) and 6(v))	27,056,955	4	27,662,332	4	23,731,978	4
Total equity	187,645,938	29	194,266,877	29	176,802,547	32
Total liabilities and equity	\$ 643,051,955	100	676,770,363	100	560,904,917	100

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

PEGATRON CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months ended March 31, 2022 and 2021

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

		For the three months ended March 31			
		2022		2021	
		Amount	%	Amount	%
4110	Operating revenue (Notes 6(z) and 7)	\$ 324,680,306	100	216,875,549	100
4170	Less: Sales returns and allowances	855,767	-	253,922	-
	Operating revenue, net	<u>323,824,539</u>	100	<u>216,621,627</u>	100
5000	Cost of sales (Notes 6(f), 6(s), 6(t), 6(w), 6(x), 6(aa), and 7)	<u>312,369,901</u>	96	<u>207,384,003</u>	96
	Gross profit from operations	<u>11,454,638</u>	4	<u>9,237,624</u>	4
6000	Operating expenses (Notes 6(s), 6(t), 6(w), 6(x) and 6(aa)):				
6100	Selling expenses	1,255,264	-	1,143,869	-
6200	General and administrative expenses	2,337,527	1	2,104,338	1
6300	Research and development expenses	3,636,365	1	3,773,299	2
	Total operating expenses	<u>7,229,156</u>	2	<u>7,021,506</u>	3
	Net operating income	<u>4,225,482</u>	2	<u>2,216,118</u>	1
	Non-operating income and expenses:				
7100	Interest income (Notes 6(ab) and 7)	394,631	-	394,042	-
7010	Other income (Note 6(ab))	1,549,309	-	505,161	-
7020	Other gains and losses (Notes 6(h), 6(k), 6(n) and 6(ab))	(3,259,881)	(1)	1,287,653	-
7050	Finance costs (Notes 6(d), 6(r), 6(s) and 6(ab))	(256,190)	-	(293,666)	-
7060	Share of profit (loss) of associates and joint ventures accounted for using the equity method (Note 6(g))	1,122,684	-	(261,809)	-
	Total non-operating income and expenses	<u>(449,447)</u>	(1)	<u>1,631,381</u>	-
	Profit before tax	3,776,035	1	3,847,499	1
7950	Less: Tax expenses (benefit) (Note 6(u))	627,841	-	(1,367,430)	(1)
	Profit for the year	<u>3,148,194</u>	1	<u>5,214,929</u>	2
8300	Other comprehensive income:				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8316	Unrealized losses from investments in equity instruments measured at fair value through other comprehensive income	(156,590)	-	(9,713)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
	Total components of other comprehensive loss that will not be reclassified to profit or loss	<u>(156,590)</u>	-	<u>(9,713)</u>	-
8360	Components of other comprehensive income that will be reclassified to profit or loss (Note 6(ac))				
8361	Exchange differences on translation of foreign financial statements	4,919,954	2	123,253	-
8370	Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method, components of other comprehensive income that will be reclassified to profit or loss (Note 6(g))	877,879	-	(229,998)	-
8399	Income tax related to components of other comprehensive income (loss) that will be reclassified to profit or loss (Note 6(u))	774	-	(16,924)	-
	Total components of other comprehensive income (loss) that will be reclassified to profit or loss	<u>5,797,059</u>	2	<u>(89,821)</u>	-
8300	Other comprehensive income (loss) for the period, net of tax	<u>5,640,469</u>	2	<u>(99,534)</u>	-
8500	Total comprehensive income for the period	<u>\$ 8,788,663</u>	<u>3</u>	<u>\$ 5,115,395</u>	<u>2</u>
	Profit attributable to:				
8610	Owners of the parent company	\$ 1,667,425	1	4,672,500	2
8620	Non-controlling interests	1,480,769	-	542,429	-
		<u>\$ 3,148,194</u>	<u>1</u>	<u>\$ 5,214,929</u>	<u>2</u>
	Comprehensive income attributable to:				
8710	Owners of the parent company	\$ 7,134,432	2	4,554,090	2
8720	Non-controlling interests	1,654,231	1	561,305	-
		<u>\$ 8,788,663</u>	<u>3</u>	<u>\$ 5,115,395</u>	<u>2</u>
	Earnings per share, net of tax (Note 6(y))				
9750	Basic earnings per share	<u>\$ 0.62</u>		<u>\$ 1.75</u>	
9850	Diluted earnings per share	<u>\$ 0.62</u>		<u>\$ 1.74</u>	

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

PEGATRON CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the three months ended March 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of the parent company														
	Share capital	Retained earnings					Total other equity interest						Total equity attributable to owners of the parent company	Non-controlling interests	Total equity
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	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, 2021	\$ 26,628,737	83,008,347	13,706,083	11,286,050	44,978,224	69,970,357	(15,808,892)	(57,309)	(1,146,659)	(17,012,860)	-	162,594,581	36,345,941	198,940,522	
Profit for the period	-	-	-	-	4,672,500	4,672,500	-	-	-	-	-	4,672,500	542,429	5,214,929	
Other comprehensive loss for the period	-	-	-	-	-	-	(108,697)	(9,713)	-	(118,410)	-	(118,410)	18,876	(99,534)	
Total comprehensive income for the period	-	-	-	-	4,672,500	4,672,500	(108,697)	(9,713)	-	(118,410)	-	4,554,090	561,305	5,115,395	
Appropriation and distribution of retained earnings:															
Cash dividends of ordinary share	-	-	-	-	(11,982,931)	(11,982,931)	-	-	-	-	-	(11,982,931)	-	(11,982,931)	
Changes in equity of associates and joint ventures accounted for using equity method	-	-	-	-	(329,517)	(329,517)	-	-	-	-	-	(329,517)	-	(329,517)	
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	(159,173)	-	-	-	-	(1,832,185)	-	-	(1,832,185)	-	(1,991,358)	1,991,358	-	
Changes in ownership interests in subsidiaries	-	464	-	-	-	-	-	-	-	-	-	464	(464)	-	
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	5,731	5,731	-	(5,731)	-	(5,731)	-	-	-	-	
Expiration of restricted shares of stock issued to employees	-	860	-	-	-	-	-	-	-	-	(860)	-	-	-	
Compensation cost arising from restricted shares of stock	-	20,903	-	-	-	-	-	-	204,337	204,337	-	225,240	-	225,240	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(15,166,162)	(15,166,162)	
Balance on March 31, 2021	<u>\$ 26,628,737</u>	<u>82,871,401</u>	<u>13,706,083</u>	<u>11,286,050</u>	<u>37,344,007</u>	<u>62,336,140</u>	<u>(17,749,774)</u>	<u>(72,753)</u>	<u>(942,322)</u>	<u>(18,764,849)</u>	<u>(860)</u>	<u>153,070,569</u>	<u>23,731,978</u>	<u>176,802,547</u>	
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	-	-	-	-	1,667,425	1,667,425	-	-	-	-	-	1,667,425	1,480,769	3,148,194	
Other comprehensive income for the period	-	-	-	-	-	-	5,623,598	(156,590)	-	5,467,008	-	5,467,008	173,461	5,640,469	
Total comprehensive income for the period	-	-	-	-	1,667,425	1,667,425	5,623,598	(156,590)	-	5,467,008	-	7,134,433	1,654,230	8,788,663	
Appropriation and distribution of retained earnings:															
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	-	22,677	-	-	-	-	-	-	-	-	-	22,677	-	22,677	
Changes in ownership interests in subsidiaries	-	1,166	-	-	-	-	-	-	-	-	-	1,166	(1,166)	-	
Expiration of restricted shares of stock issued to employees	(2,558)	4,225	-	-	-	-	-	-	-	-	(1,667)	-	-	-	
Compensation cost arising from restricted shares of stock	-	22,901	-	-	-	-	-	-	146,564	146,564	-	169,465	-	169,465	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(2,258,441)	(2,258,441)	
Balance on March 31, 2022	<u>\$ 26,688,758</u>	<u>83,372,277</u>	<u>15,698,039</u>	<u>15,866,201</u>	<u>34,985,911</u>	<u>66,550,151</u>	<u>(15,740,029)</u>	<u>288,188</u>	<u>(566,137)</u>	<u>(16,017,978)</u>	<u>(4,225)</u>	<u>160,588,983</u>	<u>27,056,955</u>	<u>187,645,938</u>	

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS

PEGATRON CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the three months ended March 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended March 31	
	2022	2021
Cash flows from operating activities:		
Profit before tax	\$ 3,776,035	3,847,499
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	3,446,871	3,746,980
Amortization expense	27,032	40,185
Expected credit (gain) loss	(1,800)	50,904
Net loss on financial assets and liabilities at fair value through profit or loss	3,335,345	3,597,397
Interest expense	252,393	290,405
Interest income	(394,631)	(394,042)
Dividend income	(1,292)	(1,075)
Compensation cost arising from share-based payments	214,050	227,922
Share of (profit) loss of associates and joint ventures accounted for using the equity method	(1,122,684)	261,809
Gain on disposal of property, plant and equipment	(77,415)	(428,236)
Property, plant and equipment charged to expenses	35,480	24,076
Gain on disposal of investments	-	(4,017,226)
Impairment loss (gain) on non-financial assets	8,793	(240)
Loss on foreign currency exchange on long-term loans	32,970	13,680
Government grants income	(21,391)	(18,786)
Amortization of issuance costs on bonds payable	1,849	1,417
Gain on lease modification	(5,628)	(1,286)
Total adjustments to reconcile profit	<u>5,729,942</u>	<u>3,393,884</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
(Increase) decrease in financial assets at fair value through profit or loss	(509,229)	903,742
Decrease in accounts receivable	71,482,662	65,419,614
Increase in other receivables	(732,435)	(15,881,981)
(Increase) decrease in inventories	(35,234,972)	9,097,959
Increase in other current assets	(386,649)	(1,822,466)
Decrease in other financial assets	11,359,878	9,146,827
Decrease in other operating assets	676	23,321
Total changes in operating assets	<u>45,979,931</u>	<u>66,887,016</u>
Changes in operating liabilities:		
Increase in contract liabilities	71,958	97,897
Decrease in accounts payable	(41,164,906)	(73,331,401)
(Decrease) increase in accrued expenses	(2,050,010)	17,115,849
(Decrease) increase in other payables	(789,527)	7,252,681
Increase (decrease) in other current liabilities	2,302,656	(323,176)
Increase in other operating liabilities	143,108	5,298
Total changes in operating liabilities	<u>(41,486,721)</u>	<u>(49,182,852)</u>
Total changes in operating assets and liabilities	<u>4,493,210</u>	<u>17,704,164</u>
Total adjustments	<u>10,223,152</u>	<u>21,098,048</u>
Cash inflow generated from operations	13,999,187	24,945,547
Interest received	337,132	299,072
Dividends received	1,292	1,075
Interest paid	(237,323)	(324,702)
Income taxes paid	(1,015,290)	(1,857,004)
Net cash flows from operating activities	<u>13,084,998</u>	<u>23,063,988</u>

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS

PEGATRON CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows (CONT'D)

For the three months ended March 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended March 31	
	2022	2021
Cash flows used in investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(124,574)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	19,128
Acquisition of property, plant and equipment	(3,563,223)	(8,357,985)
Proceeds from disposal of property, plant and equipment	261,710	525,475
Acquisition of intangible assets	(25,215)	(55,039)
Acquisition of right-of-use assets	-	(14,169)
Proceeds from disposal of right-of-use assets	-	34,296
Disposal of subsidiaries	-	(19,022,382)
Increase in other financial assets	(18,486)	(3,125,060)
Increase in prepayments on purchase of equipment	(1,708,989)	(1,921,233)
Net cash flows used in investing activities	(5,178,777)	(31,916,969)
Cash flows (used in) from financing activities:		
(Decrease) increase in short-term loans	(691,426)	32,759,889
Proceeds from issuing bonds	-	3,495,500
Repayments of bonds	-	(1,000,000)
Proceeds from long-term loans	85,875	1,692,663
Repayments of long-term loans	(524,273)	(5,643,602)
Repayments of lease liabilities	(361,862)	(404,984)
Redemption of restricted stock	(4,225)	(860)
Changes in non-controlling interests	29,550	(14,274,755)
Net cash flows (used in) from financing activities	(1,466,361)	16,623,851
Effect of exchange rate fluctuations on cash held	3,645,961	(407,017)
Net increase in cash and cash equivalents	10,085,821	7,363,853
Cash and cash equivalents, beginning of the period	111,024,086	125,996,714
Cash and cash equivalents, end of the period	\$ 121,109,907	133,360,567

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

March 31, 2022 and 2021

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

(1) Company history

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

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

The consolidated financial statements of the Company as of and for the three months ended March 31, 2022 comprise the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”) and the Group’s interest in associates entities.

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

The accompanying consolidated financial statements were authorized for issuance by the Board of Directors on May 12, 2022.

(3) New standards, amendments and interpretations adopted

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

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

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (b) The impact of IFRS issued by 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”	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. 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.	Effective date to be determined by IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 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.

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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.

(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, 2021. For the related information, please refer to Note 4 of the consolidated financial statements for the year ended December 31, 2021.

(b) Basis of consolidation

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

Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			March 31, 2022	December 31, 2021	March 31, 2021	
THE COMPANY	UNIHAN HOLDING LTD. (UNIHAN HOLDING)	Investing activities	100.00 %	100.00 %	100.00 %	Note 18
UNIHAN HOLDING	CASETEK HOLDINGS LIMITED (CASETEK HOLDINGS)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 18
CASETEK HOLDINGS	SLITEK HOLDINGS LIMITED	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 18
CASETEK HOLDINGS	CASETEK COMPUTER (SUZHOU) CO., LTD.	Manufacturing, developing and selling computers, computer parts, application systems, and providing after-sales service	100.00 %	100.00 %	100.00 %	Note 18
CASETEK HOLDINGS	KAEDAR HOLDINGS LIMITED (KAEDAR HOLDINGS)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 18
KAEDAR HOLDINGS	KAEDAR ELECTRONICS (KUNSHAN) CO., LTD.	Tooling molds of stainless-steel computer cases	100.00 %	100.00 %	100.00 %	Note 18
CASETEK HOLDINGS	KAEDAR TRADING LTD.	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 18

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			March 31, 2022	December 31, 2021	March 31, 2021	
CASETEK HOLDINGS	CORE-TEK (SHANGHAI) LIMITED	Researching and producing spare parts for notebook computers, designing nonmetal tooling, electronic specific equipment and related products, repairing and producing precision equipment and providing after-sales service	100.00 %	100.00 %	100.00 %	Note 18
CASETEK HOLDINGS	KAI-CHUAN ELECTRONICS (CHONGQING) CO., LTD.	Manufacturing, developing and inspecting computers and application systems, designing and manufacturing nonmetal and metal tooling, developing plastic and electronic component, selling self-manufactured products	100.00 %	100.00 %	100.00 %	Note 18
THE COMPANY, ASUSPOWER INVESTMENT AND ASUSTEK INVESTMENT	AZUREWAVE TECHNOLOGIES, INC. (AZUREWAVE)	Manufacturing office machinery, electronic parts and computer peripherals and selling precision equipment, and digital cameras	32.24 %	32.86 %	32.86 %	Note 1
AZUREWAVE	EZWAVE TECHNOLOGIES, INC.	Manufacturing office machinery, electronic parts and computer peripherals	100.00 %	100.00 %	100.00 %	Notes 1 and 18
AZUREWAVE	Azurewave Technologies (USA) Inc.	Market development activities	100.00 %	100.00 %	100.00 %	Notes 1 and 18
AZUREWAVE	AZURE LIGHTING TECHNOLOGIES, INC.	Selling electronic parts	100.00 %	100.00 %	100.00 %	Notes 1 and 18
AZUREWAVE	Azwave Holding (Samoa) Inc. (Azwave Samoa)	Investing activities	100.00 %	100.00 %	100.00 %	Note 1
Azwave Samoa	AzureWave Technologies (Shanghai) Inc.	Designing, manufacturing and trading computer products	100.00 %	100.00 %	100.00 %	Notes 1 and 18
Azwave Samoa	AZURE LIGHTING TECHNOLOGIES, INC. (YANGZHOU)	Manufacturing and selling LED and relevant lighting products	100.00 %	100.00 %	100.00 %	Notes 1 and 18
Azwave Samoa	AIGALE CORPORATION (SHANGHAI)	Designing and selling communication equipment and electronic products	100.00 %	100.00 %	100.00 %	Notes 1 and 18
THE COMPANY	AMA PRECISION INC. (AMA PRECISION)	Designing and developing computer parts	100.00 %	100.00 %	100.00 %	Note 18
THE COMPANY	PEGATRON HOLLAND HOLDING B.V. (PHH)	Investing activities	100.00 %	100.00 %	100.00 %	Note 18
PHH	PEGATRON Czech s.r.o.	Installing, repairing and selling electronic products	100.00 %	100.00 %	100.00 %	Note 18
THE COMPANY	PEGATRON HOLDING LTD. (PEGATRON HOLDING)	Investing activities	100.00 %	100.00 %	100.00 %	
PEGATRON HOLDING	POWTEK HOLDINGS LIMITED (POWTEK)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 18
POWTEK	POWTEK (SHANGHAI) LTD.	Selling main boards, computer peripherals, notebooks, servers and software, and providing after-sales service	100.00 %	100.00 %	100.00 %	Note 18
PEGATRON HOLDING, KINSUS SAMOA	PIOTEK HOLDINGS LTD. (CAYMAN) (PIOTEK CAYMAN)	Investing activities	100.00 %	100.00 %	100.00 %	Note 4
PIOTEK CAYMAN	PIOTEK HOLDING LIMITED (PIOTEK HOLDING)	Investing activities	100.00 %	100.00 %	100.00 %	Note 4

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			March 31, 2022	December 31, 2021	March 31, 2021	
PIOTEK HOLDING	PIOTEK COMPUTER (SUZHOU) CO., LTD.	Developing, manufacturing and selling new electronic components, circuit boards and relevant products, and providing after-sales service	100.00 %	100.00 %	100.00 %	Note 4
PIOTEK HOLDING	PIOTEK (H.K.) TRADING LIMITED	Trading activities	100.00 %	100.00 %	100.00 %	Note 4
PEGATRON HOLDING	GRAND UPRIGHT TECHNOLOGY LIMITED	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 18
PEGATRON HOLDING	ASLINK PRECISION CO., LTD. (ASLINK)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 18
ASLINK	PEGAGLOBE (KUNSHAN) CO., LTD.	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 %	
ASLINK	PEGAGLOBE INVESTMENT (JIANGSU) CO., LTD.	Investing activities	100.00 %	100.00 %	-	% Notes 10 and 18
PEGATRON HOLDING	DIGITEK GLOBAL HOLDINGS LIMITED (DIGITEK)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 18
DIGITEK	DIGITEK (CHONGQING) LTD.	Research and development, manufacture, sale of satellite communication equipment, satellite navigation receive equipment, cellphone, internet related equipment, computer, video decoding equipment, car-used electrical equipment and component. The company also provides export, proxy, repair services.	100.00 %	100.00 %	100.00 %	
DIGITEK (CHONGQING) LTD.	CHONGQING ZUANSHUO TRADING CO., LTD.	Computer software and hardware, computer parts, electronic products (excluding electronic publications), electric appliance, industrial communication device (excluding wireless transmitter and transmitter), communication equipment (excluding wireless transmitter and satellite ground receiving facilities), and providing related technical consulting services. Import and export of goods and technology. Packaging service, product design, marketing planning, business consulting	100.00 %	100.00 %	100.00 %	Note 18

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			March 31, 2022	December 31, 2021	March 31, 2021	
PEGATRON HOLDING	MAGNIFICENT BRIGHTNESS LIMITED (MAGNIFICENT)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 18
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 %	
PEGATRON HOLDING	PROTEK GLOBAL HOLDINGS LTD. (PROTEK)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 18
PROTEK	PROTEK (SHANGHAI) LTD.	Develop and research, manufacture, assemble, repair, sale and design of satellite communication equipment, satellite navigation receive equipment and essential component. Sale of cellphone, medium and large sized computer, portable computer, printing machine and electrical component, and providing after-sales service.	100.00 %	100.00 %	100.00 %	
PEGATRON HOLDING	COTEK HOLDINGS LIMITED (COTEK)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 18
COTEK	COTEK ELECTRONICS (SUZHOU) CO., LTD.	Developing, manufacturing and selling new electronic components, circuit boards and relevant products, and providing after-sales service	100.00 %	100.00 %	100.00 %	Note 18
PEGATRON HOLDING	TOP QUARK LIMITED (TOP QUARK)	Investing activities	100.00 %	100.00 %	100.00 %	Note 18
TOP QUARK	RUNTOP (SHANGHAI) CO., LTD. (RUNTOP)	Manufacturing and selling computer parts and peripherals of digital automatic data processors, multimedia computer system accessories, power supply units, network switches, and modems	- %	- %	- %	Notes 13 and 18
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)	Data storage and processing equipment, manufacturing wired and wireless communication equipment, and whole selling of computer equipment and electronic components	54.88 %	54.88 %	55.92 %	Note 2
ASROCK	ASIAROCK TECHNOLOGY LIMITED (ASIAROCK)	Investing and holding 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
			March 31, 2022	December 31, 2021	March 31, 2021	
ASIAROCK	ASROCK EUROPE B.V.	Selling database service and trading electronic components	100.00 %	100.00 %	100.00 %	
ASIAROCK	Calrock Holdings, LLC.	Office building leasing	100.00 %	100.00 %	100.00 %	Note 18
ASROCK	Leader Insight Holdings Limited (Leader)	Investing and holding activities	100.00 %	100.00 %	100.00 %	Note 18
Leader	Firstplace International Ltd. (Firstplace)	Investing and holding activities	100.00 %	100.00 %	100.00 %	Note 18
Firstplace	ASRock America, Inc.	Selling database service and trading electronic components	100.00 %	100.00 %	100.00 %	
ASROCK	ASRock Rack Incorporation	Manufacturing and selling computer and related peripherals	59.67 %	59.67 %	62.05 %	Note 5
ASROCK	ASRock Industrial Computer Corporation	Manufacturing and selling computer and related peripherals	65.83 %	65.83 %	66.96 %	Note 6
ASROCK	Soaring Asia Limited	Trading activities	100.00 %	100.00 %	100.00 %	Note 18
ASROCK	ASJade Technology Inc.	Information software service	78.57 %	78.57 %	- %	Note 15
ASUSPOWER INVESTMENT AND ASUS INVESTMENT	PEGATRON Mexico, S.A. DE C.V.	Manufacturing consumer electronics and electronic parts	100.00 %	100.00 %	100.00 %	Note 18
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	38.58 %	38.58 %	38.58 %	Notes 3 and 4
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)	Manufacturing medical appliances	45.21 %	45.21 %	45.21 %	Note 7
PEGAVISION	PEGAVISION JAPAN INC.	Selling medical appliances	100.00 %	100.00 %	100.00 %	
PEGAVISION	BeautyTech Platform Corporation (BeautyTech Platform)	Selling medical appliances	- %	- %	100.00 %	Note 11
PEGAVISION	PEGAVISION (SHANGHAI) LIMITED	Selling medical appliances	100.00 %	100.00 %	100.00 %	
PEGAVISION (SHANGHAI) LIMITED	Gemvision Technology (Zhejiang) Limited.	Selling medical appliances	100.00 %	100.00 %	100.00 %	
PEGAVISION	Pegavision (Jiangsu) Limited.	Manufacturing and selling medical appliances	100.00 %	100.00 %	100.00 %	
PEGAVISION	Mayin Investment Co., Ltd.	Investing activities	100.00 %	100.00 %	- %	Notes 11 and 12
Mayin Investment Co., Ltd.	BeautyTech Platform Corporation (BeautyTech Platform)	Selling medical appliances	100.00 %	100.00 %	- %	Notes 11 and 12
BeautyTech Platform	Aquamax Vision Corporation	Selling medical appliances	100.00 %	100.00 %	100.00 %	
BeautyTech Platform	BeautyTech Platform (Shanghai) Corporation	Selling medical appliances	100.00 %	- %	- %	Note 17

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			March 31, 2022	December 31, 2021	March 31, 2021	
Mayin Investment Co., Ltd.	FacialBeau International Corporation	Selling cosmetics	55.00 %	55.00 %	- %	Notes 11 and 12
FacialBeau International Corporation	FacialBeau (Jiangsu) Corporation	Manufacturing and selling medical appliances	100.00 %	- %	- %	Note 17
FacialBeau International Corporation	IKIDO Inc.	Manufacturing and selling cosmetics	100.00 %	- %	- %	Note 17
KINSUS INVESTMENT, ASUSTEK INVESTMENT AND ASUS INVESTMENT	FUYANG TECHNOLOGY CORPORATION (FUYANG TECHNOLOGY)	Manufacturing and wholesaling of wires, cables, and electronic components	89.13 %	89.13 %	89.13 %	Note 18
FUYANG TECHNOLOGY	FUYANG FLEX HOLDING LTD. (FUYANG HOLDING)	Investing activities	100.00 %	100.00 %	100.00 %	Note 18
FUYANG HOLDING	FUYANG ELECTRONICS (SUZHOU) CO., LTD.	Researching, producing, inspecting, repairing and selling flexible multilayer model, computer digital signal process system and card; selling own produced products and providing related technical consulting service	100.00 %	100.00 %	100.00 %	Note 18
KINSUS	KINSUS CORP. (USA)	Developing and designing new technology and products; analyzing marketing strategy and developing new customers	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.	Manufacturing and selling circuit boards	100.00 %	100.00 %	100.00 %	
KINSUS CAYMAN	KINSUS TRADING (SUZHOU) CORP.	Manufacturing and selling circuit boards related products and materials	100.00 %	100.00 %	100.00 %	
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	STARLINK ELECTRONICS CORPORATION	Manufacturing electronic parts and plastic products, and manufacturing and wholesaling electronic components	100.00 %	100.00 %	100.00 %	Note 18
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	ASUSPOWER CORPORATION	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 %	Note 8

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			March 31, 2022	December 31, 2021	March 31, 2021	
CASETEK CAYMAN	RIH LI INTERNATIONAL LIMITED (RIH LI)	Investing activities	100.00 %	100.00 %	100.00 %	Note 9
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 18
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 18
RIH LI	RI-MING (SHANGHAI) CO., LTD. (RI-MING)	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling	- %	- %	- %	Note 9
RIH LI	SHENG-RUI ELECTRONIC TECHNOLOGY (SHANGHAI) LIMITED (SHENG-RUI)	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling and surface processing for the aforementioned product.	- %	- %	- %	Note 9
RIH LI	RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD. (RI PEI)	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling	- %	- %	- %	Note 9
RIH LI	RI SHAN COMPUTER ACCESSORY (JIASHAN) CO., LTD. (RI SHAN)	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling and surface processing for the aforementioned product	- %	- %	- %	Note 9
RIH LI	Luxcase Precision Technology (Yancheng) Co., Ltd. (Luxcase) (Former RI KAI)	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling	- %	- %	- %	Note 9
CASETEK CAYMAN	RI-KUAN METAL CORPORATION (RI-KUAN)	Selling iron and aluminum products	100.00 %	100.00 %	100.00 %	Note 18
RI-KUAN	RITENG USA, INC	Market survey	100.00 %	100.00 %	100.00 %	Note 18
CASETEK CAYMAN	APLUS PRECISION LIMITED (APLUS)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 18
APLUS	UNITED NEW LIMITED (UNITED)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 18
UNITED	KAI HE COMPUTER ACCESSORY (SUZHOU) CO., LTD.	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling and surface processing for the aforementioned product	100.00 %	100.00 %	100.00 %	Note 18
CASETEK CAYMAN	MEGA MERIT LIMITED	Trading activities	100.00 %	100.00 %	100.00 %	Note 18
CASETEK CAYMAN	CASETEK SINGAPORE PTE. LTD.	Trading activities	- %	- %	- %	Note 9
ASUS INVESTMENT	AS FLY TRAVEL SERVICE LIMITED	Travel agency	100.00 %	100.00 %	100.00 %	Note 18
ASUSPOWER INVESTMENT	PEGATRON TECHNOLOGY SERVICE INC. (PTSI)	Sales and repair service center in North America	100.00 %	100.00 %	100.00 %	Note 18

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			March 31, 2022	December 31, 2021	March 31, 2021	
PTSI	PEGATRON SERVICOS DE INFORMATICA LTDA.	Maintenance service	100.00 %	100.00 %	100.00 %	Note 18
ASUSPOWER INVESTMENT	PEGA INTERNATIONAL LIMITED	Design service and sales	100.00 %	100.00 %	100.00 %	Note 18
ASUSPOWER INVESTMENT	PEGATRON JAPAN INC.	Sales and repair service center in Japan	100.00 %	100.00 %	100.00 %	Note 18
ASUSPOWER INVESTMENT	PEGATRON LOGISTIC SERVICE INC.	Sales and logistics center in North America	100.00 %	100.00 %	100.00 %	Note 18
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	Lumens Digital Optics Inc. (Lumens Optics)	Developing, manufacturing and selling computer data projectors and related peripherals	55.20 %	55.21 %	55.21 %	Note 18
Lumens Optics	Lumens Integration Inc.	Selling computer communication products and peripherals	100.00 %	100.00 %	100.00 %	Note 18
Lumens Optics	Lumens Digit Image Inc. (SAMOA) (Lumens)	Investing activities	100.00 %	100.00 %	100.00 %	Note 18
Lumens	Lumens (Suzhou) Digital Image Inc.	Manufacturing and selling projectors, projection screens and related products	100.00 %	100.00 %	100.00 %	Note 18
ASUSPOWER INVESTMENT	Pegatron Service Singapore Pte. Ltd. (PSG)	Sales and repair service center in Singapore	100.00 %	100.00 %	100.00 %	Note 18
PSG	PEGATRON SERVICE KOREA LLC.	Sales and repair service center in Korea	100.00 %	100.00 %	100.00 %	Note 18
ASUS INVESTMENT	HUA-YUAN INVESTMENT LIMITED	Investing activities	100.00 %	100.00 %	100.00 %	Note 18
THE COMPANY	PEGATRON SERVICE AUSTRALIA PTY. LTD.	Sales and repair service center in Australia	100.00 %	100.00 %	100.00 %	Note 18
THE COMPANY	PEGATRON USA, INC.	Sales and repair service center in North America	100.00 %	100.00 %	100.00 %	Note 18
THE COMPANY, ASUSPOWER INVESTMENT	PT. PEGATRON TECHNOLOGY INDONESIA	Data storage and processing equipment, manufacturing wired and wireless communication equipment, and whole selling of computer equipment and electronic components	100.00 %	100.00 %	100.00 %	Note 18
THE COMPANY	PEGATRON VIETNAM COMPANY LIMITED	Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts	100.00 %	100.00 %	100.00 %	Note 18
THE COMPANY	PEGATRON TECHNOLOGY HAI PHONG COMPANY LIMITED	Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts	100.00 %	100.00 %	100.00 %	Note 18
THE COMPANY	PEGASUS ACE LIMITED	Investing activities	- %	- %	- %	Notes 8 and 18
THE COMPANY, ASUSPOWER INVESTMENT	PEGATRON TECHNOLOGY INDIA PRIVATE LIMITED	Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts	100.00 %	100.00 %	100.00 %	Note 18
THE COMPANY	PEGATRON TECHNOLOGY TEXAS INC.	Sales center in North America	100.00 %	100.00 %	- %	Notes 14 and 18

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			March 31, 2022	December 31, 2021	March 31, 2021	
THE COMPANY	PEGATRON ELECTRONICS INC.	Sales center in North America	100.00 %	100.00 %	- %	Notes 14 and 18
THE COMPANY	Pegapower Investment Co., Ltd. (Pegapower Investment)	Investing activities	100.00 %	- %	- %	Notes 16 and 18
THE COMPANY	Pegatron Investment Co., Ltd. (Pegatron Investment)	Investing activities	100.00 %	- %	- %	Notes 16 and 18
Pegapower Investment, Pegatron Investment	Pegatron Venture Capital Co., Ltd.	Investing activities	100.00 %	- %	- %	Notes 16 and 18

- Note 1 : Since the Group only held 32.24% of voting rights of AZUREWAVE TECHNOLOGIES, INC. (AZUREWAVE), with the remaining 67.76% shares belonging to different shareholders having no intention of exercising their votes collectively, and also, due to the fact that the Group's participation dominated the previous shareholders' meetings, resulting in the Group having a significant control over AZUREWAVE, therefore, AZUREWAVE has been included in the consolidated financial statement of the Group.
- Note 2 : On April 29, 2020, ASROCK INCORPORATION (ASROCK) reduced its capital by canceling those retired employee restricted shares, and approved to issue new restricted shares of stock on September 14, 2021, resulting in the Group's shareholding ratio in ASROCK to decrease from 55.92% to 54.88%.
- Note 3 : On January 29, 2021, respectively, KINSUS INTERCONNECT TECHNOLOGY CORP. (KINSUS) reduced its capital by canceling those retired employee restricted shares, resulting in the Group's shareholding ratio in KINSUS to increase from 38.57% to 38.58%.
- Note 4 : Since the Group only held 38.58% of the voting rights of KINSUS INTERCONNECT TECHNOLOGY CORP. (KINSUS), with the remaining 61.42% shares belonging to different shareholders having no intention of exercising their votes collectively, and also, due to the fact that the Group's participation dominated the previous shareholders' meetings, resulting in the Group having a significant control over KINSUS. Therefore, KINSUS has been included in the consolidated financial statements of the Group.
- Note 5 : On April 22, 2021, ASRock Rack Incorporation (ARI) approved to cancel 191 thousand treasury stocks during its board meeting, resulting in the Group's shareholding ratio to increase from 62.05% to 62.43%. In addition, a resolution had been approved during the board meeting of ARI held on July 14, 2021 to raise its capital for employee stock options. However, the Group did not increase its shares proportionally in ARI, resulting in the Group's shareholding ratio in ARI to decrease from 62.43% to 59.66%. Also, ARI issued stock dividends to inject its capital with surplus on August 24, 2021, resulting in the Group's shareholding ratio in ARI to increase from 59.66% to 59.67%.
- Note 6 : On June 11, 2021, ASRock Industrial Computer Corporation approved to issue new shares for employee stock options during its board meeting, with the investment amounting of \$6,132 thousand. Since the Group did not purchase the stocks based on its shareholding ratio, the Group's shareholding ratio in ASRock has decreased from 66.96% to 65.83%.

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- Note 7 : Since the Group only held 45.21% of rights of PEGAVISION CORPORATION (PEGAVISION), with the remaining 54.79% shares belonging to different shareholders having no intention of exercising their votes collectively, and also, due to the fact that the Group's participation dominated the previous shareholders' meetings, resulting in the Group having a significant control over PEGAVISION, PEGAVISION has been included in the consolidated financial statements of the Group.
- Note 8 : On August 26, 2020, CASETEK HOLDINGS LIMITED (CASETEK) reduced its capital by repurchasing treasury stocks, resulting in the Group's shareholding ratio in CASETEK to increase from 59.41% to 60.02%. Pursuant to a resolution made during the CASETEK's Extraordinary General Meeting on September 30, 2020, CASETEK will complete a triangular merger with Pegatron Corporation and its wholly owned subsidiary, PEGASUS ACE LIMITED. The date of merger was set on January 15, 2021. The Group acquired all non-controlling interests of CASETEK in accordance with the merger agreement. The Group's shareholding ratio in CASETEK increased to 100% since the equity of CASETEK, originally held by ASUSPOWER CORPORATION, was also fully transferred to the ultimate parent company in the process of organizational restructuring, and PEGASUS ACE LIMITED as a dissolved company being merged in the triangular merger.
- Note 9 : To meet its operational needs, the Group had completed the organizational restructuring of its subsidiaries in mainland China by adjusting RI KAI COMPUTER ACCESSORY CO., LTD. (RI KAI) to a domestic holding company. Upon the completion of the reorganization, RI SHAN, RI PEI, RI MING, and SHENG RUI became directly wholly owned by RI KAI. The reorganization had been approved by Investment Board, Ministry of Economic Affairs on January 15, 2021. Furthermore, the Group approved a board resolution on January 29, 2021 to authorize RI KAI to raise its capital, with the record date on February 3, 2021; and to authorize RIH LI INTERNATIONAL LIMITED to waive its pre-emptive right toward the capital increase of RI KAI, which will result in the Group's shareholding ratio in RI KAI to decrease from 100% to 48.17%. In addition, an agreement wherein RI KAI will obtain the physical control over CASETEK SINGAPORE PTE. LTD. had also been made. After the capital increase, the other shareholders of RI KAI have also given the physical decision power over relevant operating activities of RI KAI and CASETEK SINGAPORE PTE. LTD. The Group had lost control over its subsidiaries after the record date of the capital increase. On April 26, 2021, RI KAI was renamed Luxcase Precision Technology (Yancheng) Co., Ltd.
- Note 10 : The subsidiary was established by the Group in the second quarter of 2021.
- Note 11 : To improve its operational efficiency, PEGAVISION CORPORATION approved a resolution during its board meeting held on July 26, 2021 for a structure reorganization by transferring its investment from BeautyTech Platform Corporation to Mayin Investment Co. (Mayin), which was established (with all related registration procedures had been completed on August 19, 2021) and a directly wholly-owned subsidiary of PEGAVISION CORPORATION once the reorganization is completed. Furthermore, Mayin directly established a 55% owned subsidiary, FacialBeau International Corporation, with its registration completed on October 22, 2021.
- Note 12 : Subsidiary established by the Group in the third quarter of 2021.
- Note 13 : The subsidiary has been sold to a non-related third party, therefore, the Group lost control over the subsidiary.
- Note 14 : The subsidiary was established by the Group in the fourth quarter of 2021.
- Note 15 : The subsidiary was purchased by the Group in the fourth quarter of 2021.
- Note 16 : The subsidiary was established by the Group in the first quarter of 2022.

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Note 17: The wholly owned subsidiary was directly established by the Group in the first quarter of 2022, with its registration having been completed. However, the investment amount has not been remitted as of March 31, 2022.

Note 18: It is an insignificant subsidiary that the financial statements for the three months ended March 31, 2022 and 2021, 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, 2021. For related information, please refer to Note 5 of the consolidated financial statements for the year ended December 31, 2021.

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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 2021 consolidated financial statements. Please refer to Note 6 of the 2021 annual consolidated financial statements.

(a) Cash and cash equivalents

	March 31, 2022	December 31, 2021	March 31, 2021
Cash on hand	\$ 23,510	446,493	9,170
Cash in banks	50,799,344	57,627,545	72,178,845
Time deposits	70,200,637	52,741,895	60,912,986
Cash equivalents	<u>86,416</u>	<u>208,153</u>	<u>259,566</u>
	<u>\$ 121,109,907</u>	<u>111,024,086</u>	<u>133,360,567</u>

- (i) The above cash and cash equivalents were not pledged as collateral. Pledged time deposits were accounted for under other financial assets. Please refer to Notes 6(o) and 8 for details.
- (ii) Please refer to Note 6(ad) for the fair value sensitivity analysis and interest rate risk of the financial assets and liabilities of the Group.

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

	March 31, 2022	December 31, 2021	March 31, 2021
Current mandatorily measured at fair value through profit or loss:			
Non-derivative financial assets			
Shares of stock of listed companies	\$ 1,257,964	1,582,906	1,623,446
Shares of stock of unlisted companies	7,704	7,704	7,704
Beneficiary certificates	1,852,788	1,724,887	1,908,492
Shares of stock of overseas listed companies	5,614,056	8,263,406	5,743,816
Convertible bonds	<u>86,030</u>	<u>92,543</u>	<u>83,493</u>
Subtotal	<u>8,818,542</u>	<u>11,671,446</u>	<u>9,366,951</u>

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>March 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>March 31,</u> <u>2021</u>
Non-current mandatorily measured at fair value through profit or loss:			
Non-derivative financial assets			
Shares of stock of listed companies	219,800	220,850	217,700
Shares of stock of unlisted companies	183,780	-	-
Beneficiary certificates	505,021	471,075	407,139
Shares of stock of overseas listed companies	465,617	659,176	-
Shares of stock of overseas unlisted companies	<u>240,650</u>	<u>236,979</u>	<u>63,669</u>
Subtotal	<u>1,614,868</u>	<u>1,588,080</u>	<u>688,508</u>
Total	<u>\$ 10,433,410</u>	<u>13,259,526</u>	<u>10,055,459</u>

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

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

	<u>March 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>March 31,</u> <u>2021</u>
Debt investments at fair value through other comprehensive income:			
Beneficiary certificates	\$ 166,357	41,784	-
Equity instruments at fair value through other comprehensive income:			
Shares of stock of listed companies	\$ 863,344	1,015,796	547,722
Shares of stock of unlisted companies	149,357	147,786	149,203
Shares of stock of overseas listed companies	237,147	241,285	206,699
Shares of stock of overseas unlisted companies	<u>46,224</u>	<u>46,224</u>	<u>46,224</u>
Total	<u>\$ 1,462,429</u>	<u>1,492,875</u>	<u>949,848</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, which are not held for trading, and are for long-term strategic purposes, at designated fair value through other comprehensive income.

For the three months ended March 31, 2022 and 2021, respectively, the Group has not recognized dividend from equity instruments designated at fair value through other comprehensive income.

For the three months ended March 31, 2021, the Group had sold its shares as a result of investment strategic. The shares sold had fair values of \$19,128 thousand, and the Group realized cumulative gains \$5,731 thousand, which were included in other comprehensive income. The cumulative gains were converted to retained earnings.

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

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

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

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

	<u>March 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>March 31,</u> <u>2021</u>
Notes receivables from operating activities	\$ 3,249	14,952	15,723
Accounts receivable-measured at amortized cost	178,167,643	249,637,569	110,604,739
Less: Allowance for impairment	<u>118,691</u>	<u>119,064</u>	<u>215,772</u>
	<u>\$ 178,052,201</u>	<u>249,533,457</u>	<u>110,404,690</u>

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

(ii) Credit loss

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

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The loss allowance provision was determined as follows:

	March 31, 2022		
	Gross carrying amount	Expected loss rate	Loss allowance provision
Current	\$ 175,909,436	0%~1%	(34,283)
Overdue 0 to 30 days	2,053,629	1%~30%	(36,156)
Overdue 31 to 120 days	183,827	1%~100%	(24,550)
Overdue 121 to 365 days	16,512	50%~100%	(16,214)
Over 365 days past due	7,488	100%	(7,488)
	<u>\$ 178,170,892</u>		<u>(118,691)</u>
	December 31, 2021		
	Gross carrying amount	Expected loss rate	Loss allowance provision
Current	\$ 247,929,269	0%~1%	(43,584)
Overdue 0 to 30 days	1,477,274	1%~30%	(43,102)
Overdue 31 to 120 days	137,784	0%~100%	(7,428)
Overdue 121 to 365 days	96,406	2%~100%	(13,162)
Over 365 days past due	11,788	100%	(11,788)
	<u>\$ 249,652,521</u>		<u>(119,064)</u>
	March 31, 2021		
	Gross carrying amount	Expected loss rate	Loss allowance provision
Current	\$ 108,586,618	0%~1%	(53,365)
Overdue 0 to 30 days	1,652,986	1%~30%	(27,647)
Overdue 31 to 120 days	191,537	0%~100%	(23,990)
Overdue 121 to 365 days	137,252	4%~100%	(58,701)
Over 365 days past due	52,069	100%	(52,069)
	<u>\$ 110,620,462</u>		<u>(215,772)</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 three months ended March 31	
	2022	2021
Balance on January 1	\$ 119,064	179,507
Impairment losses recognized	7,815	45,671
Impairment loss reversed	(9,222)	(137)
Foreign exchange gains (losses)	1,034	(4,006)
Effect of disposals of subsidiaries	-	(5,263)
Balance on March 31	<u>\$ 118,691</u>	<u>215,772</u>

The aforesaid financial assets were not pledged as collateral.

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

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

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

March 31, 2022						
Purchaser	Amount Derecognized	Factoring Line (thousands)	Amount Advanced (thousands) Paid	Collateral	Range of Interest Rate	Significant Factoring Terms
ANZ (Notes 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.

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

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

March 31, 2021

Purchaser	Amount Derecognized	Factoring Line (thousands)	Amount Advanced (thousands) Paid	Collateral	Range of Interest Rate	Significant Factoring Terms
ANZ (Notes 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.

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

Note 2: Some participating banks had withdrawn from the joint accounts receivable factoring agreement in 2020, resulting in the factoring line decreased to USD\$760,000 thousand.

For the three months ended March 31, 2022 and 2021, the Company recognized a fee and interest on bank advance payment of both \$0 thousand, from the factoring of accounts receivable.

As of March 31, 2022, December 31, 2021 and March 31, 2021, KINSUS INTERCONNECT TECHNOLOGY CORP. sold its accounts receivable without recourse as follows:

March 31, 2022

Purchaser	Amount Derecognized	Factoring Line (thousands)	Amount Advanced (thousands) Paid	Collateral	Range of Interest Rate	Significant Factoring Terms
Mega International Commercial Bank	\$ 531,179	USD 30,000	USD -	None	-	The accounts receivable factoring is without recourse

December 31, 2021

Purchaser	Amount Derecognized	Factoring Line (thousands)	Amount Advanced (thousands) Paid	Collateral	Range of Interest Rate	Significant Factoring Terms
Mega International Commercial Bank	\$ 602,015	USD 30,000	USD 8,827	None	0.47%~ 0.50%	The accounts receivable factoring is without recourse

March 31, 2021

Purchaser	Amount Derecognized	Factoring Line (thousands)	Amount Advanced (thousands) Paid	Collateral	Range of Interest Rate	Significant Factoring Terms
Mega International Commercial Bank	\$ 465,125	USD 30,000	USD 16,259	None	0.38%~ 0.49%	The accounts receivable factoring is without recourse

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(e) Other receivables

	March 31, 2022	December 31, 2021	March 31, 2021
Other receivables	\$ 1,552,102	1,098,166	1,044,712
Other receivables-Related parties	8,892,911	8,546,882	16,157,869
Less: Allowance for impairment	<u>16,666</u>	<u>16,438</u>	<u>16,291</u>
	<u>\$ 10,428,347</u>	<u>9,628,610</u>	<u>17,186,290</u>

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

(f) Inventories

	March 31, 2022	December 31, 2021	March 31, 2021
Merchandise	\$ 1,821,786	1,310,360	1,806,366
Finished goods	63,913,583	61,421,960	56,690,765
Work in process	28,813,059	22,894,310	39,535,037
Raw materials	<u>94,675,957</u>	<u>67,539,582</u>	<u>53,709,834</u>
Subtotal	189,224,385	153,166,212	151,742,002
Less: Allowance for inventory market decline and obsolescence	<u>5,926,897</u>	<u>5,105,015</u>	<u>5,178,178</u>
Total	<u>\$ 183,297,488</u>	<u>148,061,197</u>	<u>146,563,824</u>

The components of cost of goods sold were as follows:

	For the three months ended March 31	
	2022	2021
Cost of goods sold	\$ 309,312,247	205,296,815
Provision on (reversal of) market price decline	821,882	(1,757,798)
Loss on disposal of inventory	2,178,032	3,104,754
Unallocated manufacturing overhead	53,319	724,337
Loss on physical inventory	<u>4,421</u>	<u>15,895</u>
	<u>\$ 312,369,901</u>	<u>207,384,003</u>

For the three months ended March 31, 2022 the Group recognized an inventory valuation loss due to the decreasing value from the carrying amount to the net realized value. Such a loss was recognized as the cost of goods sold. For the three months ended March 31, 2021, the Group recognized a gain from the reversal of allowance for inventory valuation loss due to the destocking of inventories. Such a gain was deducted from the cost of goods sold.

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

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(g) Investments accounted for using the equity method

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

	March 31, 2022	December 31, 2021	March 31, 2021
Associates	<u>\$ 24,561,408</u>	<u>22,534,158</u>	<u>20,840,712</u>
Credit balance of investments accounted for using equity method-associate	<u>\$ 779</u>	<u>258</u>	<u>-</u>

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

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

Name of Associates	Nature of Relationship with the Group	Main operating location/ Registered Country of the Company	Proportion of shareholding and voting rights		
			March 31, 2022	December 31, 2021	March 31, 2021
Luxcase Precision Technology (Yancheng) Co., Ltd. (Luxcase) (Former RI KAI COMPUTER ACCESSORY CO.,LTD.)	Designing, developing, manufacturing and selling electronic components, precision, non-metal and metal tooling	China	48.17 %	48.17 %	48.17 %

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

Luxcase

	March 31, 2022	December 31, 2021	March 31, 2021
Current assets	\$ 106,399,022	99,135,906	52,164,525
Non-current assets	39,175,323	38,002,561	26,877,592
Current liabilities	(85,287,059)	(90,182,220)	(20,338,865)
Non-current liabilities	(10,058,394)	(936,897)	(16,321,722)
Net assets attributable to shareholders	<u>\$ 50,228,892</u>	<u>46,019,350</u>	<u>42,381,530</u>
		For the three months ended March 31, 2022	For the one month ended March 31, 2021
Operating revenue		<u>\$ 69,488,513</u>	<u>10,396,691</u>
Gain (loss) from continuing operations		\$ 2,340,120	(460,802)
Other comprehensive income		(3,466)	-
Comprehensive income attributable to shareholders		<u>\$ 2,336,654</u>	<u>(460,802)</u>

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Notes to the Consolidated Financial Statements

	For the three months ended March 31, 2022	For the one month ended March 31, 2021
Shares of net assets of the associate as of January 1	\$ 22,168,901	-
Addition	-	21,202,915
Net gain (loss) attributable to the Group	1,127,306	(222,280)
Comprehensive income attributable to the Group	877,880	(230,020)
Change in the ownership interest attributable to the Group	<u>22,677</u>	<u>(329,517)</u>
Shares of net assets of associates	24,196,764	20,421,098
Goodwill	<u>106,616</u>	<u>106,272</u>
Carrying amount of the associate's equity as of March 31	<u><u>\$ 24,303,380</u></u>	<u><u>20,527,370</u></u>

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

	March 31, 2022	December 31, 2021	March 31, 2021
Carrying amount of individually insignificant associates' equity	<u><u>\$ 257,249</u></u>	<u><u>261,891</u></u>	<u><u>313,342</u></u>

	For the three months ended March 31	
	2022	2021
Attributable to the Group:		
Loss from continuing operations	\$ (4,622)	(39,529)
Other comprehensive income	<u>(1)</u>	<u>22</u>
Total comprehensive loss	<u><u>\$ (4,623)</u></u>	<u><u>(39,507)</u></u>

- (i) As of March 31, 2022, December 31, 2021 and March 31, 2021, the aforesaid investments accounted for using the equity method were not pledged as collateral.
- (ii) The unreviewed financial statements of investments accounted for using the equity method.

Some of the investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements that have not been reviewed.

(h) Loss of control over a subsidiary

The Group approved a board resolution on January 29, 2021 to authorize its wholly-owned indirect subsidiary, Luxcase (Former RI KAI) to raise its capital on the record date of February 3, 2021, and to authorize another indirect subsidiary, RIH LI waived its pre-emptive right toward the capital increase of RI KAI, resulting the Group's shareholding ratio in Luxcase decreased from 100% to 48.17% and lost control over Luxcase. At the record date, the Group remeasured the remaining 48.17% equity. The difference between the fair value and the net book value and the loss reclassified from the accumulated balance previously recognized as other comprehensive loss comprise the net gain on disposal of \$3,819,349 thousand, presented as other gain or losses in the consolidated statement of comprehensive income. For more details, please refer to Notes 6(ab) and 6(ac).

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

Cash and cash equivalents	\$	18,840,790
Inventories		7,614,309
Accounts receivable and other receivables		21,803,507
Other current assets		3,025,160
Financial assets at fair value through other comprehensive income		23,701
Property, plant, and equipment		24,109,302
Right-of-use assets		834,389
Intangible assets		203,881
Deferred tax assets		828,936
Prepayments on purchase of equipment		378,360
Other financial assets		155,204
Short-term loans		(1,067,878)
Accounts payable and other payables		(24,117,848)
Accrued expenses		(34,396,433)
Current tax liabilities		(285,597)
Lease liabilities		(200,415)
Other current liabilities		(355,941)
Contract liabilities		(41,997)
Other non-current liabilities		(109,342)
Carrying amount of net assets	\$	<u>17,242,088</u>

(i) Subsidiaries that have material non-controlling interest

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

<u>Subsidiaries</u>	<u>Main operation place/Country of registration</u>	<u>Equity ownership of non-controlling interest</u>		
		<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
KINSUS and its subsidiaries	Taiwan	61.42 %	61.42 %	61.42 %
ASROCK and its subsidiaries	Taiwan	45.12 %	45.12 %	44.08 %

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

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

(i) Information regarding KINSUS and its subsidiaries

	March 31, 2022	December 31, 2021	March 31, 2021
Current assets	\$ 27,289,969	26,424,304	20,633,507
Non-current assets	33,368,448	31,961,844	23,327,359
Current liabilities	(17,186,989)	(13,982,699)	(10,895,859)
Non-current liabilities	<u>(11,097,056)</u>	<u>(11,414,351)</u>	<u>(4,209,433)</u>
Net assets	<u>\$ 32,374,372</u>	<u>32,989,098</u>	<u>28,855,574</u>
Non-controlling interest	<u>\$ 20,516,308</u>	<u>20,886,824</u>	<u>18,102,492</u>
		For the three months ended March 31	
		2022	2021
Operating revenue		<u>\$ 10,014,259</u>	<u>7,225,986</u>
Net income for the period		\$ 1,721,127	372,608
Other comprehensive income (loss)		107,458	(14,180)
Comprehensive income		<u>\$ 1,828,585</u>	<u>358,428</u>
Net income attribute to non-controlling interest		<u>\$ 1,135,484</u>	<u>281,602</u>
Comprehensive income attribute to non-controlling interest		<u>\$ 1,201,642</u>	<u>272,290</u>
		For the three months ended March 31	
		2022	2021
Cash flows from operating activities		\$ 2,172,444	1,336,831
Cash flows used in investing activities		(2,809,614)	(2,992,847)
Cash flows from financing activities		298,858	1,179,377
Effect of movement in exchange rate		63,925	(8,983)
Net decrease in cash and cash equivalents		<u>\$ (274,387)</u>	<u>(485,622)</u>

(ii) Information regarding ASROCK and its subsidiaries

	March 31, 2022	December 31, 2021	March 31, 2021
Current assets	\$ 15,247,039	15,422,807	12,023,425
Non-current assets	510,041	471,143	451,961
Current liabilities	(7,671,009)	(7,013,600)	(5,541,864)
Non-current liabilities	<u>(94,622)</u>	<u>(91,506)</u>	<u>(73,759)</u>
Net assets	<u>\$ 7,991,449</u>	<u>8,788,844</u>	<u>6,859,763</u>
Non-controlling interest	<u>\$ 3,941,857</u>	<u>4,271,093</u>	<u>3,257,870</u>

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	For the three months ended March 31	
	2022	2021
Operating revenue	<u>\$ 5,038,348</u>	<u>4,675,963</u>
Net income for the period	\$ 648,627	510,874
Other comprehensive income	128,941	5,175
Comprehensive income	<u>\$ 777,568</u>	<u>516,049</u>
Net income attribute to non-controlling interest	<u>\$ 311,857</u>	<u>231,479</u>
Comprehensive income attribute to non-controlling interest	<u>\$ 370,035</u>	<u>233,760</u>
	For the three months ended March 31	
	2022	2021
Cash flows (used in) from operating activities	\$ (1,327,014)	75,154
Cash flows from (used in) investing activities	67,221	(977,594)
Cash flows used in financing activities	(12,234)	(10,224)
Effect of movement in exchange rate	121,352	5,106
Net decrease in cash and cash equivalents	<u>\$ (1,150,675)</u>	<u>(907,558)</u>

(j) Acquisition of non-controlling interests

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

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

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

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PEGATRON CORPORATION AND SUBSIDIARIES
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(k) Property, plant and equipment

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

	<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, 2022	\$ 11,856,650	51,500,156	53,338,900	1,313,354	34,999,356	3,058,362	156,066,778
Additions	-	68,722	301,659	30,778	475,848	2,159,023	3,036,030
Disposals and obsolescence	-	(55,281)	(679,267)	(79,116)	(1,595,149)	-	(2,408,813)
Reclassifications	-	(321)	1,346,410	12,986	822,464	(696,744)	1,484,795
Effect of movement in exchange rates	5,366	1,373,916	998,494	26,395	825,545	62,661	3,292,377
Balance on March 31, 2022	<u>\$ 11,862,016</u>	<u>52,887,192</u>	<u>55,306,196</u>	<u>1,304,397</u>	<u>35,528,064</u>	<u>4,583,302</u>	<u>161,471,167</u>
Balance on January 1, 2021	\$ 8,518,661	57,985,033	72,165,168	1,310,614	37,998,358	3,736,663	181,714,497
Additions	-	126,429	1,105,947	44,698	546,893	3,017,159	4,841,126
Disposals and obsolescence	-	(248,723)	(817,502)	(48,575)	(252,003)	-	(1,366,803)
Reclassifications	-	1,357,702	346,187	-	410,838	(1,611,613)	503,114
Subsidiaries disposals	-	(9,042,327)	(22,876,427)	-	(7,290,696)	(2,705,181)	(41,914,631)
Effect of movement in exchange rates	(1,921)	4,972	67,067	364	37,464	8,861	116,807
Balance on March 31, 2021	<u>\$ 8,516,740</u>	<u>50,183,086</u>	<u>49,990,440</u>	<u>1,307,101</u>	<u>31,450,854</u>	<u>2,445,889</u>	<u>143,894,110</u>
Depreciation and impairment loss:							
Balance on January 1, 2022	\$ -	21,880,939	41,304,823	1,023,595	22,120,891	-	86,330,248
Depreciation for the period	-	686,638	1,085,216	45,134	1,191,522	-	3,008,510
Impairment loss (reversal gain)	-	198	(241)	-	8,836	-	8,793
Disposals and obsolescence	-	(55,263)	(633,722)	(78,974)	(1,456,559)	-	(2,224,518)
Reclassifications	-	(1,686)	-	-	(1,443)	-	(3,129)
Effect of movement in exchange rates	-	655,754	860,199	25,438	555,867	-	2,097,258
Balance on March 31, 2022	<u>\$ -</u>	<u>23,166,580</u>	<u>42,616,275</u>	<u>1,015,193</u>	<u>22,419,114</u>	<u>-</u>	<u>89,217,162</u>
Balance on January 1, 2021	\$ -	21,640,958	50,988,697	1,021,535	24,678,033	-	98,329,223
Depreciation for the period	-	713,537	1,379,596	39,039	1,184,528	-	3,316,700
Reversal gain	-	-	(221)	-	(19)	-	(240)
Disposals and obsolescence	-	(177,313)	(805,636)	(48,485)	(238,487)	-	(1,269,921)
Reclassifications	-	(770)	6,566	-	(14,178)	-	(8,382)
Subsidiaries disposals	-	(1,550,480)	(11,784,858)	-	(4,347,813)	-	(17,683,151)
Effect of movement in exchange rates	-	(35,347)	11,172	405	20,286	-	(3,484)
Balance on March 31, 2021	<u>\$ -</u>	<u>20,590,585</u>	<u>39,795,316</u>	<u>1,012,494</u>	<u>21,282,350</u>	<u>-</u>	<u>82,680,745</u>
Carrying value:							
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 March 31, 2022	<u>\$ 11,862,016</u>	<u>29,720,612</u>	<u>12,689,921</u>	<u>289,204</u>	<u>13,108,950</u>	<u>4,583,302</u>	<u>72,254,005</u>
Balance on January 1, 2021	<u>\$ 8,518,661</u>	<u>36,344,075</u>	<u>21,176,471</u>	<u>289,079</u>	<u>13,320,325</u>	<u>3,736,663</u>	<u>83,385,274</u>
Balance on March 31, 2021	<u>\$ 8,516,740</u>	<u>29,592,501</u>	<u>10,195,124</u>	<u>294,607</u>	<u>10,168,504</u>	<u>2,445,889</u>	<u>61,213,365</u>

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

	For the three months ended March 31	
	2022	2021
Impairment loss (reversal gain)	\$ 8,793	(240)

- (ii) KINSUS INTERCONNECT TECHNOLOGY CORP. (KINSUS) 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(ab) 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.

(l) Right-of-use assets

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

	Land	Buildings	Machinery equipment	Transportation equipment	Total
Cost:					
Balance on January 1, 2022	\$ 4,051,052	5,015,576	-	3,977	9,070,605
Additions	-	685,524	-	-	685,524
Reductions	(10,156)	(1,224,307)	-	-	(1,234,463)
Reclassifications	-	29,380	-	-	29,380
Effect of movement in exchange rates	138,559	114,148	-	45	252,752
Balance on March 31, 2022	\$ 4,179,455	4,620,321	-	4,022	8,803,798
Balance on January 1, 2021	\$ 4,938,146	4,861,404	17,793	4,269	9,821,612
Additions	14,169	293,427	-	-	307,596
Reductions	(48,248)	(200,146)	-	(2,490)	(250,884)
Subsidiaries disposals	(753,044)	(365,825)	-	-	(1,118,869)
Effect of movement in exchange rates	4,445	3,844	-	-	8,289
Balance on March 31, 2021	\$ 4,155,468	4,592,704	17,793	1,779	8,767,744
Accumulated depreciation:					
Balance on January 1, 2022	\$ 837,553	1,995,046	-	1,547	2,834,146
Depreciation for the period	25,226	412,133	-	231	437,590
Reductions	(10,156)	(1,222,739)	-	-	(1,232,895)
Effect of movement in exchange rates	28,725	44,404	-	11	73,140
Balance on March 31, 2022	\$ 881,348	1,228,844	-	1,789	2,111,981

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	<u>Land</u>	<u>Buildings</u>	<u>Machinery equipment</u>	<u>Transportation equipment</u>	<u>Total</u>
Balance on January 1, 2021	\$ 871,140	2,352,457	13,776	2,434	3,239,807
Depreciation for the period	26,940	400,679	1,722	216	429,557
Reductions	(13,952)	(115,983)	-	(1,893)	(131,828)
Subsidiaries disposals	(101,365)	(168,568)	-	-	(269,933)
Effect of movement in exchange rates	444	3,381	-	-	3,825
Balance on March 31, 2021	<u>\$ 783,207</u>	<u>2,471,966</u>	<u>15,498</u>	<u>757</u>	<u>3,271,428</u>
Carrying value:					
Balance on January 1, 2022	<u>\$ 3,213,499</u>	<u>3,020,530</u>	<u>-</u>	<u>2,430</u>	<u>6,236,459</u>
Balance on March 31, 2022	<u>\$ 3,298,107</u>	<u>3,391,477</u>	<u>-</u>	<u>2,233</u>	<u>6,691,817</u>
Balance on March 31, 2021	<u>\$ 3,372,261</u>	<u>2,120,738</u>	<u>2,295</u>	<u>1,022</u>	<u>5,496,316</u>

(m) Investment property

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

	<u>Buildings</u>
Carrying value :	
Balance on January 1, 2022	\$ <u>33,433</u>
Balance on March 31, 2022	\$ <u>33,835</u>
Balance on January 1, 2021	\$ <u>39,416</u>
Balance on March 31, 2021	\$ <u>38,696</u>

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

	<u>For the three months ended March 31</u>	
	<u>2022</u>	<u>2021</u>
Rental income	\$ <u>-</u>	<u>-</u>
Direct operating expenses arising from investment property that generate rental income	\$ <u>771</u>	<u>723</u>

(ii) As of March 31, 2022, December 31, 2021 and March 31, 2021, the fair value of investment property of the Group was \$79,576 thousand, \$77,660 thousand and \$78,236 thousand, respectively. The fair value of investment property was based on the market price evaluation of the buildings located in the area.

(iii) There were no significant additions, disposal, or recognition and reversal of impairment losses of investment property for the three months ended March 31, 2022 and 2021. Information on depreciation for the period is discussed in Note 12. Please refer to Note 6(n) of the consolidated financial statements for the year ended December 31, 2021 for other related information.

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

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(n) Intangible assets

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

	<u>Goodwill</u>	<u>Others</u>	<u>Total</u>
Costs:			
Balance on January 1, 2022	\$ 1,640,132	997,715	2,637,847
Additions	-	25,215	25,215
Disposals	-	(49,650)	(49,650)
Effect of movement in exchange rates	32,899	19,985	52,884
Balance on March 31, 2022	<u>\$ 1,673,031</u>	<u>993,265</u>	<u>2,666,296</u>
Balance on January 1, 2021	\$ 1,668,543	1,380,171	3,048,714
Additions	-	55,039	55,039
Disposals	-	(50,607)	(50,607)
Reclassifications	-	(476)	(476)
Subsidiaries disposals	-	(340,638)	(340,638)
Effect of movement in exchange rates	1,257	1,958	3,215
Balance on March 31, 2021	<u>\$ 1,669,800</u>	<u>1,045,447</u>	<u>2,715,247</u>
Amortization and impairment losses:			
Balance on January 1, 2022	\$ 1,600,097	829,564	2,429,661
Amortization for the period	-	27,032	27,032
Disposals	-	(49,650)	(49,650)
Effect of movement in exchange rates	31,588	19,440	51,028
Balance on March 31, 2022	<u>\$ 1,631,685</u>	<u>826,386</u>	<u>2,458,071</u>
Balance on January 1, 2021	\$ 1,627,376	1,034,363	2,661,739
Amortization for the period	-	40,185	40,185
Disposals	-	(50,250)	(50,250)
Reclassifications	-	14	14
Subsidiaries disposals	-	(136,757)	(136,757)
Effect of movement in exchange rates	1,207	1,028	2,235
Balance on March 31, 2021	<u>\$ 1,628,583</u>	<u>888,583</u>	<u>2,517,166</u>
Carrying value:			
Balance on January 1, 2022	<u>\$ 40,035</u>	<u>168,151</u>	<u>208,186</u>
Balance on March 31, 2022	<u>\$ 41,346</u>	<u>166,879</u>	<u>208,225</u>
Balance on January 1, 2021	<u>\$ 41,167</u>	<u>345,808</u>	<u>386,975</u>
Balance on March 31, 2021	<u>\$ 41,217</u>	<u>156,864</u>	<u>198,081</u>

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Goodwill impairment

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

	December 31, 2021	December 31, 2020
Mechanics	\$ 38,514	39,646
Others	1,521	1,521
	<u>\$ 40,035</u>	<u>41,167</u>

For the three months ended March 31, 2022 and 2021, there were no significant addition, disposal, impairment loss, or reversal gain on goodwill. Please refer to Note 6(o) of the consolidated financial statements for the year ended December 31, 2021 for other related information.

(o) Other financial assets and other assets

Other financial assets and other assets were as follows:

	March 31, 2022	December 31, 2021	March 31, 2021
Other financial assets - current	\$ 18,957,066	30,316,944	31,785,799
Other financial assets - non-current	396,598	406,576	6,732,740
Other current assets	5,115,950	4,615,086	9,031,650
Other non-current assets	49,357	50,033	37,424
	<u>\$ 24,518,971</u>	<u>35,388,639</u>	<u>47,587,613</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.

(p) Short-term loans

	March 31, 2022	December 31, 2021	March 31, 2021
Unsecured bank loans	\$ 91,041,878	91,808,664	134,652,300
Other unsecured loans	2,290,000	2,214,640	2,282,600
Total	<u>\$ 93,331,878</u>	<u>94,023,304</u>	<u>136,934,900</u>
Range of interest rate	<u>0.38%~1.91%</u>	<u>0.32%~4.54%</u>	<u>0.32%~2.59%</u>

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(q) Long-term loans

	<u>March 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>March 31,</u> <u>2021</u>
Unsecured bank loans	\$ 12,802,758	13,183,370	13,052,068
Secured bank loans	<u>54,067</u>	<u>54,001</u>	<u>9,798</u>
	12,856,825	13,237,371	13,061,866
Less: current portion	<u>(1,358,762)</u>	<u>(1,026,949)</u>	<u>(5,948,881)</u>
Total	<u>\$ 11,498,063</u>	<u>12,210,422</u>	<u>7,112,985</u>
Range of interest rate	<u>0.35%~1.95%</u>	<u>0.35%~1.90%</u>	<u>0.35%~1.90%</u>

(i) Borrowing and repayment

In consideration of the operating situation and the terms of the loan agreement, the Group repaid the long-term loans of \$524,273 thousand and \$5,643,602 thousand for the three months ended March 31, 2022 and 2021, respectively. In addition, the Group proceeded from long-term loans of \$85,875 thousand and \$1,692,663 thousand for the three months ended March 31, 2022 and 2021, respectively. Please refer to Note 6(ab) for interest expenses.

(ii) Collateral for bank loans

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

(iii) Government low-interest loan

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

(iv) Loan covenants

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

The compliance with the aforesaid covenants will be examined annually based on the audited CASETEK CAYMAN annual consolidated financial statements.

The above joint credit line was cancelled on September 2021.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(r) Bonds payable

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

	<u>March 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>March 31,</u> <u>2021</u>
Ordinary corporate bonds issued	\$ 36,900,000	36,900,000	28,000,000
Unamortized discount on bonds payable	(28,556)	(30,405)	(24,901)
Bonds payable, end of the year	36,871,444	36,869,595	27,975,099
Less: current portion	(6,500,000)	(2,000,000)	-
	<u>\$ 30,371,444</u>	<u>34,869,595</u>	<u>27,975,099</u>

	<u>For the three months ended March 31</u>	
	<u>2022</u>	<u>2021</u>
Interest expense	<u>\$ 71,248</u>	<u>58,305</u>

The main rights and obligations of the second unsecured ordinary corporate bonds issued in 2017, and repaid in January 2021, were as follows:

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The main rights and obligations of the second unsecured ordinary corporate bonds issued in 2020 and exercised from January 2021, were as follows:

<u>Item</u>	<u>2nd unsecured ordinary bonds issued in 2020</u>
1. Issuing amount	The Bonds are issued at \$3,500,000 thousand, which comprise Tranche A, and Tranche B. The issuing amounts of Tranche A, and Tranche B are \$2,200,000 thousand and \$1,300,000 thousand, respectively.
2. Par value	Each unit is valued at \$1,000 thousand.
3. Offering price	The Bonds are issued by par value at the issuance date.
4. Issuance period	Each of Tranche A and Tranche B has 5-year term and 7-year term, respectively. The issuance period of Tranche A commences from January 8, 2021 and matures on January 8, 2026. The issuance period of Tranche B commences from January 8, 2021 and matures on January 8, 2028.
5. Coupon rate	Tranche A, and B bear annual coupon rates of 0.43% and 0.58%, respectively.
6. Repayment	Tranche A, and Tranche B are repayable on maturity.
7. Interest payment	Interests are payable annually at coupon rate from the issuance date. The payment of each bond is rounded to the nearest dollar. If the repayment date and interest payment date are bank closing days, principal and interest shall be paid without extra interest on the next business day. If bondholders receive principal and interest past due the repayment date and interest payment date, there will no calculation of extra interest.
8. Guarantee	The Bonds are unsecured ordinary corporate bonds.

There were no significant issues, repurchases and repayments of bonds payable for the three months ended March 31, 2022. Please refer to Note 6(s) of the 2021 annual consolidated financial statements for other related information.

(s) Lease liabilities

The Group's lease liabilities were as follows:

	March 31, 2022	December 31, 2021	March 31, 2021
Current	<u>\$ 1,377,460</u>	<u>1,067,674</u>	<u>1,208,373</u>
Non-current	<u>\$ 2,083,062</u>	<u>2,003,326</u>	<u>977,704</u>

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

(Continued)

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 March 31	
	2022	2021
Interest on lease liabilities	\$ <u>28,537</u>	<u>25,417</u>
Variable lease payments not included in the measurement of lease liabilities	\$ <u>10,686</u>	<u>10,785</u>
Income from sub-leasing right-of-use assets	\$ <u>-</u>	<u>212</u>
Expenses relating to short-term leases	\$ <u>91,189</u>	<u>101,045</u>
Expenses relating to leases of low-value, excluding short-term leases of low-value assets	\$ <u>849</u>	<u>7,448</u>
Covid-19 - related rent concessions	\$ <u>238</u>	<u>-</u>

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

	For the three months ended March 31	
	2022	2021
Total cash outflow for leases	\$ <u>492,885</u>	<u>549,679</u>

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

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

(t) Employee benefits

(i) Defined benefit plans

Management believes that 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, 2021 and 2020.

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

	For the three months ended March 31	
	2022	2021
Operating cost	\$ 26	24
Operating expense	<u>1,054</u>	<u>1,214</u>
	\$ <u>1,080</u>	<u>1,238</u>

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Defined contribution plans

The contributions of the Group to the Bureau of Labor Insurance and China Labor and Social Security Bureau for the employees' pension benefits were as follows:

	<u>For the three months ended March 31</u>	
	<u>2022</u>	<u>2021</u>
Operating cost	\$ 1,048,268	749,334
Operating expense	<u>200,344</u>	<u>184,357</u>
	<u>\$ 1,248,612</u>	<u>933,691</u>

(iii) As of March 31, 2022, December 31, 2021 and March 31, 2021, the Group had liabilities of short-term accrued vacation pay, amounting to \$364,126 thousand, \$367,414 thousand and \$332,147 thousand, respectively.

(u) 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 (benefit) were as follows:

	<u>For the three months ended March 31</u>	
	<u>2022</u>	<u>2021</u>
Current income tax expense (benefit)		
Current period incurred	\$ 627,642	(1,362,919)
Prior years income tax adjustment	<u>199</u>	<u>(4,511)</u>
Income tax expense (benefit)	<u>\$ 627,841</u>	<u>(1,367,430)</u>

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

	<u>For the three months ended March 31</u>	
	<u>2022</u>	<u>2021</u>
Items that will be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign financial statements	<u>\$ 774</u>	<u>(16,924)</u>

(iv) Status of approval of income tax

1) The Company's income tax returns through 2019 have been assessed and approved by the Tax Authority (the year 2018 has not been approved).

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

<u>Years of Approval</u>	<u>Company Name</u>
2019	AMA, AS FLY TRAVEL SERVICE LTD., STARLINK ELECTRONICS CORPORATION, LUMENS OPTICS, RI KUAN METAL CORPORATION, KINSUS INTERCONNECT TECHNOLOGY CORP, ASROCK RACK INC, FUYANG TECHNOLOGY CORPORATION and PEGAVISION.
2020	BeautyTech Platform Corporation, ASUSPOWER INVESTMENT, ASUS INVESTMENT, ASUSTEK INVESTMENT, PEGA INTERNATIONAL LIMITED, HUA YUAN INVESTMENT LTD, AZUREWAVE, AZURE LIGHTING TECHNOLOGIES INC, EZWAVE TECHNOLOGIES INC, KINSUS INVESTMENT, ASROCK INCORPORATION and ASROCK INDUSTRIAL COMPUTER CORPORATION.

(v) Capital and other equity

Except for the following disclosure, there were no significant change for capital and other equity for the three months ended March 31, 2022 and 2021. For the related information, please refer to Note 6(w) of the consolidated financial statements for the year ended December 31, 2021.

(i) Ordinary shares

For the three months ended March 31, 2022 and 2021, the Company had retired 256 thousand and 0 thousand shares, respectively, of restricted stock to employees. The authorized capital of the Company consisted of 3,000,000 thousand shares, with par value of \$10 per share, and its outstanding capital were consisted of 2,668,876 thousand, 2,669,132 thousand and 2,662,874 thousand common shares of stock, as of March 31, 2022, December 31, 2021 and March 31, 2021, respectively. All share proceeds from outstanding capital have been collected.

As of March 31, 2022, December 31, 2021 and March 31, 2021, the restricted Company shares of stock issued to employees have expired, of which 423 thousand, 256 thousand and 86 thousand shares, respectively, have not been retired.

(ii) Global depositary receipts

As of March 31, 2022, December 31, 2021 and March 31, 2021, the Company has listed, in total, 253 thousand, 253 thousand and 709 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 1,267 thousand, 1,267 thousand and 3,544 thousand shares of stock, respectively.

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Capital surplus

The components of the capital surplus were as follows:

	March 31, 2022	December 31, 2021	March 31, 2021
From issuance of share capital	\$ 66,983,902	66,983,778	66,398,815
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	43,539	20,862	-
Changes in ownership interest in subsidiaries	1,437,733	1,441,117	1,441,571
Employee stock options	5,854	1,304	1,304
Restricted stock to employees	1,096,403	1,069,401	1,224,865
Other	409,917	409,917	409,917
	<u>\$ 83,372,277</u>	<u>83,321,308</u>	<u>82,871,401</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.

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.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

1) Legal reserve

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

2) Special reserve

In accordance with the rules issued by the FSC, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (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 March 10, 2022, and August 4, 2021, the Company's board's meeting and shareholders' meeting resolved to appropriate the 2021 and 2020 earnings, respectively. These earnings were appropriated or distributed as follows:

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

(v) Other equity (net of tax)

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Deferred compensation arising from issuance of restricted stock	Total
Balance on January 1, 2022	\$ (21,363,627)	444,778	(712,701)	(21,631,550)
Exchange differences on foreign operations	4,745,719	-	-	4,745,719
Exchange differences on associates accounted for using the equity method	877,879	-	-	877,879
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	(156,590)	-	(156,590)
Deferred compensation cost arising from issuance of restricted stock	-	-	146,564	146,564
Balance on March 31, 2022	\$ (15,740,029)	288,188	(566,137)	(16,017,978)

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	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, 2021	\$ (15,808,892)	(57,309)	(1,146,659)	(17,012,860)
Exchange differences on foreign operations	121,301	-	-	121,301
Exchange differences on associates accounted for using the equity method	(229,998)	-	-	(229,998)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	(1,832,185)	-	-	(1,832,185)
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	(9,713)	-	(9,713)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	(5,731)	-	(5,731)
Deferred compensation cost arising from issuance of restricted stock	-	-	204,337	204,337
Balance on March 31, 2021	<u>\$ (17,749,774)</u>	<u>(72,753)</u>	<u>(942,322)</u>	<u>(18,764,849)</u>

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

	For the three months ended March 31	
	2022	2021
Balance on January 1	\$ 27,662,332	36,345,941
Income attributable to non-controlling interests	1,480,769	542,429
Other comprehensive income attributable to non-controlling interests		
Exchange differences on foreign operation	173,461	18,876
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	1,991,358
Changes in ownership interest in subsidiaries	(1,166)	(464)
Changes in non-controlling interests	(2,258,441)	(15,166,162)
Balance on March 31	<u>\$ 27,056,955</u>	<u>23,731,978</u>

(w) Share-based payment

Except for the following disclosure, there were no significant changes for share-based payment for the three months ended March 31, 2022 and 2021. For the related information, please refer to Note 6(x) of the consolidated financial statements for the year ended December 31, 2021.

(i) Restricted stock to employee

For the three months ended March 31, 2022 and 2021, 423 thousand and 86 thousand shares of the restricted shares of stock issued to employees have expired, which were converted to capital surplus of \$4,225 thousand and \$860 thousand, respectively. As of March 31, 2022, December 31, 2021 and March 31, 2021, the Company has deferred compensation cost arising from issuance of restricted stock of \$566,137 thousand, \$712,701 thousand and \$942,322, respectively.

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Expenses recognized in profit or loss

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

	For the three months ended March 31	
	2022	2021
Expenses resulting from the issuance of restricted employee stock	\$ 169,465	225,240

(x) Subsidiary's share-based payments

Except for the following disclosure, there were no significant changes for share-based payment for the three months ended March 31, 2022 and 2021. For the related information, please refer to Note 6(y) of the consolidated financial statements for the year ended December 31, 2021.

(i) Restricted stock to employee of AZUREWAVE

A resolution was decided during the shareholders meeting held on July 15, 2021 to award 3,000 thousand new shares of restricted stock 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 NT\$26.95 per share. The record date for the capital increase through issuance of restricted shares of stock was January 3, 2022.

The issuance of employee restricted stock awards was made free of charge for employees that continue to work for AZUREWAVE for three more years. 20%, 40% and 40% of the restricted shares of stock is vested in year 1, 2 and 3, respectively. The restricted stock is kept by a trust, which is appointed by AZUREWAVE, before it is vested. These shares of stock shall not be sold, pledged, transferred, gifted or by any other means of disposed to third parties during the custody period. These shares of stock are entitled to the same right as the holders of common stock once issued, except for those shares kept by a trust or shares that do not meet the vesting condition. If the employee does not fulfill the vesting conditions, AZUREWAVE has the rights to recall the shares without cost.

On March 7, 2022, AZUREWAVE approved to retire and cancel 54 thousand shares of restricted employee stocks, with the record date set on March 15, 2022, due to those employees who did not meet the vesting condition for the three months ended March 31, 2022.

For the three months ended March 31, 2022, AZUREWAVE recognized share-based compensation cost of \$9,356 thousand, due to the issuance of restricted employee stock.

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(ii) Restricted stock to employee of ASROCK

1) ASROCK

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

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

A. The overall performance of the company:

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

B. Personal performance:

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

C. After subscribing to the new shares that restrict the rights of employees, the term of employment expires after one year, 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. After subscribing to the new shares that restrict the rights of employees, the term of employment expires after two years, and there should be no violation of laws or regulations, company working rules, business ethics codes, as well as other related regulations and agreements, in the second year, with the existing 30% of the shares are multiplied by the overall weight, then multiplied by the personal weight.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
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E. After subscribing to the new shares that restrict the rights of employees, the term of employment expires after three years, 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 restricted stock is kept by a trust, which is appointed by ASROCK, before it is vested. These shares of stock shall not be sold, pledged, transferred, gifted or by any other means of disposal to third parties during the custody period. These shares of stock are entitled to the same right as holders of common shares once issued, except for those shares kept by a trust or shares that do not meet the vesting condition.

The aforesaid information of restricted stock to employee was follows:

Vesting period	Restricted stock to employee			
	Year 1	Year 2	Year 3	Total
Original vested shares (In thousands of units)	913	685	685	2,283
Operating performance ratio	99.72 %	94.92 %	90.86 %	
Estimated employee turnover rate	9.45 %	16.03 %	20.00 %	
Personal performance ratio	76.92 %	76.92 %	76.92 %	
Vested shares (In thousands of units)	634	420	383	1,437
Fair value	145	145	145	
Service costs	\$ 85,627	56,687	51,696	194,010

The new shares issued by ASRock that restrict the rights of employees 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 restricted shares of stock to employee leaves during the vesting period, he must return all the restricted employee stocks.

2) **ASROCK RACK INCORPORATION**

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

(Continued)

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

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

Vesting period	Restricted stock to employee				Total
	year 1	year 2	year 3	year 4	
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	-	-	5.53	5.53	
Service costs	\$ -	-	3,535	3,296	6,831

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

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.

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

(Continued)

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

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

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

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

	<u>For the three months ended March 31</u>			
	<u>2022</u>		<u>2021</u>	
	<u>Outstanding number of options</u>	<u>Weighted average exercise price</u>	<u>Outstanding number of options</u>	<u>Weighted average exercise price</u>
Outstanding as of January 1 (In thousand units)	-	\$ -	1,500	22
Exercised during the period	-	-	-	-
Forfeited during the period	-	-	-	-
Outstanding as of March 31 (In thousand units)	<u>-</u>	-	<u>1,500</u>	22
Exercisable as of March 31 (In thousand units)	<u>-</u>		<u>-</u>	
Weighted average fair value of the options granted	<u>\$ -</u>		<u>-</u>	

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

	<u>Exercise price</u>	<u>Weighted average residual duration (year)</u>
March 31, 2022		
Outstanding option	\$ -	-
March 31, 2021		
Outstanding option	\$ 22	0.67

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
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3) ASROCK INDUSTRIAL COMPUTER CORPORATION

On January 15, 2019, and April 20, 2021, the board of ASROCK INDUSTRIAL COMPUTER CORPORATION approved a resolution passed during their meeting to award 1,500 thousand and 2,200 thousand employee stock options, respectively. Each option certificate can purchase one ordinary share, delivered by issuing new shares. The option certificates are awarded to those employees who meet certain requirement of ASROCK INDUSTRIAL COMPUTER CORPORATION. Duration is 30 and 42 months. One year after the issuance, the certificate owners can exercise a specific proportion of the option certificates. The exercise price of the option is \$10 (dollars) and \$12.5 (dollars) per share. After the issue of the options, even if ASROCK INDUSTRIAL COMPUTER has changed the total amount of the common shares, the price would not be changed.

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

Grant date	Total shares issued (In thousands of shares)	Exercise price per share
January 15, 2019	1,500	\$10.0
April 20, 2021	2,200	\$12.5

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

	January 15, 2019	April 20, 2021
Expected volatility rate	31.74%	29.61%~31.19%
Risk-free interest rate	0.5741%	0.1185%~0.2523%
Expected duration of option	2 years	1.5~3.5 years
Weighted average stock price	\$8.10	\$12.49
Pricing model	Binomial options pricing model	Binomial options pricing model

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

(Continued)

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

	For the three months ended March 31			
	2022		2021	
	Outstanding number of options	Weighted average exercise price	Outstanding number of options	Weighted average exercise price
January 15, 2019				
Outstanding as of January 1 (In thousand units)	-	\$ -	750	\$ 10
Granted during the period	-	-	-	-
Exercised during the period	-	-	-	-
Outstanding as of March 31 (In thousand units)	<u>-</u>	-	<u>750</u>	10
Exercisable as of March 31 (In thousand units)	<u>-</u>		<u>750</u>	
Weighted average fair value of \$ the options granted	<u>-</u>		<u>-</u>	

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

	Exercise price	Weighted average residual duration (year)
March 31, 2022		
Outstanding option	\$ -	-
March 31, 2021		
Outstanding option	\$ 10	0.29

	For the three months ended March 31			
	2022		2021	
	Outstanding number of options	Weighted average exercise price	Outstanding number of options	Weighted average exercise price
April 20, 2021				
Outstanding as of January 1 (In thousand units)	2,200	\$ 12.5	-	\$ -
Granted during the period	-	-	-	-
Exercised during the period	-	-	-	-
Expired during the period	-	-	-	-
Outstanding as of March 31 (In thousand units)	<u>2,200</u>	12.5	<u>-</u>	-
Exercisable as of March 31 (In thousand units)	<u>-</u>	-	<u>-</u>	-
Weighted average fair value of the options granted	<u>\$ 1.29</u>		<u>-</u>	

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
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As of March 31, 2022, the related information about outstanding options on the share-based payments was as follows:

	<u>Exercise price</u>	<u>Weighted average residual duration (year)</u>
March 31, 2022		
Outstanding option	\$12.5	2.55

4) ASROCK did not make any cancellation or amendment to share-based payment transactions for the three months ended March 31, 2022 and 2021.

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

	<u>For the three months ended March 31</u>	
	<u>2022</u>	<u>2021</u>
Expense resulting from equity-settled share-based payment	<u>\$ 36,240</u>	<u>417</u>

(iii) Employee stock option of LUMENS DIGITAL OPTICS INC.

On March 11, 2021, the board of LUMENS DIGITAL OPTICS INC. (Lumens Optics.) approved a resolution during their meeting to issue 2 thousand shares for employee stock options. Each option certificate can purchase 1 thousand ordinary share, delivered by issuing new shares. The option certificates are awarded to those employees who meet certain requirement of Lumens Optics. Duration is 6 years. Two years after the issuance, the certificate owners can exercise the option certificates. On September 15, 2021, Lumens Optics. issued 1,613 thousand of employee stock options.

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

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

LUMENS DIGITAL OPTICS INC. adopted the Binomial options pricing model to calculate the fair value of the stock option at grant date, is between \$23.63 and \$25.22, the assumptions inputs in this valuation model were as follows:

	<u>For the three months ended March 31, 2022</u>
Fair value at grant date	\$ 97.7
Stock price at grant date	\$ 112.2
Exercise price	\$ 78.6
Expected volatility rate	31.44%
Risk-free interest rate	0.3%
Expected duration of option	4.56 years
Weighted average stock price	4.04%

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
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2) Employee stock options

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

	For the three months ended March 31, 2022	
	Weighted- average exercise price	Units of stock option
Outstanding as of January 1 (In thousand units)	\$ 78.6	1,613
Granted during the period	-	-
Outstanding as of March 31 (In thousand units)	78.6	1,613
Exercisable as of March 31 (In thousand units)	-	-

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

	March 31, 2022
Exercise price	\$78.6
Weighted average residual duration	4.56 years

3) Expenses resulting from share-based payment

	For the three months ended March 31, 2022
Expenses resulting from employee stock option	\$ 3,539

4) Lumens Optics. did not make any cancellation or amendment to share-based payment transactions for the three months ended March 31, 2022.

(iv) Compensated restricted stock to employee of KINSUS

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

On February 18, 2019, the board of KINSUS approved to issue 659 thousand shares of restricted stock, with the record date for the capital increase on March 18, 2019. However, only 599 thousand shares were actually issued, with a fair value of \$43.45 (dollars) per share at the grant date.

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

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

The restricted obligation before vested was as follows:

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

On August 28, 2018, KINSUS issued 4,841 thousand shares of new employee restricted stock, and incurred 184,530 thousand to capital surplus, of restricted stock of KINSUS. As of March 31, 2022, 544 thousand shares of employee restricted stock have expired, resulting in the capital surplus of KINSUS to increase by \$5,442 thousand. Subsequently, as of March 31, 2022, the deferred compensation cost of KINSUS arising from the issuance of its employee restricted stock amounted to \$0.

On March 18, 2019, KINSUS issued a total of 599 thousand shares of employee restricted stock, resulting in its capital surplus - restricted employee stock to increase by \$19,396 thousand. As of March 31, 2022, 51 thousand shares of employee restricted stock have expired, resulting in the capital surplus of KINSUS to increase by \$513 thousand. As of March 31, 2022, the deferred compensation cost of KINSUS arising from the issuance of its employee restricted stock amounted to \$0.

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

	<u>For the three months ended March 31</u>	
	<u>2022</u>	<u>2021</u>
Expenses resulting from equity-settled share-based payment	<u>\$ -</u>	<u>2,265</u>

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

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(v) Employee stock option of FUYANG TECHNOLOGY CORPORATION

The expenses resulting from share-based payment transactions for the three months ended March 31, 2022, were as follows:

	For the three months ended March 31
	2022
Expenses resulting from employee stock option	\$ (4,550)

(y) Earnings per share

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

	For the three months ended March 31	
	2022	2021
Basic earnings per share		
Profit attributable to ordinary shareholders	\$ 1,667,425	4,672,500
Weighted-average number of ordinary shares	2,668,639	2,662,852
	\$ 0.62	1.75
Diluted earnings per share		
Profit attributable to ordinary shareholders (diluted)	\$ 1,667,425	4,672,500
Weighted-average number of ordinary shares	2,668,639	2,662,852
Effect of potentially dilutive ordinary shares		
Employee stock bonus	19,669	25,763
Weighted-average number of ordinary shares (diluted)	2,688,308	2,688,615
	\$ 0.62	1.74

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(z) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the three months ended March 31, 2022		
	DMS	Strategic Investment Group	Total
	Primary geographical markets:		
Europe	\$ 147,733,716	1,205,058	148,938,774
U.S.A.	109,287,311	3,884,840	113,172,151
Taiwan	26,325,210	4,032,493	30,357,703
China	7,119,305	7,221,341	14,340,646
Japan	1,948,423	843,311	2,791,734
Other countries	13,915,340	308,191	14,223,531
	\$ 306,329,305	17,495,234	323,824,539

	For the three months ended March 31, 2021		
	DMS	Strategic Investment Group	Total
	Primary geographical markets:		
Europe	\$ 83,818,275	6,040,913	89,859,188
U.S.A.	69,480,463	5,126,034	74,606,497
Taiwan	17,778,190	3,281,029	21,059,219
China	4,294,470	9,170,156	13,464,626
Japan	4,657,147	487,916	5,145,063
Other countries	12,023,899	463,135	12,487,034
	\$ 192,052,444	24,569,183	216,621,627

(ii) Contract balances

	March 31, 2022	December 31, 2021	March 31, 2021
Notes receivable	\$ 3,249	14,952	15,723
Accounts receivable	178,167,643	249,637,569	110,604,739
Less: Allowance for impairment	118,691	119,064	215,772
Total	\$ 178,052,201	249,533,457	110,404,690
Contract liabilities	\$ 1,547,584	1,475,626	1,275,309

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

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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 three months ended March 31, 2022 and 2021.

(aa) Remunerations to employees and directors

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

For the three months ended March 31, 2022 and 2021, the Company estimated its employee remuneration amounting to \$131,000 thousand and \$387,000 thousand, and directors' remuneration amounting to \$12,000 thousand and \$38,000 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees and directors of each period, multiplied by the percentage of remuneration to employees and directors as specified in the Company's articles. Such amounts were recognized as operating costs or operating expenses during the three months ended March 31, 2022 and 2021. Management is expecting that the differences, if any, between the actual distributed amounts and estimated amounts will be treated as changes in accounting estimates and charged to profit or loss. The numbers of shares to be distributed were calculated based on the closing price of the Company's ordinary shares, one day before the date of the meeting of Board of Directors. Related information would be available at the Market Observation Post System website. The amounts, as stated in the non-consolidated financial statements, are identical to those of the actual distributions for the three months ended March 31, 2022 and 2021.

For the years ended December 31, 2021 and 2020, the Company had accrued remuneration of employees of \$1,605,000 thousand and \$1,633,000 thousand, respectively, and remuneration of directors of \$159,000 thousand and \$162,000 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.

(ab) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	For the three months ended March 31	
	2022	2021
Interest income from bank deposits	\$ 394,631	394,042

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(ii) Other income

The details of other income were as follows:

	For the three months ended March 31	
	2022	2021
Subsidy income	\$ 981,197	197,263
Rent income	193,980	131,538
Technical service income	97,415	120,631
Other income	276,717	55,729
	\$ 1,549,309	505,161

(iii) Other gains and losses

The details of other gains and losses were as follows:

	For the three months ended March 31	
	2022	2021
Gains on disposals of investments	\$ -	4,017,226
Foreign exchange gains	85,258	448,863
Gains on disposal of property, plant and equipment	77,520	428,265
Gains on lease modifications	5,628	1,286
(Impairment loss) reversal of impairment loss on non-financial assets	(8,793)	240
Net loss on financial assets measured at fair value through profit or loss	(3,335,345)	(3,597,397)
Miscellaneous disbursements	(84,149)	(10,830)
	\$ (3,259,881)	1,287,653

(iv) Finance costs

The details of finance costs were as follows:

	For the three months ended March 31	
	2022	2021
Interest expenses	\$ 252,393	290,405
Financial expense-bank fees and factoring fees, etc.	3,797	3,261
	\$ 256,190	293,666

(ac) Reclassification adjustments of components of other comprehensive income

	For the three months ended March 31	
	2022	2021
Cumulative adjustment		
Cumulative foreign exchange differences from current period	\$ 4,919,180	(138,944)
Share of other associates accounted for using equity method	877,879	(229,998)
Reclassification to profit or loss on the disposal of subsidiaries	-	279,121
Net change in fair value recognized in other comprehensive income	\$ 5,797,059	(89,821)

(Continued)

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(ad) Financial instruments

(i) Credit risk

1) Credit risk exposure

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

2) Concentration of credit risk

As of March 31, 2022, December 31, 2021 and March 31, 2021, the accounts receivable from the Group's top three customers were amounted to \$128,779,409 thousand, \$195,354,058 thousand and \$67,443,245 thousand, representing 72%, 78% and 61% of accounts receivable, respectively, which exposes the Group to credit risk.

3) Accounts receivable of credit risk

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

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

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

The loss allowance provision for the three months ended March 31, 2022 and 2021 was determined as follows:

	Other receivables
Balance on January 1, 2022	\$ 16,438
Reversal of impairment loss recognized	(393)
Effect of movement in exchange rates	621
Balance on March 31, 2022	\$ 16,666
Balance on January 1, 2021	\$ 18,871
Impairment loss recognized	5,370
Effect of movement in exchange rates	(6,052)
Effect of disposals of subsidiaries	(1,898)
Balance on March 31, 2021	\$ 16,291

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(ii) Liquidity risk

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

	<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>
March 31, 2022					
Non-derivative financial liabilities					
Secured bank loans	\$ 54,067	54,067	729	2,561	50,777
Unsecured bank loans	103,844,636	103,890,824	92,412,618	2,737,128	8,741,078
Other unsecured loans	2,290,000	2,290,000	2,290,000	-	-
Unsecured ordinary corporate bonds	36,871,444	36,900,000	6,500,000	-	30,400,000
Non-interest bearing liabilities	275,795,986	275,795,986	273,428,657	2,367,329	-
Lease liabilities	<u>3,460,522</u>	<u>3,460,522</u>	<u>1,377,460</u>	<u>995,206</u>	<u>1,087,856</u>
	<u>\$ 422,316,655</u>	<u>422,391,399</u>	<u>376,009,464</u>	<u>6,102,224</u>	<u>40,279,711</u>
December 31, 2021					
Non-derivative financial liabilities					
Secured bank loans	\$ 54,001	54,001	292	2,020	51,689
Unsecured bank loans	104,992,034	105,091,062	92,835,321	2,549,033	9,706,708
Other unsecured loans	2,214,640	2,214,640	2,214,640	-	-
Unsecured ordinary corporate bonds	36,869,595	36,900,000	2,000,000	4,500,000	30,400,000
Non-interest bearing liabilities	302,817,234	302,817,234	300,608,617	2,208,617	-
Lease liabilities	<u>3,071,000</u>	<u>3,071,000</u>	<u>1,067,674</u>	<u>1,253,877</u>	<u>749,449</u>
	<u>\$ 450,018,504</u>	<u>450,147,937</u>	<u>398,726,544</u>	<u>10,513,547</u>	<u>40,907,846</u>
March 31, 2021					
Non-derivative financial liabilities					
Secured bank loans	\$ 9,798	9,798	-	521	9,277
Unsecured bank loans	148,276,573	148,276,573	140,601,181	744,392	6,931,000
Other unsecured loans	2,282,600	2,282,600	2,282,600	-	-
Unsecured ordinary corporate bonds	28,000,000	28,000,000	-	6,500,000	21,500,000
Non-interest bearing liabilities	171,625,002	171,625,002	171,225,693	399,309	-
Lease liabilities	<u>2,186,077</u>	<u>2,186,077</u>	<u>1,208,373</u>	<u>472,617</u>	<u>505,087</u>
	<u>\$ 352,380,050</u>	<u>352,380,050</u>	<u>315,317,847</u>	<u>8,116,839</u>	<u>28,945,364</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.

(Continued)

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(iii) Market risk

1) Exposure to foreign currency risk

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

(Unit: Foreign currency / NTD in Thousands)

	March 31, 2022			March 31, 2021		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 13,675,640	28.6250	391,465,195	10,688,573	28.5325	304,971,709
USD:CNY	45,897	6.3482	1,313,801	1,907,822	6.5713	54,434,967
CNY:USD	6,034,543	0.1575	27,210,673	3,400,592	0.1522	14,765,327
<u>Non-monetary items</u>						
CNY:USD	5,389,896	0.1575	24,303,380	4,659,646	0.1522	20,527,370
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	14,115,300	28.6250	404,050,463	11,348,095	28.5325	323,789,521
USD:CNY	57,730	6.3482	1,652,520	268,090	6.5713	7,649,283
CNY:USD	3,515,760	0.1575	15,853,097	1,850,818	0.1522	8,036,228
December 31, 2021						
	Foreign Currency	Exchange Rate	NTD			
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 18,473,725	27.6830	511,408,129			
USD:CNY	77,155	6.3757	2,135,880			
CNY:USD	5,772,908	0.1568	25,065,704			
<u>Non-monetary items</u>						
CNY:USD	5,129,509	0.1568	22,272,009			
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	19,096,257	27.6830	528,641,683			
USD:CNY	162,064	6.3757	4,486,413			
CNY:USD	3,483,471	0.1568	15,125,073			

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. A 1% of appreciation or depreciation of each major foreign currency against the Group's functional currency as of March 31, 2022 and 2021 would have increased or decreased the before-tax net income for the three months ended March 31, 2022 and 2021 by \$(1,645) thousand and \$355,288 thousand, respectively. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for both periods.

(Continued)

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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 ended March 31, 2022 and 2021, foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$85,258 thousand and \$448,863 thousand, respectively.

4) Interest rate analysis

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

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

If the interest rate increases/decreases by 1%, the Group's net income will decrease /increase by \$35,826 thousand and \$62,497 thousand for the three months ended March 31, 2022 and 2021, 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.

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 three months ended March 31			
	2022		2021	
	Comprehensive Income (Loss) (net of tax)	Net Income (Loss) (before tax)	Comprehensive Income (Loss) (net of tax)	Net Income (Loss) (before tax)
Increase 3%	\$ 38,882	239,687	28,495	229,690
Decrease 3%	\$ (38,882)	(239,687)	(28,495)	(229,690)

(iv) Fair value of financial instruments

1) Fair value hierarchy

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

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	December 31, 2021				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at amortized cost					
Cash and cash equivalents	\$111,024,086	-	-	-	-
Notes and accounts receivable	249,533,457	-	-	-	-
Other receivables	9,628,610	-	-	-	-
Other financial assets	<u>30,723,520</u>	-	-	-	-
Subtotal	<u>\$400,909,673</u>	-	-	-	-
Financial liabilities at amortized cost					
Bank loans	\$105,046,035	-	-	-	-
Other loans	2,214,640	-	-	-	-
Non-interest bearing liabilities	302,817,234	-	-	-	-
Lease liabilities	3,071,000	-	-	-	-
Unsecured ordinary corporate bonds	<u>36,869,595</u>	-	-	-	-
Subtotal	<u>\$450,018,504</u>	-	-	-	-
March 31, 2021					
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Financial assets mandatorily measured at fair value through profit or loss	<u>\$ 10,055,459</u>	<u>9,576,947</u>	-	<u>478,512</u>	<u>10,055,459</u>
Financial assets at fair value through other comprehensive income					
Stock of listed companies	\$ 547,722	547,722	-	-	547,722
Stock of unlisted companies	149,203	-	-	149,203	149,203
Stock of overseas listed companies	206,699	206,699	-	-	206,699
Stock of overseas unlisted companies	<u>46,224</u>	-	-	<u>46,224</u>	<u>46,224</u>
Subtotal	<u>\$ 949,848</u>	<u>754,421</u>	-	<u>195,427</u>	<u>949,848</u>
Financial assets at amortized cost					
Cash and cash equivalents	\$133,360,567	-	-	-	-
Notes and accounts receivable	110,404,690	-	-	-	-
Other receivables	17,186,290	-	-	-	-
Other financial assets	<u>38,518,539</u>	-	-	-	-
Subtotal	<u>\$299,470,086</u>	-	-	-	-
Financial liabilities at amortized cost					
Bank loans	\$147,714,166	-	-	-	-
Other loans	2,282,600	-	-	-	-
Non-interest bearing liabilities	171,625,002	-	-	-	-
Lease liabilities	2,186,077	-	-	-	-
Unsecured ordinary corporate bonds	<u>27,975,099</u>	-	-	-	-
Subtotal	<u>\$351,782,944</u>	-	-	-	-

(Continued)

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

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

a) Financial assets and financial liabilities measured at amortized cost

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

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

a) Non-derivative financial instruments

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

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

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

b) Derivative financial instruments

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

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 three months ended March 31, 2022 and 2021.

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5) Reconciliation of Level 3 fair values

	<u>At fair value through profit or loss</u>	<u>Fair value through other comprehensive income</u>		<u>Total</u>
	<u>Non-derivative mandatorily measured at fair value through profit or loss</u>	<u>Unquoted equity instruments</u>	<u>Unquoted debt instruments</u>	
Opening balance, January 1, 2022	\$ 715,758	194,010	41,784	951,552
Total gains and losses recognized:				
In profit or loss	37,617	-	-	37,617
In other comprehensive income	-	1,571	-	1,571
Purchased	183,780	-	124,573	308,353
Ending Balance, March 31, 2022	<u>\$ 937,155</u>	<u>195,581</u>	<u>166,357</u>	<u>1,299,093</u>
Opening balance, January 1, 2021	\$ 400,238	218,951	-	619,189
Total gains and losses recognized:				
In profit or loss	(4,550)	-	-	(4,550)
In other comprehensive income	-	177	-	177
Purchased	82,824	-	-	82,824
Subsidiaries disposals	-	(23,701)	-	(23,701)
Ending Balance, March 31, 2021	<u>\$ 478,512</u>	<u>195,427</u>	<u>-</u>	<u>673,939</u>

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

	<u>For the three months ended March 31</u>	
	<u>2022</u>	<u>2021</u>
Total gains and losses recognized:		
In profit or loss, and presented in “other gains and losses”	<u>\$ 37,617</u>	<u>(4,550)</u>
In other comprehensive income, and presented in “unrealized gains from financial assets at fair value through other comprehensive income”	<u>\$ 1,571</u>	<u>177</u>

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

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

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

Quantified information of significant unobservable inputs were as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through profit or loss-equity investments without an active market	Market Approach	<ul style="list-style-type: none"> ·The multiplier of price-to-book ratio (As of March 31, 2022, December 31, 2021 and March 31, 2021, were 2.2~8.9, 2.2~8.9 and 1.2~2.3, respectively.) ·Market liquidity discount (As of March 31, 2022, December 31, 2021 and March 31, 2021, were 20%) 	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> ·the multiplier were higher (lower) ·the market illiquidity discount were lower (higher).
Financial assets at fair value through other comprehensive income-equity investments without an active market	Market Approach	<ul style="list-style-type: none"> ·The multiplier of price-to-book ratio (As of March 31, 2022, December 31, 2021 and March 31, 2021, were 1.4~1.6, 1.4~1.6, and 1.4~1.5, respectively.) ·Market illiquidity discount (As of March 31, 2022, December 31, 2021 and March 31, 2021, were 20%) 	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> ·the multiplier were higher (lower) ·the market illiquidity discount were lower (higher).
Financial assets at fair value through profit or loss-private fund	Net Asset Value Method	·Net Asset Value	Not applicable

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

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

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	Inputs	Fluctuation in inputs	Profit or loss		Other comprehensive income	
			Favorable	Unfavorable	Favorable	Unfavorable
March 31, 2022						
Financial assets at fair value through profit or loss						
Equity investments without an active market	Multiplier of price-to-book ratio	1%	4,321	(4,321)	-	-
Equity investments without an active market	Market illiquidity discount	1%	4,321	(4,321)	-	-
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	Multiplier of price-to-book ratio	1%	-	-	1,956	(1,956)
Equity investments without an active market	Market illiquidity discount	1%	-	-	1,956	(1,956)
December 31, 2021						
Financial assets at fair value through profit or loss						
Equity investments without an active market	Multiplier of price-to-book ratio	1%	2,447	(2,447)	-	-
Equity investments without an active market	Market illiquidity discount	1%	2,447	(2,447)	-	-
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	Multiplier of price-to-book ratio	1%	-	-	1,940	(1,940)
Equity investments without an active market	Market illiquidity discount	1%	-	-	1,940	(1,940)
March 31, 2021						
Financial assets at fair value through profit or loss						
Equity investments without an active market	Multiplier of price-to-book ratio	1%	714	(714)	-	-
Equity investments without an active market	Market illiquidity discount	1%	714	(714)	-	-
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	Multiplier of price-to-book ratio	1%	-	-	1,954	(1,954)
Equity investments without an active market	Market illiquidity discount	1%	-	-	1,954	(1,954)

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

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(v) Offsetting of financial assets and financial liabilities

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

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

March 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	\$ 16,856,261	15,659,909	1,196,352	-	-	1,196,352
Other financial asset and short-term loan	\$ 8,301,200	8,301,200	-	-	-	-

March 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	\$ 15,659,909	15,659,909	-	-	-	-
Other financial asset and short-term loan	\$ 8,301,200	8,301,200	-	-	-	-

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

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

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March 31, 2021						
Financial assets that are offset which have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial assets (a)	Gross amounts of financial liabilities offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)		Net amounts (e)=(c)-(d)
				Financial Instruments (Note)	Cash collateral instruments	
Accounts Receivable and Payable	\$ 12,954,453	9,777,024	3,177,429	-	-	3,177,429
Other financial asset and short-term loan	\$ 13,978,306	13,978,306	-	-	-	-

March 31, 2021						
Financial liabilities that are offset which have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial liabilities (a)	Gross amounts of financial assets offset in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)		Net amounts (e)=(c)-(d)
				Financial Instruments (Note)	Cash collateral instruments	
Accounts Receivable and Payable	\$ 9,777,024	9,777,024	-	-	-	-
Other financial asset and short-term loan	\$ 13,978,306	13,978,306	-	-	-	-

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

(ae) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in Note 6(f) of the consolidated financial statements for the year ended December 31, 2021.

(af) 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, 2021. Also, they believe that for the three months ended March 31, 2022, there were also no changes in the Group's capital management information. For other related information, please refer to Note 6(g) of the consolidated financial statements for the year ended December 31, 2021.

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(ag) Financing activities not affecting current cash flow

For the three months ended March 31, 2022 and 2021, reconciliation of liabilities arising from financing activities was as follows:

	January 1, 2022	Cash flows	Non-cash changes		March 31, 2022
			Foreign exchange movement	Other	
Long-term loans	\$ 13,237,371	(438,398)	32,970	24,882	12,856,825
Short-term loans	94,023,304	(691,426)	-	-	93,331,878
Bonds payable	36,869,595	-	-	1,849	36,871,444
Lease liabilities	3,071,000	(361,862)	73,058	678,326	3,460,522
Non-controlling interests	27,662,332	29,550	173,461	(808,388)	27,056,955
Total liabilities from financing activities	<u>\$174,863,602</u>	<u>(1,462,136)</u>	<u>279,489</u>	<u>(103,331)</u>	<u>173,577,624</u>

	January 1, 2021	Cash flows	Non-cash changes		March 31, 2021
			Foreign exchange movement	Other	
Long-term loans	\$ 17,014,458	(3,950,939)	13,680	(15,333)	13,061,866
Short-term loans	105,242,889	32,759,889	-	(1,067,878)	136,934,900
Bonds payable	25,478,182	2,495,500	-	1,417	27,975,099
Lease liabilities	2,591,691	(404,984)	(1,287)	657	2,186,077
Non-controlling interests	36,345,941	(14,274,755)	1,851,061	(190,269)	23,731,978
Total liabilities from financing activities	<u>\$186,673,161</u>	<u>16,624,711</u>	<u>1,863,454</u>	<u>(1,271,406)</u>	<u>203,889,920</u>

(7) Related-party transactions

(a) Names and relationship with related parties

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

<u>Name of related party</u>	<u>Relationship with the Group</u>
Luxcase Precision Technology (Yancheng) Co., Ltd. (Former RI KAI COMPUTER ACCESSORY CO., LTD.)	An associate (Note)
RI-MING (SHANGHAI) CO., LTD.	An associate (Note)
SHENG-RUI ELECTRONIC TECHNOLOGY (SHANGHAI) LIMITED	An associate (Note)
RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	An associate (Note)
RI SHAN COMPUTER ACCESSORY (JIASHAN) CO., LTD.	An associate (Note)
Ri Da Intelligent Manufacturing Technology (Rugao) Co., Ltd.	An associate
CASETEK SINGAPORE PTE.LTD.	An associate (Note)
ADVANTECH CO., LTD.	Other related party

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

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(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 March 31,	
	2022	2021
Associates	\$ -	30,260
Other related parties	41,260	-
	\$ 41,260	30,260

The terms and the selling price for related parties approximated the market price. The credit terms is from 30 to 90 days. 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 March 31,	
	2022	2021
Associates	\$ 157,678	1,810,619

The terms and pricing of purchase transactions with related parties were not significantly different from those offered by other vendors. The payment terms is from 30 to 120 days, which were no different from the payment terms given by other vendors.

(iii) Receivables from Related Parties

The receivables from related parties were as follows:

Account	Relationship	March 31, 2022	December 31, 2021	March 31, 2021
Accounts receivable	Other related parties	\$ 15,213	9,709	-
Accounts receivable	Associates	-	-	29,860
Other receivables	Associates	337,013	288,517	396,647
		\$ 352,226	298,226	426,507

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(iv) Payables to Related Parties

The payables to related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Accounts payable	Associates	\$ 161,450	208,342	2,866,785
Other payables	Associates	-	-	1,826
Accrued expenses	Associates	896	-	24,295
		<u>\$ 162,346</u>	<u>208,342</u>	<u>2,892,906</u>

(v) Loans to Related Parties

The loans to related parties were as follows:

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Associates - RI SHAN COMPUTER ACCESSORY CO., LTD.	<u>\$ 8,555,898</u>	<u>8,258,365</u>	<u>15,761,222</u>
Range of interest rate	<u>0.92%~1.00%</u>	<u>0.92%~1.00%</u>	<u>0.92%~1.28%</u>
Interest income	<u>\$ 20,916</u>	<u>130,141</u>	<u>32,206</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.

(c) Key management personnel compensation

	<u>For the three months ended March 31</u>	
	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 111,830	112,054
Post-employment benefits	1,013	1,017
Share-based payments	38,317	39,525
	<u>\$ 151,160</u>	<u>152,596</u>

Please refer to Notes 6(w) and 6(x) 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:

<u>Assets pledged as security</u>	<u>Liabilities secured by pledge</u>	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Other financial asset-restricted deposit	Post-release duty deposits, customs duty, lease deposits, short-term loans, travel agency guarantee, provisional attachment guarantee, etc.	\$ 121,327	121,307	161,162
Property, plant and equipment	Bank loans	41,059	42,036	60,193
Other financial asset-guarantee deposits	Customs duty guarantee, litigation guarantee, rental deposits, and deposits for performance guarantee	41,453	37,471	5,700
		<u>\$ 203,839</u>	<u>200,814</u>	<u>227,055</u>

(9) Commitments and contingencies

(a) Significant commitments and contingencies

(i) Unused standby letters of credit

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
EUR	\$ 813	813	3,556
JPY	5,432,318	7,031,091	5,822,392
USD	11,246	9,455	4,865

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

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
NTD	<u>\$ 10,490</u>	<u>10,490</u>	<u>17,703</u>

(iii) As of March 31, 2022, December 31, 2021 and March 31, 2021, the significant contracts for purchase of properties by the Group amounted to \$15,725,923 thousand, \$14,181,360 thousand and \$15,586,509 thousand, of which \$6,190,890 thousand, \$5,302,235 thousand and \$8,575,171 thousand, respectively, were unpaid.

(iv) As of March 31, 2022, December 31, 2021 and March 31, 2021, the Group provided endorsement guarantee for bank loans, including Group entities, amounting to \$2,433,125 thousand, \$2,353,055 thousand and \$1,198,365 thousand, respectively.

(Continued)

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(v) As of March 31, 2022, December 31, 2021 and March 31, 2021, the Group issued a tariff guarantee of \$761,032 thousand, \$773,936 and \$429,390 thousand, respectively, to the bank for the purpose of importing goods.

(b) Significant contingent liability

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

(10) Losses due to major disasters: None.

(11) Subsequent events:

To cooperate with the local government's covid-19 pandemic prevention work, some of the Group's factories in China were suspended during the subsequent period. The Group will continue to monitor the development and continuously assess the impact of the pandemic on its financial position.

(12) Others

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

By function	For the three months ended March 31					
	2022			2021		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Employee benefits						
Salary	\$ 11,714,416	3,780,287	15,494,703	8,955,693	3,704,203	12,659,896
Labor and health insurance	1,268,033	278,106	1,546,139	720,176	265,737	985,913
Pension	1,048,294	201,398	1,249,692	749,358	185,571	934,929
Others	422,545	208,555	631,100	443,851	175,914	619,765
Depreciation	2,956,896	489,204	3,446,100	3,253,456	492,801	3,746,257
Amortization	10,688	16,344	27,032	18,866	21,319	40,185

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

	For the three months ended March 31	
	2022	2021
Depreciation in investment property	\$ <u>771</u>	<u>723</u>

(Continued)

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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 as of March 31, 2022 (excluding investment in subsidiaries, associates and joint ventures)	Table 3
4	Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock	Table 4
5	Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock	Table 5
6	Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock	None
7	Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock	Table 6
8	Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock	Table 7
9	Trading in derivative instruments	None
10	Business relationships and significant intercompany transactions	Table 10

(b) Information on investees:

Please refer to Table 8 for the information on investees for the three months ended March 31, 2022.

(c) Information on investment in mainland China:

(i) Please refer to Table 9 for names of investee, main businesses and products, total amount of capital surplus, method of investment, investment flows, net income (losses) of the investee, percentage of ownership and the upper limit on investment.

(ii) Please refer to information on significant transactions for either directly or indirectly through a third area, with investee companies in the Mainland Area. The transactions were eliminated in the consolidated financial statements.

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
ASUSTEK COMPUTER INC.		448,506,484	16.80 %

(Continued)

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(14) Segment information

Please refer to Note 6(z) for the information on revenue for the three months ended March 31, 2022 and 2021. The Group's operating segment information and reconciliation were as follows:

<u>For the three months ended March 31, 2022</u>	<u>DMS</u>	<u>Strategic Investment Group</u>	<u>Adjustment and eliminations</u>	<u>Total</u>
Reportable segment profit or loss	\$ <u>1,617,311</u>	<u>3,817,612</u>	<u>(1,658,888)</u>	<u>3,776,035</u>
<u>For the three months ended March 31, 2021</u>				
Reportable segment profit or loss	\$ <u>3,473,570</u>	<u>6,214,537</u>	<u>(5,840,608)</u>	<u>3,847,499</u>
Reportable segment assets				
March 31, 2022	\$ <u>574,845,344</u>	<u>139,780,674</u>	<u>(71,574,063)</u>	<u>643,051,955</u>
December 31, 2021	\$ <u>608,651,547</u>	<u>132,809,233</u>	<u>(64,690,417)</u>	<u>676,770,363</u>
March 31, 2021	\$ <u>500,960,607</u>	<u>227,025,668</u>	<u>(167,081,358)</u>	<u>560,904,917</u>