

(English Translation of Financial Report Originally Issued in Chinese)

PEGATRON CORPORATION AND ITS SUBSIDIARIES

**CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

JUNE 30, 2015 AND 2014

(With Independent Accountants' Review Report Thereon)

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REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors of

Pegatron Corporation

We have reviewed the accompanying condensed interim consolidated balance sheets of Pegatron Corporation and its subsidiaries (the “Group”) as of June 30, 2015 and 2014, and the related consolidated statements of comprehensive income for the three month and the six month periods then ended, and changes in equity and cash flows for the six months ended June 30, 2015 and 2014. These condensed interim consolidated financial statements are the responsibility of the Group’s management. Our responsibility is to issue a report on these interim consolidated financial statements based on our reviews. We did not review the financial statements of certain consolidated subsidiaries, with total assets of NT\$67,435,031 thousand and NT\$48,248,549 thousand, representing 15.50% and 13.29% of the related consolidated total assets as of June 30, 2015 and 2014, and net sales of NT\$12,681,217 thousand, NT\$8,273,450 thousand, NT\$25,077,778 thousand, and NT\$16,289,746 thousand, representing 5.82%, 3.90%, 5.10% and 3.78% of the related consolidated net sales for the three months ended June 30, 2015 and 2014, and for the six months ended June 30, 2015 and 2014, respectively. Those 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.

We conducted our reviews in accordance with Statement of Auditing Standards No. 36 “Engagements to Review Financial Statements.” A review consists principally of inquiries of the Group’s management and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

The consolidated financial statements of certain subsidiaries were consolidated based on their financial statements as of and for the six months ended June 30, 2015 and 2014, which were not reviewed by independent accountants. The total assets of these subsidiaries amounted to NT\$44,105,586 thousand and NT\$54,280,895 thousand, representing 10.14% and 14.95% of the related consolidated total assets and the total liabilities amounted to NT\$9,344,103 thousand and NT\$17,277,018 thousand, representing 3.61% and 7.90% of the related consolidated liabilities as of June 30, 2015 and 2014, respectively. The comprehensive income of these subsidiaries amounted to NT\$113,648 thousand, NT\$828,747 thousand, NT\$422,562 thousand and NT\$1,089,110 thousand, representing 2.68%, 190.43%, 4.23% and 19.32% of the



related consolidated comprehensive income for the three months and the six months ended June 30, 2015 and 2014, respectively. Also the financial statements of certain equity-accounted investees were not reviewed by independent accountants. Long-term investments in these investee companies amounted to NT\$65,281 thousand and NT\$74,430 thousand as of June 30, 2015 and 2014, respectively, and the related investment loss amounted to NT\$4,446 thousand, NT\$3,059 thousand, NT\$8,549 thousand and NT\$3,096 thousand for the three months and the six months ended June 30, 2015 and 2014, respectively.

Based on our reviews and the reports of other accountants, except for the effects of such adjustments, if any, as might have been determined to be necessary had the financial statements of some consolidated subsidiaries and some equity-accounted investees been reviewed as described in the preceding paragraphs, we are not aware of any material modifications that should be made to the condensed interim consolidated financial statements referred to the first paragraph for them to be in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards No. 34 “Interim Financial Reporting” which are endorsed by the Financial Supervisory Commission in the Republic of China (R.O.C.).

We have also audited the consolidated financial statements of the Group as of and for the year ended December 31, 2014 in accordance with “Regulation Governing Auditing and Certification of Financial Statements by Certified Public Accountants” and auditing standards generally accepted in the Republic of China (R.O.C.), and expressed thereon a modified unqualified auditors’ report dated March 23, 2015. In our opinion, the accompanying condensed interim consolidated balance sheet and related disclosures of the Group as of December 31, 2014, are consistent, in all material respects, with the audited consolidated financial statements from which they have been derived.

CPA: Ulyos Maa
Securities and Futures Commission,
Ministry of Finance, R.O.C. regulation
(88) Tai-Tsai-Jung (6) No. 18311

August 10, 2015

Notes to Readers

The accompanying interim condensed consolidated financial statements are intended only to present the financial position, results of operations and cash flows in accordance with IAS 34 as endorsed by the FSC and not those of any other jurisdictions. The standards, procedures and practices to review such interim condensed consolidated financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the independent accountants’ review report and the accompanying interim condensed consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the independent accountants’ review report and financial statements in Chinese-language shall prevail.

(English Translation of Financial Report Originally Issued in Chinese)
PEGATRON CORPORATION AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2015, DECEMBER 31, 2014, AND JUNE 30, 2014
(All Amounts Expressed in Thousands of New Taiwan Dollars)

	June 30, 2015		December 31, 2014		June 30, 2014	
	Amount	%	Amount	%	Amount	%
ASSETS						
Current Assets:						
Cash and cash equivalents (Note 6(1))	\$ 112,800,359	26	107,688,632	24	90,346,200	25
Financial assets at fair value through profit or loss—current (Note 6(2))	7,143,106	2	5,746,322	1	6,601,536	2
Available-for-sale financial assets—current (Note 6(2))	909,636	-	1,083,436	-	493,173	-
Notes and accounts receivable, net (Notes 6(3), 6(28) and 7)	87,783,801	20	129,862,808	28	82,871,410	23
Other receivables, net (Note 6(3))	5,111,709	1	14,873,148	3	12,937,843	4
Inventories (Note 6(4))	121,765,226	28	95,630,438	21	76,562,701	21
Non-current assets classified as held for sale, net (Notes 6(5) and 8)	193	-	493,740	-	-	-
Other financial assets—current (Notes 6(12) and 8)	4,016,982	1	2,187,887	1	3,002,920	1
Other current assets (Note 6(12))	12,022,671	3	12,036,315	3	5,799,406	2
	351,553,683	81	369,602,726	81	278,615,189	78
Non-current assets:						
Available-for-sale financial assets—noncurrent (Note 6(2))	1,136,168	-	1,480,281	1	1,361,619	-
Financial assets carried at cost—noncurrent (Note 6(2))	654,659	-	568,834	-	645,932	-
Investments accounted for using equity method (Note 6(6))	466,562	-	490,372	-	1,067,757	-
Property, plant and equipment (Notes 6(9) and 8)	69,878,877	16	72,898,284	16	70,664,712	19
Investment property, net (Note 6(10))	643,563	-	648,752	-	653,942	-
Intangible assets (Note 6(11))	1,501,437	-	1,601,259	-	1,917,232	1
Deferred tax assets	2,789,971	1	3,056,520	1	3,070,806	1
Prepayments on purchase of equipment	2,002,476	1	1,930,911	-	859,330	-
Other financial assets—noncurrent (Notes 6(12) and 8)	285,286	-	611,921	-	622,089	-
Long-term prepaid rents (Notes 6(17) and 8)	3,979,675	1	4,093,778	1	3,580,493	1
Other noncurrent assets (Note 6(12))	55,447	-	109,503	-	63,869	-
	83,394,121	19	87,490,415	19	84,507,781	22
TOTAL ASSETS	\$ 434,947,804	100	457,093,141	100	363,122,970	100

The accompanying notes are an integral part of the consolidated financial statements.

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PEGATRON CORPORATION AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2015, DECEMBER 31, 2014, AND JUNE 30, 2014
(All Amounts Expressed in Thousands of New Taiwan Dollars)

	June 30, 2015		December 31, 2014		June 30, 2014	
	Amount	%	Amount	%	Amount	%
LIABILITIES						
Current Liabilities:						
Short-term loans (Note 6(13))	\$ 41,304,891	10	27,180,563	6	10,369,904	3
Financial liabilities at fair value through profit or loss—current (Notes 6(2) and 6(15))	-	-	1,126,590	-	2,700,302	1
Notes and accounts payable (Note 7)	138,019,836	32	174,767,644	38	119,192,927	33
Accrued expenses (Note 7)	22,587,672	5	24,851,714	5	18,527,981	5
Dividends payable (Note 6(20))	12,842,314	3	-	-	10,119,291	3
Other payables	5,135,016	1	7,488,338	2	3,905,085	1
Current income tax liabilities	3,560,895	1	5,919,270	1	2,420,429	1
Provisions—current (Note 6(16))	390,813	-	521,454	-	441,276	-
Deferred revenue	1,535,721	-	2,083,241	1	3,155,795	1
Bonds payable—current portion (Note 6(15))	-	-	1,808,230	-	8,264,858	2
Long-term loans payable—current portion (Note 6(14))	4,460,456	1	7,743,689	2	7,011,559	2
Other current liabilities (Note 7)	12,284,013	3	11,506,712	3	11,745,726	3
	<u>242,121,627</u>	<u>56</u>	<u>264,997,445</u>	<u>58</u>	<u>197,855,133</u>	<u>55</u>
Non-current liabilities:						
Long-term loans (Note 6(14))	13,347,729	3	13,949,222	3	17,122,714	5
Deferred tax liabilities	2,429,364	1	2,295,081	1	2,650,282	1
Other noncurrent liabilities	1,246,926	-	980,163	-	1,065,293	-
	<u>17,024,019</u>	<u>4</u>	<u>17,224,466</u>	<u>4</u>	<u>20,838,289</u>	<u>6</u>
Total Liabilities	<u>259,145,646</u>	<u>60</u>	<u>282,221,911</u>	<u>62</u>	<u>218,693,422</u>	<u>61</u>
Equity Attributable to Owners of the Company (Note 6(20))						
Share capital	<u>26,033,253</u>	<u>6</u>	<u>25,156,805</u>	<u>6</u>	<u>23,283,001</u>	<u>6</u>
Capital surplus:						
Capital surplus, premium on capital stock	73,250,635	17	70,531,321	15	61,641,462	17
Capital surplus, others (Note 6(7))	5,671,618	1	3,764,399	1	3,926,702	1
	<u>78,922,253</u>	<u>18</u>	<u>74,295,720</u>	<u>16</u>	<u>65,568,164</u>	<u>18</u>
Retained earnings:						
Legal reserve	4,879,380	1	3,413,566	1	3,413,566	1
Unappropriated retained earnings	24,919,806	6	25,911,678	5	15,463,061	4
	<u>29,799,186</u>	<u>7</u>	<u>29,325,244</u>	<u>6</u>	<u>18,876,627</u>	<u>5</u>
Other equity interest:						
Exchange differences on translation of foreign financial statements	2,144,845	-	4,788,058	1	(503,978)	-
Unrealized gains on available-for-sale financial assets	370,672	-	177,810	-	278,708	-
Deferred compensation cost arising from issuance of restricted stock (Note 6(21))	(1,828,400)	-	(64,523)	-	(133,419)	-
	<u>687,117</u>	<u>-</u>	<u>4,901,345</u>	<u>1</u>	<u>(358,689)</u>	<u>-</u>
Treasury stock	(960)	-	(8,183)	-	(7,067)	-
Equity attributable to the Parent Company	135,440,849	31	133,670,931	29	107,362,036	29
Non-controlling interests	<u>40,361,309</u>	<u>9</u>	<u>41,200,299</u>	<u>9</u>	<u>37,067,512</u>	<u>10</u>
Total Equity	<u>175,802,158</u>	<u>40</u>	<u>174,871,230</u>	<u>38</u>	<u>144,429,548</u>	<u>39</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 434,947,804</u>	<u>100</u>	<u>457,093,141</u>	<u>100</u>	<u>363,122,970</u>	<u>100</u>

The accompanying notes are an integral part of the consolidated financial statements.

(English Translation of Financial Report Originally Issued in Chinese)
PEGATRON CORPORATION AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2015 AND 2014
(All Amounts Expressed in Thousands of New Taiwan Dollars, Except for Share Data)

	For the Three Months ended June 30				For the Six Months ended June 30			
	2015		2014		2015		2014	
	Amount	%	Amount	%	Amount	%	Amount	%
Operating revenues (Note 6(24))	\$ 218,640,407	100	212,822,983	100	493,400,050	100	432,528,650	100
Less: Sales returns	711,661	-	470,625	-	1,208,728	-	1,439,440	-
Net sales	217,928,746	100	212,352,358	100	492,191,322	100	431,089,210	100
Cost of sales (Notes 6(4), 6(18) and 7)	204,024,452	94	199,349,523	94	461,211,874	94	406,788,907	94
Gross profit	13,904,294	6	13,002,835	6	30,979,448	6	24,300,303	6
Operating expenses (Notes 6(18) and 7)								
Selling expenses	2,207,903	1	2,085,666	1	4,526,797	1	3,278,506	1
General and administrative expenses	2,570,238	1	2,459,983	1	5,117,939	1	4,654,722	1
Research and development expenses	3,387,711	1	2,752,957	1	6,705,118	1	5,596,312	1
	8,165,852	3	7,298,606	3	16,349,854	3	13,529,540	3
Results from operating activities	5,738,442	3	5,704,229	3	14,629,594	3	10,770,763	3
Non-operating income and expenses								
Other income (Note 6(26))	1,222,956	1	696,336	-	1,954,186	1	1,563,712	-
Other gains and losses (Notes 6(15) and 6(26))	577,784	-	(2,237,945)	(1)	439,594	-	(3,245,287)	(1)
Financial costs (Notes 6(15) and 6(26))	(212,552)	-	(321,734)	-	(345,526)	-	(698,070)	-
Share of loss of associates and joint ventures accounted for under equity method (Note 6(6))	(10,654)	-	(49,088)	-	(23,909)	-	(116,353)	-
Other losses	(42,727)	-	(120,376)	-	(43,670)	-	(140,996)	-
	1,534,807	1	(2,032,807)	(1)	1,980,675	1	(2,636,994)	(1)
Profit before tax	7,273,249	4	3,671,422	2	16,610,269	4	8,133,769	2
Income tax expense (Note 6(19))	1,542,616	1	1,187,949	1	3,662,856	1	2,163,832	1
Profit for the year	5,730,633	3	2,483,473	1	12,947,413	3	5,969,937	1
Other comprehensive income (Notes 6(21) and 6(27))								
Items which may be reclassified to profit and loss in subsequent periods								
Foreign currency translation differences—foreign operations	(1,314,776)	(1)	(2,224,932)	(1)	(3,099,743)	(1)	(619,076)	-
Unrealized (loss) gain on available-for-sale financial assets	(169,061)	-	167,634	-	148,415	-	283,832	-
Income tax relating to components that may be reclassified to profit and loss in subsequent periods	11,402	-	(9,012)	-	14,095	-	(1,595)	-
Other comprehensive income for the year, net of tax	(1,495,239)	(1)	(2,048,286)	(1)	(2,965,423)	(1)	(333,649)	-
Total comprehensive income for the year	\$ 4,235,394	2	435,187	-	9,981,990	2	5,636,288	1
Profit attributable to								
Owners of the parent company	\$ 4,655,693	3	1,498,392	1	10,983,563	3	4,229,892	1
Non-controlling interests	1,074,940	-	985,081	-	1,963,850	-	1,740,045	-
	\$ 5,730,633	3	2,483,473	1	12,947,413	3	5,969,937	1
Comprehensive income attributable to								
Owners of the parent company	\$ 3,551,273	2	(156,028)	-	8,533,212	2	3,973,388	1
Non-controlling interests	684,121	-	591,215	-	1,448,778	-	1,662,900	-
	\$ 4,235,394	2	435,187	-	9,981,990	2	5,636,288	1
Earnings per share, net of tax (Note 6(23))								
Basic earnings per share	\$	1.82	0.65		4.29		1.82	
Diluted earnings per share	\$	1.80	0.64		4.25		1.81	

The accompanying notes are an integral part of the consolidated financial statements.

(English Translations of Financial Statements Originally Issued in Chinese)
 BEGA TRON CORPORATION AND ITS SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
 FOR THE SIX MONTHS ENDED JUNE 30, 2015 AND 2014
 (Expressed in Thousands of New Taiwan Dollars)

	Attributable to Owners of the Parent Company											Other adjustments to equity			
	Share capital			Retained earnings			Foreign currency translation differences		Unrealized gains (losses) on available-for-sale financial assets		Treasury stock	Owners of the company	Non-controlling interests	Total equity	
	Common stock	Advance receipts for share capital	Total	Capital surplus	Legal reserve	Special reserve	Retained earnings	Total	Foreign currency translation differences	Unrealized gains (losses) on available-for-sale financial assets					Other
Balance, January 1, 2014	\$ 23,200,345	-	23,211,555	61,175,819	2,458,117	3,280,485	15,403,350	21,143,952	(48,637)	79,871	(241,370)	(210,136)	107,303,794	36,751,385	144,055,179
Profit for the period	-	7,210	7,210	-	-	-	4,229,892	4,229,892	(455,341)	198,837	-	(256,504)	4,229,892	1,740,045	5,969,937
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	-	4,229,892	4,229,892	(455,341)	198,837	-	(256,504)	4,229,892	1,740,045	5,969,937
Appropriation and distribution of retained earnings	-	-	-	-	-	-	-	-	(455,341)	198,837	-	(256,504)	-	-	-
Legal reserve	-	-	-	955,449	-	-	(955,449)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	(3,280,485)	-	-	3,280,485	-	-	-	-	-	(6,497,217)	-	(6,497,217)
Cash dividends of ordinary share	-	-	-	-	-	-	(6,497,217)	(6,497,217)	-	-	-	-	-	-	-
Disposal of Company shares by subsidiaries treated as treasury share transactions	-	-	-	9,619	-	-	-	-	-	-	-	-	10,503	20,122	20,122
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	-	2,220,481	-	-	-	-	-	-	-	-	2,220,481	(2,220,481)	-
Changes in ownership interest in subsidiaries	-	-	-	(30,713)	-	-	-	-	-	-	-	-	(30,713)	30,713	-
Share-based payments	28,750	47,830	77,580	185,612	-	-	-	-	-	-	-	-	263,192	-	263,192
Expiration of restricted shares of stock issued to employees	(6,134)	-	(6,134)	6,308	-	-	-	-	-	-	(174)	-	-	-	-
Compensation cost arising from restricted shares of stock	-	-	-	1,038	-	-	-	-	-	-	107,951	-	108,989	-	108,989
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	842,995	842,995
Balance, June 30, 2014	\$ 23,227,961	55,040	23,283,001	65,568,164	3,413,566	-	15,463,061	18,976,627	(503,978)	278,708	(133,419)	(358,689)	107,502,036	37,067,512	144,569,548
Balance, January 1, 2015	\$ 23,679,105	1,477,700	25,156,805	74,295,720	3,413,566	-	25,911,678	29,325,244	4,788,038	177,810	(64,523)	4,901,345	133,670,931	41,200,299	174,871,230
Profit for the period	-	-	-	-	-	-	10,983,363	10,983,363	-	-	-	-	10,983,363	1,963,850	12,947,213
Other comprehensive income for the period	-	-	-	-	-	-	-	-	(2,643,213)	192,862	-	(2,450,351)	(2,450,351)	(515,072)	(2,965,423)
Total comprehensive income for the period	-	-	-	-	-	-	10,983,363	10,983,363	(2,643,213)	192,862	-	(2,450,351)	8,533,012	1,448,778	9,981,790
Appropriation and distribution of retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	1,465,814	-	-	(1,465,814)	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	-	(10,509,621)	(10,509,621)	-	-	-	-	(10,509,621)	-	(10,509,621)
Conversion of convertible bonds	1,946,748	(1,472,500)	474,248	2,679,408	-	-	-	-	-	-	-	-	3,153,656	-	3,153,656
Disposal of Company shares by subsidiaries treated as treasury share transactions	-	-	-	12,029	-	-	-	-	-	-	-	-	18,142	-	18,142
Changes in ownership interest in subsidiaries	13,800	(5,200)	8,600	26,488	-	-	-	-	-	-	-	-	10,654	(10,654)	
Share-based payments	(3,180)	396,780	393,600	1,895,884	-	-	-	-	-	-	-	-	35,088	35,088	
Expiration of restricted shares of stock issued to employees	-	-	-	1,895,884	-	-	-	-	-	-	-	-	-	-	
Compensation cost arising from restricted shares of stock	-	-	-	-	-	-	-	-	-	-	(1,763,877)	-	528,787	-	528,787
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(2,277,114)	-	(2,277,114)
Balance, June 30, 2015	\$ 25,656,473	396,780	26,053,253	78,922,253	4,879,380	-	24,919,805	29,799,186	2,144,845	370,672	(1,878,400)	687,117	135,440,849	40,361,309	175,802,158

The accompanying notes are an integral part of the consolidated financial statements.

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PEGATRON CORPORATION AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2015 AND 2014
(All Amount Expressed in Thousands of New Taiwan Dollars)

	For the Six Months Ended June 30	
	2015	2014
Cash flows from operating activities:		
Profit before tax	\$ 16,610,269	8,133,769
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation	6,713,015	6,833,890
Amortization	105,451	98,816
Reversal of allowance for uncollectable accounts	(190,116)	(168,074)
Net loss on financial assets or liabilities at fair value through profit or loss	222,617	2,515,069
Interest expense	285,100	588,742
Interest income	(854,174)	(970,648)
Dividends received	(18,493)	(8,230)
Compensation cost arising from employee stock options	264,142	127,682
Gain on foreign currency exchange of bonds payable	(13,748)	(3,710)
Amortization of issuance costs on bonds payable	254	6,393
Share of loss of associates and joint ventures accounted for under equity method	23,909	116,353
(Gain) loss on foreign currency exchange on long-term loans	(203,459)	69,356
Loss on disposal of property, plant and equipment	99,399	151,847
Property, plant and equipment charged to expenses	1,024	13,708
Gains on disposal of non-current assets classified as held for sale	(392,904)	(61,508)
Gain on disposal of investments	(360,410)	(40,062)
Gain on reversal of impairment loss	(169,373)	(36,270)
Long-term prepaid rent charged to expenses	46,237	41,367
	<u>5,558,471</u>	<u>9,274,721</u>
Change in operating assets and liabilities		
Change in operating assets		
(Increase) decrease in financial assets reported at fair value through profit or loss	(1,380,405)	436,993
Decrease in notes and accounts receivable	42,268,910	21,330,018
Decrease in other receivables	9,767,384	16,303,397
(Increase) decrease in inventories	(26,134,788)	27,036,171
Increase in other financial assets	(1,829,095)	(1,165,983)
Decrease in other current assets	47,229	440,275
Decrease in other noncurrent assets	22,262	2,578
Total changes in operating assets	<u>22,761,497</u>	<u>64,383,449</u>
Change in operating liabilities		
Decrease in financial liabilities reported at fair value through profit or loss	(8,937)	(58,900)
Decrease in notes and accounts payable	(36,747,808)	(39,480,603)
Decrease in accrued expense	(2,141,362)	(626,559)
Decrease in other payables	(1,703,782)	(1,800,592)
Decrease in deferred revenue	(365,198)	(1,559,906)
Decrease in provisions — current	(130,641)	(9,626)
Increase (decrease) in other current liabilities	681,572	(3,226,602)
Increase (decrease) in other non-current liabilities	84,441	(96,245)
Total changes in operating liabilities	<u>(40,331,715)</u>	<u>(46,859,033)</u>
Net changes in operating assets and liabilities	<u>(17,570,218)</u>	<u>17,524,416</u>
Total changes in operating assets and liabilities	<u>(12,011,747)</u>	<u>26,799,137</u>
Cash provided by operating activities	4,598,522	34,932,906
Interest received	838,228	938,015
Dividend received	18,493	8,230
Interest paid	(404,314)	(538,139)
Income taxes paid	(5,520,958)	(2,885,488)
Net cash provided by (used in) operating activities	<u>(470,029)</u>	<u>32,455,524</u>

The accompanying notes are an integral part of the consolidated financial statements.

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PEGATRON CORPORATION AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONT'D)
FOR THE SIX MONTHS ENDED JUNE 30, 2015 AND 2014
(All Amount Expressed in Thousands of New Taiwan Dollars)

	For the Six Months Ended June 30	
	2015	2014
Cash flows from investing activities		
Proceeds from disposal of available-for-sale financial assets	927,669	5,452
Acquisition of financial assets at cost	(123,281)	(156,750)
Proceeds from disposal of financial assets at cost	99,955	48,444
Proceeds from capital reduction of financial assets at cost	-	7,497
Acquisition of investments accounted for using equity method	(10,000)	(30,180)
Proceeds from capital reduction of investments accounted for using equity method	151,214	-
Proceeds from disposal of non-current assets classified as held for sale	594,035	432,240
Acquisition of property, plant and equipment	(4,744,816)	(3,063,284)
Proceeds from disposal of property, plant and equipment	511,741	415,895
Acquisition of intangible assets	(46,096)	(42,144)
Decrease in other financial assets	326,635	613,999
Increase in prepayments on purchase of equipment	(1,560,316)	(829,488)
Net cash used in investing activities	(3,873,260)	(2,598,319)
Cash flows from financing activities		
Increase (decrease) in short-term loans	14,124,328	(12,644,574)
Decrease in short-term notes and bills payable	-	(79,978)
Proceeds from long-term loans	5,291,811	7,360,600
Repayments of long-term loans	(8,975,478)	(12,909,066)
Employee stock options	36,326	265,216
Proceeds from sale of treasury shares	46,521	51,611
Disposal of ownership interests in subsidiaries (without losing control)	-	4,240,728
Proceeds from issuance of restricted stock	396,780	220,000
Retrieve of restricted stock	(16,792)	-
Change in non-controlling interests	3,520	-
Net cash provided by (used in) financing activities	10,907,016	(13,495,463)
Effect of exchange rate fluctuations on cash held	(1,452,000)	(276,848)
Net increase in cash and cash equivalents	5,111,727	16,084,894
Cash and cash equivalents, beginning of the period	107,688,632	74,261,306
Cash and cash equivalents, end of the period	\$ 112,800,359	90,346,200

The accompanying notes are an integral part of the consolidated financial statements.

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PEGATRON CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014
(Amounts Expressed in Thousands of New Taiwan Dollars,
Except for Per Share Information and Unless Otherwise Stated)

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 interim consolidated financial statements of the Company as of and for the six-month period ended June 30, 2015 comprise the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”) and the Group’s interest in associates and jointly controlled entities.

2. APPROVAL DATE AND PROCEDURES OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying condensed interim consolidated financial statements were authorized for issue by the Board of Directors on August 10, 2015.

3. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED

(1) Impact of the 2013 version of the International Financial Reporting Standard (“IFRS”) endorsed by the Financial Supervisory Commissions R.O.C. (“FSC”)

The Group has adopted the 2013 version of the IFRS endorsed by the FSC (excluding IFRS 9 Financial instruments) in preparing consolidated financial statements starting 2015.

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NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

The new standards and amendments issued by the International Accounting Standards Board (“IASB”) were as follows:

New standards and amendments	Effective date per IASB
• Amended IFRS 1 “ <i>Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters</i> ”	July 1, 2010
• Amended IFRS 1 “ <i>Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i> ”	July 1, 2011
• Amended IFRS 1 “ <i>Government Loans</i> ”	January 1, 2013
• Amended IFRS 7 “ <i>Disclosure — Transfers of Financial Assets</i> ”	July 1, 2011
• Amended IFRS 7 “ <i>Disclosure — Offsetting Financial Assets and Financial Liabilities</i> ”	January 1, 2013
• IFRS 10 <i>Consolidated Financial Statements</i>	January 1, 2013 (Investment Entities amendments, effective 1 January 2014)
• IFRS 11 <i>Joint Arrangements</i>	January 1, 2013
• IFRS 12 <i>Disclosure of Interests in Other Entities</i>	January 1, 2013
• IFRS 13 <i>Fair Value Measurement</i>	January 1, 2013
• Amended IAS 1 “ <i>Presentation of Items of Other Comprehensive Income</i> ”	July 1, 2012
• Amended IAS 12 “ <i>Deferred Tax: Recovery of Underlying Assets</i> ”	January 1, 2012
• Amended IAS 19 “ <i>Employee Benefits</i> ”	January 1, 2013
• Amended IAS 27 “ <i>Separate Financial Statements</i> ”	January 1, 2013
• Amended IAS 32 “ <i>Offsetting Financial Assets and Financial Liabilities</i> ”	January 1, 2014
• IFRIC 20 — <i>Stripping Costs in the Production Phase of a Surface Mine</i>	January 1, 2013

The Group has assessed that the 2013 version of the IFRS may not have significant impact on the consolidated financial statements except for the following:

A. IFRS 12 Disclosure of Interests in Other Entities

The Group has increased its disclosures on its interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities in accordance with this standard.

B. IFRS 13 Fair Value Measurement

This standard defines fair value and provides a framework for measuring fair value and requires disclosures on fair value measurement. Under this standard, Group has increased its disclosures on the measurement of fair value and postponed the adoption of the standard regarding fair value measurement during the transition period of IFRS 13.

Comparative information need not be disclosed for periods before initial application.

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PEGATRON CORPORATION AND ITS SUBSIDIARIES

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

C. Amendments to IAS 1 Presentation of Financial Statements

Under these amendments, the other comprehensive income section is required to present line items classified by their nature, and grouped between those items that will or will not be reclassified to profit and loss in subsequent periods. Allocation of income tax to these two groups of items of other comprehensive is also required. The Group has changed the presentation of comprehensive income statement along with its comparison periods in accordance with the standard.

D. Amendments to IAS 19 Employee Benefits

The amendments to IAS 19 require the Group to calculate a “net interest” amount by applying the discount rate to the net defined benefit liability or asset to replace the interest cost and expected return on planned assets used in current IAS 19. In addition, the amendments eliminate the accounting treatment of either corridor approach or the immediate recognition of actuarial gains and losses to profit or loss when it incurs, and instead, required to recognize all actuarial gains and losses immediately through other comprehensive income. The past service cost, on the other hand, will be expensed immediately when it incurs and no longer be amortized over the average period before vested on a straight-line basis.

An entity is required to recognize termination benefits at the earlier of when the entity can no longer withdraw an offer of those benefits and when it recognizes any related restructuring costs, and not just when the termination of employment happens. This standard also increases the requirement for disclosures of defined benefit plans.

The Group has changed its valuation and presentation of accrued pension liabilities, pension cost and actuarial gains or losses in accordance with this standard.

(2) Impact of IFRS issued by the IASB but not yet endorsed by the FSC

The 2013 version of the IFRS issued by the IASB but not yet endorsed by the FSC were as follows:

New standards and amendments	Effective date per IASB
· IFRS 9 <i>Financial Instruments</i>	January 1, 2018
· Amended IAS 28 and IFRS 10 “ <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ”	January 1, 2016
· Amended IFRS 10, 12 and IAS 28 “ <i>Investment Entities: Applying the Consolidation Exception</i> ”	January 1, 2016
· Amended IFRS 11 “ <i>Accounting for Acquisitions of Interests in Joint Operations</i> ”	January 1, 2016
· IFRS 14 <i>Regulatory Deferral Accounts</i>	January 1, 2016
· IFRS 15 <i>Revenue from Contracts with Customers</i>	January 1, 2017
· Amended IAS 1 “ <i>Presentation of Financial Statements</i> ”	January 1, 2016

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NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

New standards and amendments	Effective date per IASB
• Amended IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
• Amended IAS 16 and IAS 41 “Agriculture : Bearer Plants”	January 1, 2016
• Amended IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
• Amended IAS 27 “Equity method in separate financial statements”	January 1, 2016
• Amended IAS 36 “Recoverable Amount Disclosures for Non-Financial Assets”	January 1, 2014
• Amended IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
• 2010–2012 & 2011–2013 Annual Improvements Cycles	July 1, 2014
• 2012–2014 Annual Improvements Cycles	January 1, 2016
• Amended IFRIC 21 “Levies”	January 1, 2014

As the standards and amendments above have not been endorsed by the FSC, the Group is in the process of assessing the impact on the financial position and the results of operations. Related impact will be disclosed following the completion of its assessments.

4. SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

The accompanying interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to the Regulations) and guidelines of IAS 34 “Interim Financial Reporting,” endorsed by FSC. Such consolidated interim financial statements, however, do not include all of the information required for full annual financial statements by International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the FSC (hereinafter referred to as “IFRS as endorsed by the FSC”).

(2) Basis of preparation

A. Basis of measurement

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

- (a) Financial instruments measured at fair value through profit or loss are measured at fair value (including derivative financial instruments) ;
 - (b) Available-for-sale financial assets are measured at fair value;
 - (c) Liabilities for cash-settled share-based payment arrangements are measured at fair value;
- and

PEGATRON CORPORATION AND ITS SUBSIDIARIES

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

- (d) The defined benefit asset is recognized as plan assets, plus the unrecognized past service cost, less the present value of the defined benefit obligation.

B. Functional and presentation currency

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

(3) Basis of consolidation

A. Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

B. Acquisition of non-controlling interests

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

C. Subsidiaries

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

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NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

D. Business combination under common control

A business combination under common control is a transaction in which all of the combining entities are ultimately controlled by the same party, both before and after the combination, and the control is not transitory. These combinations often occur in re-organize group activities in which the direct ownership of subsidiaries changes but the ultimate parent remains the same. Business combinations under common control are accounted for in the consolidated accounts prospectively from the date the group obtains the ownership interest. Assets and liabilities are recognized upon consolidation at their carrying amount in the consolidated financial statements of owners of the Company. Any difference between the fair value of the consideration paid and the amounts at which the assets and liabilities are recorded is recognized directly in equity.

E. Loss of control

When the Group loses control of a subsidiary it derecognizes the assets and liabilities and related equity components of the former subsidiary. Any gain or loss is recognized in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost.

F. List of subsidiaries included in the consolidated financial statements:

Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			2015.06.30	2014.12.31	2014.06.30	
THE COMPANY AND ASUSPOWER INVESTMENT	ABILITY ENTERPRISE CO., LTD. (Ability (TW))	Selling computer peripherals, office automation equipment, digital cameras, retailing and wholesaling, of food products and leasing	11.72%	11.68%	11.68%	Notes A
Ability (TW)	ABILITY ENTERPRISE (BVI) CO., LTD. (ABILITY)	Investing activities	100.00%	100.00%	100.00%	Notes A
Ability (TW)	ACTION PIONEER INTERNATIONAL LTD.	Trading activities	100.00%	100.00%	100.00%	Notes A
Ability (TW)	VIEWQUEST TECHNOLOGIES INTERNATIONAL INC.	Selling computer peripherals, digital cameras and electronic components	100.00%	100.00%	100.00%	Notes A
Ability (TW)	VIEWQUEST TECHNOLOGIES (BVI) INC. (VQ(BVI))	Manufacturing and trading computer peripherals, digital cameras and electronic components	100.00%	100.00%	100.00%	Notes A
Ability (TW)	Ability International Investment Co., Ltd.(ABILITY INVESTMENT)	Investing activities	100.00%	100.00%	100.00%	Notes A
Ability (TW)	E-PIN OPTICAL INDUSTRY CO., LTD.(E-PIN)	Selling electronic components of optical products	53.01%	53.01%	53.01%	Notes A
ABILITY	Ability Technology (Dongguan) Co., Ltd.	Manufacturing and selling digital cameras	100.00%	100.00%	100.00%	Notes A
ABILITY	Jiujiang Viewquest Electronics Inc.	Manufacturing and selling digital cameras	100.00%	100.00%	100.00%	Notes A

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NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			2015.06.30	2014.12.31	2014.06.30	
VQ(BVI)	VIEWQUEST TECHNOLOGIES (DONGGUAN) CO., LTD.	Manufacturing and selling digital cameras	100.00%	100.00%	100.00%	Notes A
E-PIN	E-PIN OPTICAL INDUSTRY CO., LTD.	Trading activities	100.00%	100.00%	100.00%	Notes A
E-PIN	E-PIN OPTICAL INDUSTRY (M.) SDN. BHD.	Manufacturing precision lenses	100.00%	100.00%	100.00%	Notes A
E-PIN	ALL VISION TECHNOLOGY SDN. BHD.	Manufacturing precision lenses	100.00%	100.00%	100.00%	Notes A
E-PIN	ALL VISION HOLDING LTD. (AV)	Investing activities	100.00%	100.00%	100.00%	Notes A
AV	EVERLIGHT DEVELOPMENT CORPORATION (ED)	Investing activities	100.00%	100.00%	100.00%	Notes A
AV	E-SKY HOLDING LTD. (ES)	Investing activities	73.04%	73.04%	73.04%	Notes A
ED	NANJING CHANGMING PHOTOELECTRIC TECHNOLOGY CO., LTD.	Manufacturing and developing precision optical lenses	55.45%	55.45%	55.45%	Notes A
ES	ZHONGSHAN SANXIN PRECISION INDUSTRY CO., LTD.	Manufacturing and developing precision optical lenses	100.00%	100.00%	100.00%	Notes A
ES	NANJING E-PIN OPTOTECH CO., LTD.	Manufacturing and developing precision optical lenses	72.22%	72.22%	72.22%	Notes A
THE COMPANY	UNIHAN HOLDING LTD. (UNIHAN HOLDING)	Investing activities	100.00%	100.00%	100.00%	
UNIHAN HOLDING	CASETEK HOLDINGS LIMITED (CASETEK HOLDINGS)	Investing and trading activities	100.00%	100.00%	100.00%	
CASETEK HOLDINGS	SLITEK HOLDINGS LIMITED	Investing and trading activities	100.00%	100.00%	100.00%	
CASETEK HOLDINGS	CASETEK COMPUTER (SUZHOU) CO., LTD.	Manufacturing, developing and selling computers, computer parts, application systems, and providing after-sales service	100.00%	100.00%	100.00%	
CASETEK HOLDINGS	KAEDAR HOLDINGS LIMITED (KAEDAR HOLDINGS)	Investing and trading activities	100.00%	100.00%	100.00%	
KAEDAR HOLDINGS	KAEDAR ELECTRONICS (KUNSHAN) CO., LTD.	Tooling molds of stainless steel computer cases	100.00%	100.00%	100.00%	
CASETEK HOLDINGS	KAEDAR TRADING LTD.	Investing and trading activities	100.00%	100.00%	100.00%	
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%	

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NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			2015.06.30	2014.12.31	2014.06.30	
CASETEK HOLDINGS	KAI-CHUAN ELECTRONICS (CHONGQING) CO., LTD.	Manufacturing, developing and inspecting computers and application systems, designing nonmetal and metal tooling, developing plastic and electronic component, selling self-manufactured products.	100.00%	100.00%	100.00%	
THE COMPANY, ASUSPOWER INVESTMENT AND ASUSTEK INVESTMENT	AZURE WAVE TECHNOLOGIES, INC. (AZURE WAVE)	Manufacturing office machinery, electronic parts and computer peripherals and selling precision equipment, and digital cameras	38.08%	38.08%	38.08%	Notes A
AZURE WAVE	EMINENT STAR CO., LTD. (EMINENT)	Investing activities	100.00%	100.00%	100.00%	Note A
EMINENT	JADE TECHNOLOGIES LIMITED (JADE)	Investing activities	100.00%	100.00%	100.00%	Note A
EMINENT · JADE	AZUREWAVE TECHNOLOGY (SHENZHEN) CO., LTD.	Designing, researching and selling computer products	100.00%	100.00%	100.00%	Note A
AZURE WAVE	EZWAVE TECHNOLOGIES, INC.	Manufacturing office machinery, electronic parts and computer peripherals	100.00%	100.00%	100.00%	Note A
AZURE WAVE	AZWAVE HOLDING (SAMOA) INC. (AZWAVE SAMOA)	Investing activities	100.00%	100.00%	100.00%	Note A
AZURE WAVE	AZUREWAVE TECHNOLOGY (USA) INC.	Developing market	100.00%	100.00%	100.00%	Note A
AZURE WAVE	AZURE LIGHTING TECHNOLOGIES, INC.	Selling electronic parts	100.00%	100.00%	100.00%	Note A
AZWAVE SAMOA	AZURE WAVE TECHNOLOGIES (SHANGHAI) INC.	Designing, manufacturing and selling computer products	100.00%	100.00%	100.00%	Note A
AZWAVE SAMOA	AZURE LIGHTING TECHNOLOGIES, INC. (YANGZHOU)	Manufacturing and selling LED and relevant lighting products	100.00%	100.00%	100.00%	Note A
AZWAVE SAMOA	AIGALE CORPORATION (SHANGHAI)	Designing and selling communication equipment and electronic products	100.00%	100.00%	100.00%	Note A
THE COMPANY	AMA PRECISION INC.(AMA PRECISION)	Designing and developing computer parts	100.00%	100.00%	100.00%	
AMA PRECISION	AMA HOLDINGS LIMITED (AMA)	Investing activities	100.00%	100.00%	100.00%	
AMA	METAL TRADINGS LTD.(METAL)	Trading activities	- %	- %	100.00%	Note B
AMA	EXTECH LTD.	Trading electronic parts	90.51%	90.51%	90.51%	
EXTECH LTD.	GRANDTECH PRECISION (TONGZHOU) CO., LTD.	Manufacturing, developing and selling electronic parts	100.00%	100.00%	100.00%	
AMA	TOPTTEK PRECISION INDUSTRY(SUZHOU) CO., LTD.	Manufacturing and selling new electronic parts and premium hardware	100.00%	100.00%	100.00%	

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NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			2015.06.30	2014.12.31	2014.06.30	
THE COMPANY	PEGATRON HOLLAND HOLDING B.V.(PHH)	Investing activities	100.00%	100.00%	100.00%	
PHH	PEGATRON CZECH S.R.O.	Installing, repairing and selling electronic products	100.00%	100.00%	100.00%	
PHH	Pegatron Service Holland B.V.	Sales and repair service center in Europe	100.00%	100.00%	100.00%	
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%	
POWTEK	POWTEK (SHANGHAI) CO., LTD.	Selling main boards, computer peripherals, note books, servers and software, and providing after-sales service	100.00%	100.00%	100.00%	
PEGATRON HOLDING, KINSUS SAMOA	PIOTEK HOLDINGS LTD. (CAYMAN) (PIOTEK CAYMAN)	Investing activities	100.00%	100.00%	100.00%	
PIOTEK CAYMAN	PIOTEK HOLDING LIMITED (PIOTEK HOLDING)	Investing and trading activities	100.00%	100.00%	100.00%	
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%	
PIOTEK HOLDING	PIOTEK (H.K.) TRADING LIMITED	Trading activities	100.00%	100.00%	100.00%	
PEGATRON HOLDING	GRAND UPRIGHT TECHNOLOGY LIMITED	Trading activities	100.00%	100.00%	100.00%	
PEGATRON HOLDING	ASLINK PRECISION CO., LTD. (ASLINK)	Investing and trading activities	100.00%	100.00%	100.00%	
ASLINK	PEGAGLOBE (KUNSHAN) CO.,LTD.	Manufacturing GPS, computer electronic devices, mobile phone, high-end server, disk drive, and other related components	100.00%	100.00%	100.00%	
PEGATRON HOLDING	DIGITEK GLOBAL HOLDINGS LIMITED (DIGITEK)	Investing and trading activities	100.00%	100.00%	100.00%	
DIGITEK	DIGITEK (CHONGQING) CO., LTD.	Manufacturing, developing, and selling GPS, computer electronic devices, and after-sales services	100.00%	100.00%	100.00%	
PEGATRON HOLDING	MAGNIFICENT BRIGHTNESS LIMITED (MAGNIFICENT)	Investing and trading activities	100.00%	100.00%	100.00%	
MAGNIFICENT	MAINTEK COMPUTER (SUZHOU) CO., LTD.	Manufacturing, developing and selling power supply units, computer cases, computer systems, notebooks, main boards, and computer peripherals, and providing after-sales service	100.00%	100.00%	100.00%	

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Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			2015.06.30	2014.12.31	2014.06.30	
PEGATRON HOLDING	PROTEK GLOBAL HOLDINGS LTD. (PROTEK)	Investing and trading activities	100.00%	100.00%	100.00%	
PROTEK	PROTEK (SHANGHAI) CO., LTD.	Developing, manufacturing and selling GPS, new electronic components, circuit boards and relevant products, 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%	
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%	
PEGATRON HOLDING	TOP QUARK LIMITED (TOP QUARK)	Investing activities	100.00%	100.00%	100.00%	
TOP QUARK	RUNTOP (SHANGHAI) CO., LTD.	Manufacturing and selling computer parts and peripherals of digital automatic data processors, multimedia computer system accessories, power supply units, network switches, and modems	100.00%	100.00%	100.00%	
THE COMPANY	ASUSPOWER INVESTMENT CO., LTD.	Investing activities	100.00%	100.00%	100.00%	
THE COMPANY	ASUS INVESTMENT CO., LTD.	Investing activities	100.00%	100.00%	100.00%	
THE COMPANY	ASUSTEK INVESTMENT CO., LTD.	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	58.65%	58.65%	58.65%	
ASROCK	ASIA ROCK TECHNOLOGY LIMITED (ASIA ROCK)	Manufacturing and selling database storage and processing equipments	100.00%	100.00%	100.00%	
ASIA ROCK	ASROCK EUROPE B.V.	Manufacturing and selling database service and trading electronic components	100.00%	100.00%	100.00%	
ASIA ROCK	CalRock Holdings, LLC.	Office building leasing	100.00%	100.00%	100.00%	
ASROCK	Leader Insight Holdings Ltd. (Leader)	Investing and holding activities	100.00%	100.00%	100.00%	
Leader	Firstplace International Ltd. (Firstplace)	Investing and holding activities	100.00%	100.00%	100.00%	
Firstplace	ASROCK America, Inc.	Database service and trading electronic components	100.00%	100.00%	100.00%	
ASROCK	ASRock Rack Incorporation	Manufacturing and selling computer and related peripherals	69.40%	70.63%	70.63%	Note C
ASUSPOWER INVESTMENT AND ASUS INVESTMENT	PEGATRON Mexico, S.A. DE C.V.	Sales and repair service center in Mexico	100.00%	100.00%	100.00%	

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Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			2015.06.30	2014.12.31	2014.06.30	
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	KINSUS INTERCONNECT TECHNOLOGY CORP. (KINSUS)	Manufacturing electronic parts, whole selling and retailing electronic components, and providing business management consultant service	39.00%	39.00%	39.00%	Note A
KINSUS	KINSUS INVESTMENT CO., LTD. (KINSUS INVESTMENT)	Investing activities	100.00%	100.00%	100.00%	Note A
KINSUS INVESTMENT, ASUSPOWER INVESTMENT AND ASUSTEK INVESTMENT	PEGAVISION CORPORATION	Manufacturing medical appliances	54.87%	54.87%	61.52%	Note A
PEGAVISION CORPORATION	PEGAVISION HOLDINGS CORPORATION (PEGAVISION)	Investing activities	100.00%	100.00%	100.00%	Note A
PEGAVISION	PEGAVISION JAPAN	Selling medical appliances	100.00%	- %	- %	Note D
PEGAVISION	PEGAVISION (SHANGHAI) LIMITED	Selling medical appliances	100.00%	100.00%	100.00%	Note A
KINSUS	KINSUS CORP. (USA)	Developing and designing new technology and products; analyzing marketing strategy and developing new customers	100.00%	100.00%	100.00%	Note A
KINSUS	KINSUS HOLDING (SAMOA) LIMITED (KINSUS SAMOA)	Investing activities	100.00%	100.00%	100.00%	Note A
KINSUS SAMOA	KINSUS HOLDING (CAYMAN) LIMITED (KINSUS CAYMAN)	Investing activities	100.00%	100.00%	100.00%	Note A
KINSUS CAYMAN	KINSUS INTERCONNECT TECHNOLOGY (SUZHOU) CORP.	Manufacturing and selling circuit boards	100.00%	100.00%	100.00%	Note A
KINSUS CAYMAN	KINSUS TRADING (SUZHOU) CORP.	Manufacturing and selling circuit boards related products and materials	100.00%	100.00%	100.00%	Note A
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	STARLINK ELECTRONICS CORPORATION (STARLINK)	Manufacturing electronic parts and plastic products, and manufacturing and wholesaling electronic components	100.00%	100.00%	100.00%	
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	ASUSPOWER CORPORATION	Investing and trading activities	100.00%	100.00%	100.00%	
ASUSPOWER CORPORATION	CASETEK HOLDINGS LIMITED (CAYMAN) (CASETEK CAYMAN)	Investing activities	60.73%	60.73%	60.73%	
CASETEK CAYMAN	RIH LI INTERNATIONAL LIMITED (RIH LI)	Investing activities	100.00%	100.00%	100.00%	

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Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			2015.06.30	2014.12.31	2014.06.30	
RIH LI	RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD. (RI-TENG)	Designing, manufacturing and selling electronic components and providing after-sales services, idle equipments leasing, commission agency, trading services and their relevant corresponding services	100.00%	100.00%	100.00%	
RIH LI	RI-PRO PRECISION MODEL (SHANGHAI) CO., LTD.	Designing, manufacturing and selling electronic components and providing after-sales services, idle equipments leasing, commission agency, trading services their relev	100.00%	100.00%	100.00%	
RIH LI	RI-MING (SHANGHAI) CO., LTD.	Designing, manufacturing and selling electronic components and providing after-sales services, idle equipments leasing, commission agency, trading services and their relevant corresponding services	100.00%	100.00%	100.00%	
RIH LI	SHENG-RUI ELECTRONIC TECHNOLOGY (SHANGHAI) LIMITED	Designing, manufacturing and selling electronic components and providing after-sales services, idle equipments leasing, commission agency, trading services, relevant corresponding services, and surface processing for the aforementioned product.	100.00%	100.00%	100.00%	
RIH LI	RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	Designing, manufacturing and selling electronic components and providing after-sales services, idle equipments leasing, commission agency, trading services and their relevant corresponding services	100.00%	100.00%	100.00%	
RIH LI	KAI JIA COMPUTER ACCESSORY CO., LTD.	Designing, manufacturing and selling electronic components and providing after-sales services, idle equipments leasing, commission agency, trading services, relevant corresponding services, and surface processing for the aforementioned product.	100.00%	- %	- %	Note E
CASETEK CAYMAN	RIH KUAN METAL CORPORATION (RIH KUAN)	Selling iron and aluminum products	100.00%	100.00%	100.00%	
CASETEK CAYMAN	APLUS PRECISION LIMITED (APLUS)	Investing and trading activities	100.00%	100.00%	100.00%	
APLUS	UNITED NEW LIMITED (UNITED)	Investing and trading activities	100.00%	100.00%	100.00%	
UNITED	KAI HE COMPUTER ACCESSORY (SUZHOU) CO., LTD	Designing, manufacturing and selling electronic components and providing after-sales services, idle equipments leasing, commission agency, trading services, relevant corresponding services, and surface processing for the aforementioned product.	100.00%	100.00%	100.00%	Note F
CASETEK CAYMAN	MEGA MERIT LIMITED	Trading activities	100.00%	100.00%	100.00%	
ASUS INVESTMENT	ASFLY TRAVEL SERVICE LIMITED	Travel agency	100.00%	100.00%	100.00%	

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Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			2015.06.30	2014.12.31	2014.06.30	
ASUSPOWER INVESTMENT	PEGATRON TECHNOLOGY SERVICE INC. (PTSI)	Sales and repair service center in North America	100.00%	100.00%	100.00%	
PTSI	PEGATRON SERVICOS DE INFORMATICA LTDA.(PCBR)	Maintenance service	100.00%	100.00%	100.00%	
ASUSPOWER INVESTMENT	PEGA INTERNATIONAL LIMITED	Design service and sales	100.00%	100.00%	100.00%	
ASUSPOWER INVESTMENT	PEGATRON JAPAN INC.	Sales and repair service center in Japan	100.00%	100.00%	100.00%	
ASUSPOWER INVESTMENT	PEGATRON LOGISTIC SERVICE INC.	Sales and logistics center in North America	100.00%	100.00%	100.00%	
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	Lumens Digital Optics Inc. (Lumens Optics)	Developing, manufacturing and selling computer data projectors and related peripherals	56.52%	56.52%	56.52%	
Lumens Optics	Lumens Integration Inc.	Selling computer communication products and peripherals	100.00%	100.00%	100.00%	
Lumens Optics	Lumens Digital Image Inc.(SAMOA) (Lumens)	Investing activities	100.00%	100.00%	100.00%	
Lumens	Lumens (Suzhou) Digital Image Inc.	Developing, manufacturing and selling projectors, projection screens and related products, and providing after-sales service	100.00%	100.00%	100.00%	
ASUSPOWER INVESTMENT	Pegatron Service Singapore Pte. Ltd.	Sales and logistics center in Singapore	100.00%	100.00%	100.00%	
ASUS INVESTMENT	HUA-YUAN INVESTMENT LIMITED	Investing activities	100.00%	100.00%	100.00%	
The Company	PEGATRON USA, INC.	Sales and repair service center in North America	100.00%	100.00%	100.00%	

Note A: As of June 30, 2015, AZURE WAVE TECHNOLOGY CORP., ABILITY ENTERPRISE CO., LTD. and KINSUS INTERCONNECT TECHNOLOGY CORP., were included in the consolidated financial statements even if the Group held 38.08%, 11.72% and 39.00%, respectively, or less than 50% of their total issued shares because the Group has acquired more than 50% of voting shares of each of these entities and has the ability to exercise control over their respective board of directors.

Note B: It was liquidated in October 2014.

Note C: In January 2015, ASRock Rack Incorporation increased its capital by cash. As the Group did not increase its investment based on its original share holding ratio, the Group's share holding ratio in ASRock Rack Incorporation decreased to 69.40%

Note D: In the second quarter of 2015, PEGAVISION established and invested JPY 9,900 thousand in exchange for a 100% equity ownership in PEGAVISION JAPAN.

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Note E: RIH LI established KAI JIA COMPUTER ACCESSORY CO., LTD. in the second quarter of 2015. As of June 30, 2015, the investment for KAI JIA COMPUTER ACCESSORY CO., LTD. was not yet remitted.

Note F: On July 29, 2015, KAI HE COMPUTER ACCESSORY (SUZHOU) CO., LTD changed its name to the current name from AVY PRECISION ELECTROPLATING (SUZHOU) CO., LTD.

G. Subsidiaries excluded from consolidation: None.

(4) Foreign currency

A. Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are remeasured to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period adjusted for the effective interest and payments and amortized cost in foreign currencies remeasured at the exchange rates on reporting date.

Non-monetary assets and liabilities denominated in foreign currencies that are reported at fair value are remeasured to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are reported based on historical cost are remeasured using the exchange rate at the date of translation.

Foreign currency differences arising from remeasurement are recognized in profit or loss, except for the following accounts which are recognized in other comprehensive income:

- Available-for-sale equity investment;
- A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- Qualifying cash flow hedges to the extent the hedge is effective.

B. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Group's reporting currency at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the Group's functional currency at average rate. Foreign currency differences are recognized in other comprehensive income, and are presented in the exchange differences on translation of foreign financial statements in equity.

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

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

(5) Classification of current and noncurrent assets and liabilities

An asset is classified as current when:

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

All other assets are classified as noncurrent.

A liability is classified as current when:

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

All other liabilities are classified as noncurrent.

PEGATRON CORPORATION AND ITS SUBSIDIARIES

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(6) Cash and cash equivalents

Cash comprise cash balances and call deposits with maturities within three months. Cash equivalents are assets that are readily convertible into cash, and are subject to an insignificant risk of changes in their fair value.

Time deposits are accounted under cash and cash equivalents if they conform to the definition aforementioned, and are held for the purpose of meeting short-term cash commitment rather than for investment or other purpose, readily convertible to a known amount of cash and have an insignificant risk of change in value.

(7) Financial instruments

Financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instruments.

A. Financial assets

The Group classifies financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

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

A financial asset is classified in this category if it is held-for-trading or is designated as such on initial recognition. Financial assets are classified as held-for-trading if it is acquired principally for the purpose of selling in the short term. The Group designates financial assets, other than those classified as held-for-trading, as at fair value through profit or loss at initial recognition under one of the following situations:

- Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise.
- Performance of the financial asset is evaluated on a fair value basis.
- Hybrid instrument contains one or more embedded derivatives.

At initial recognition, financial assets classified under this category are measured at fair value. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value and changes therein, which takes into account any dividend and interest income, are recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

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NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at amortized cost, and are included in financial assets measured at cost.

(b) Available-for sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated available-for-sale or are not classified in any of the other categories of financial assets. At initial recognition, available-for-sale financial assets are recognized at fair value, plus, any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income and unrealized gains (losses) on available-for-sale financial assets in equity. When an available-for-sale investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss, under other income. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at amortized cost, and are included in financial assets measured at cost.

Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date. Such dividend income is included in other income of profit or loss.

Interest income from investment in bond security is recognized in profit or loss, under other income.

(c) Held-to-maturity financial assets

If the Group has the positive intent and ability to hold debt securities to maturity, such financial assets are classified as held-to-maturity. At initial recognition, held-to-maturity financial assets are recognized at fair value, plus, any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses.

Interest income is recognized into profit or loss, under "other income." A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

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(d) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise trade receivables and other receivables. At initial recognition, these assets are recognized at fair value, plus, any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses, other than insignificant interest on short-term receivables. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

Interest income is recognized in profit or loss, under other income.

In accordance with Statement of International Accounting Standards No. 39 "Financial instruments Accounting for Transfers of Financial Assets and Extinguishments of Liabilities," a transfer of financial assets or a portion of a financial asset in which the transferor surrenders control over those financial assets is regarded as a sale to the extent that consideration in the transferred assets is received in exchange. The rights to accounts receivable are derecognized after deducting the estimated charges or losses in commercial dispute when all of the following conditions are met.

- i. The rights to accounts receivable have been isolated from the transferor as they are put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership.
- ii. Each transferee has the right to pledge or exchange the rights to the accounts receivable, and no condition prevents the transferee (or holder) from taking advantage of its right to pledge or exchange and provides more than a trivial benefit to the transferor.
- iii. The transferor does not maintain effective control over the rights to the accounts receivable claims through either:
 - An agreement that both entitles and obligates the transferor to repurchase or redeem them before their maturity, or
 - The ability to unilaterally cause the holder to return specific rights to the accounts receivable.

Accounts receivable which are factored but no receipt yet of cash advances are accounted for as other accounts receivable.

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(e) Impairment of financial assets

A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a loss event) that occurred subsequent to the initial recognition of the asset and that a loss event (or events) has an impact on the future cash flows of the financial assets that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is accounted for as objective evidence of impairment.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than the one suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of its estimated future cash flows discounted at the asset's original effective interest rate.

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of its estimated future cash flows discounted at the similar asset's market interest rate. Such impairment loss is not reversible in subsequent periods.

The carrying amount of a financial asset is reduced for an impairment loss, except for trade receivables, in which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off against the allowance account. Any subsequent recovery from written off receivable is charged to the allowance account. Changes in the allowance accounts are recognized in profit or loss.

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss.

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If, in a subsequent period, the amount of impairment loss on a financial asset measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost before the impairment loss was recognized at the reversal date.

Impairment losses recognized on available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, and accumulated in equity.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then impairment loss is reversed against profit or loss.

Impairment losses and recoveries are recognized in profit or loss, under “other gains and losses, net.”

(f) Derecognition of financial assets

The Group derecognizes financial assets when the contractual rights of the cash inflow from the asset are terminated, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in other equity account unrealized gains or losses from available for sale financial assets is reclassified to profit or loss, under “other gains and losses, net.”

On partial derecognition of a financial assets, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in other equity account unrealized gains or losses from available-for-sale financial assets is reclassified to profit or loss, under “other gains and losses, net.”

B. Financial liabilities and equity instruments

(a) Classification of debt or equity instruments

Debt or equity instruments issued by the Group are classified as financial liabilities or equity instruments in accordance with the substance of the contractual agreement.

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Equity instruments issued are recognized based on amount of consideration received less the direct issuance cost.

Compound financial instruments issued by the Group comprise convertible bonds payable that can be converted to share capital at the option of the holder, when the number of shares to be issued is fixed.

At initial recognition, the liability component of a compound financial instrument is recognized at fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially based on the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

Interest related to the financial liability is recognized in profit or loss, under non-operating income and expense. On conversion, financial liability is reclassified to equity, without recognizing any gain or loss.

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

A financial liability is classified in this category if it is classified as held-for-trading or is designated as such on initial recognition. Financial liabilities are classified as held-for-trading if they are acquired principally for the purpose of selling in the short term. At initial recognition, the Group designates financial liabilities, as at fair value through profit or loss under one of the following situations:

- i. Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses thereon on different basis;
- ii. Performance of the financial liabilities is evaluated on a fair value basis;
- iii. Hybrid instrument contains one or more embedded derivatives.

Attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value and changes therein, which takes into account any interest expense, are recognized in profit or loss, under "non-operating income and expenses."

PEGATRON CORPORATION AND ITS SUBSIDIARIES

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Financial liabilities at fair value through profit or loss are measured at cost if it sells borrowed unquoted equity investment whose fair value cannot be reliably measured and if it is to be delivered to the obligator of the equity investment. This type of financial instrument is classified as financial liabilities measured at cost.

Financial guarantee contract and loan commitments are classified as financial liabilities at fair value through profit or loss. Any gains and losses thereon are recognized in profit or loss.

(c) Other financial liabilities

At initial recognition, financial liabilities not classified as held-for-trading, or designated as at fair value through profit or loss, which comprise of loans and borrowings, and trade and other payables, are measured at fair value, plus, any directly attributable transaction cost. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss, under finance cost.

(d) Derecognition of financial liabilities

A financial liability is derecognized when its contractual obligation has been discharged or cancelled or expires. The difference between the carrying amount of a financial liability derecognized and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in "non-operating income and expenses."

(e) Offsetting of financial assets and liabilities

Financial assets and liabilities are presented on a net basis when the Group has the legally enforceable rights to offset, and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(f) Financial guarantee contract

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder of a loss it incurs because a specified debtor fails to pay on due date in accordance with the original or modified terms of a debt instrument.

At initial recognition, a financial guarantee contracts not classified as financial liabilities at fair value through profit or loss by the Company is recognized at fair value, plus, any directly attributable transaction cost. Subsequent to initial recognition, they are measured at the higher of (a) the amount of contractual obligation determined in accordance with IAS 37; or (b) the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with IAS 18.

PEGATRON CORPORATION AND ITS SUBSIDIARIES

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

C. Derivative financial instruments, including hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate fluctuation exposures. At initial recognition, derivatives are recognized at fair value; and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss, under "non-operating income and expenses."

When a derivative is designated as a hedging instrument, the timing for recognizing gain or loss is determined based on the nature of the hedging relationship. When the result of the valuation at fair value of a derivative instrument is positive, it is classified as a financial asset; otherwise, it is classified as a financial liability.

Derivatives linked to investments in equity instruments that do not have a quoted market price in an active market and must be settled by delivery of unquoted equity instruments, are classified as financial assets, which are measured at amortized cost. These derivatives are classified as financial liabilities measured at cost.

Embedded derivatives are separated from the host contract and are accounted for separately when the economic characteristics and risk of the host contract and the embedded derivatives are not closely related, and that the host contract is measured at fair value through profit or loss.

The Group designates its hedging instrument, including derivatives, embedded derivatives, and non-derivative instrument for a hedge of a foreign currency risk, as fair value hedge, cash flow hedge, or hedge of a net investment in a foreign operation. Foreign exchange risk of firm commitments are treated as a fair value hedge.

On initial designation of the derivative as a hedging instrument, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, and whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk.

(a) Fair value hedge

Changes in the fair value of a hedging instruments designated and qualified as fair value hedges are recognized in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

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NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively.

Hedged financial instruments using an effective interest rate is amortized to profit or loss when hedge accounting is discontinued over the period to maturity.

(b) Cash flow hedge

When a derivative is designated as a cash flow hedge, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in equity, under effective portion of cash flow hedge gain (loss). Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss, under “non-operating income and expenses.”

When the hedged item is recognized in profit or loss, the amount accumulated in equity and retained in other comprehensive income is reclassified to profit or loss in the same period or periods during which the hedged item affects profit or loss, and is presented in the same accounting caption with the hedged item recognized in the consolidated statement of comprehensive income.

For a cash flow hedge of a forecasted transaction recognized as a non-financial assets or liabilities, the amount accumulated in other equity – effective portion of cash flow hedge gain (loss) in other comprehensive income is reclassified to the initial cost of the non-financial asset or liability.

(8) Inventories

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

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

PEGATRON CORPORATION AND ITS SUBSIDIARIES

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(9) Non-current assets held-for-sale

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

Any impairment loss on a disposal group is first allocated to goodwill, and then the remaining balance of impairment loss is apportioned to assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property and biological assets, which are assessed for impairment in accordance with the Group's accounting policies. Impairment losses on initial classification of noncurrent assets held-for-sale or distribution and subsequent gains or losses on re-measurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

Once classified as held-for-sale or distribution, intangible assets and property, plant and equipment are no longer amortized or depreciated, and any equity-accounted investee is no longer equity accounted.

(10) Investment in associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of investment includes transaction costs. The carrying amount of investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The Group's share of the profit or loss and other comprehensive income of investments accounted for using equity method are included, after adjustments to align the said investees' accounting policies with those of the Group, in the consolidated financial statements from the date that significant influence commences until the date that significant influence ceases.

Unrealized profits resulting from the transactions between the Group and an associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

PEGATRON CORPORATION AND ITS SUBSIDIARIES

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

When the Group's share of losses exceeds its interest in associates, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(11) Interests in Joint Ventures

Jointly controlled entity is an entity which is established as a result of a contractual arrangement between the Group and other joint venture partners to jointly control over its financial policy and operating policy. Consensus for all decisions must be obtained from both joint venture partners. The Group uses equity method to account for the interest in jointly controlled entity.

(12) Investment property

Investment property is a property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognized in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of raw materials and direct labor, and any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalized borrowing costs.

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

Buildings	45-60 years
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When the use of an investment property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

(13) Property, plant and equipment

A. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset. The cost of a self-constructed asset comprises material, labor, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost that eligible for capitalization. Cost also includes transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of

PEGATRON CORPORATION AND ITS SUBSIDIARIES

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

property, plant and equipment. The cost of the software is capitalized as part of the property, plant and equipment if the purchase of the software is necessary for the property, plant and equipment to be capable of operating.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately, unless the useful life and the depreciation method of the significant part of an item of property, plant and equipment are the same as the useful life and depreciation method of another significant part of that same item.

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined based on the difference between the net disposal proceeds, if any, and the carrying amount of the item, and is recognized in profit or loss, under other gains and losses.

B. Reclassification to investment property

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

C. Subsequent cost

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the expenditure will flow to the Group. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance is expensed as incurred.

D. Depreciation

Depreciation is calculated on the depreciable amount of an asset using the straight-line basis over its useful life. The depreciable amount of an asset is determined based on the cost less its residual value. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period is recognized in profit or loss.

The depreciable amount of a leased asset is allocated to each accounting period during the period of expected use on a systematic basis consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is reasonably certainty that the lessee will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the lease term and its useful life.

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

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NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

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

Buildings	3-60 years
Plant and equipment	1-20 years
Instrument equipment	1-5 years
Office and other equipment	2-20 years
Miscellaneous equipment	1-25 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectation of useful life differs from the previous estimate, the change is accounted for as a change in an accounting estimate.

(14) Leased assets

A. Lessor

Leased asset under finance lease is recognized on a net basis as lease receivable. Initial direct costs incurred in negotiating and arranging an operating lease is added to the net investment of the leased asset. Finance income is allocated to each period during the lease term in order to produce a constant periodic rate of interest on the remaining balance of the receivable.

Lease income from operating lease is recognized in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease is added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into the operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

Contingent rents are recognized as income in the period when the lease adjustments are confirmed.

B. Lessee

Leases in which the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the lease asset is measured at an amount equal to the lower of its fair value and the present of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset.

Other leases are accounted for operating leases and the lease assets are not recognized in the Group's consolidated balance sheets.

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NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Payments made under operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term in order to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent rent is recognized as expense in the periods in which they are incurred.

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease, which involves the following two criteria:

- The fulfillment of the arrangement is dependent on the use of a specific asset or assets; and
- The arrangement contains a right to use the asset.

At inception or on reassessment of the arrangement, if an arrangement contains a lease, that lease is classified as a finance lease or an operating lease. The Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payment reliably, then an asset and a liability are recognized at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognized using the Group's incremental borrowing rate. If the Group concludes for an operating lease that it is impracticable to separate the payment reliably, then treat all payments under the arrangement as lease payments, and disclose the situation accordingly.

Prepaid lease payments represent land use rights under operating lease arrangement and are expensed equally over 45 to 50 years.

(15) Intangible assets

A. Goodwill

(a) Recognition

Goodwill arising from the acquisition of subsidiaries is recognized as intangible assets.

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NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(b) Measurement

Goodwill is measured at its cost less impairment losses. Investments in associates are accounted for using the equity method. The carrying amount of the investment in associates includes goodwill, which kind of investment of impairment losses are recognized as a part of the carrying amount of the investment, not associated to goodwill and any other assets.

B. Other Intangible Assets

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

C. Subsequent Expenditure

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

D. Amortization

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

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill and intangible assets with indefinite useful life, from the date when they are made available for use. The estimated useful lives of intangible assets for the current and comparative periods are as follows:

Computer software cost	1-10 years
Trademark rights	5 years
Customer relationship	3 years
Technology	3 years
Intangible assets in development	5 years

The residual value, the amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least annually at each financial year-end. Any change thereof is accounted for as a change in accounting estimate.

(16) Impairment – Non-derivative financial assets

The Group assesses non-derivative financial assets for impairment (except for inventories, deferred income tax assets and employee benefits) at every reporting date, and estimates its recoverable amount.

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If it is not possible to determine the recoverable amount (fair value less cost to sell and value in use) for the individual asset, then the Group will have to determine the recoverable amount for the asset's cash-generating unit (CGU).

The recoverable amount for individual asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Such is deemed as an impairment loss, which is recognized immediately in profit or loss.

The Group assess at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amount of that asset is estimated.

An impairment loss recognized in prior periods for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. In this case, the carrying amount of the asset is increased to its recoverable amount by reversing an impairment loss.

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

Notwithstanding whether indicators exist, recoverability of goodwill and intangible assets with indefinite useful lives or those not yet in use are required to be tested at least annually. Impairment loss is recognized if the recoverable amount is less than the carrying amount.

For the purpose of impairment testing, goodwill acquired in a business combination, from the acquisition date, is allocated to each of the acquirer's cash-generating units, or groups of cash-generating units, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or group of units.

If the carrying amount of the cash-generating units exceeds the recoverable amount of the unit, impairment loss is recognized and is allocated to reduce the carrying amount of each asset in the unit.

Reversal of an impairment loss for goodwill is prohibited.

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(17) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and an outflow of economic benefits is possibly required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(18) Treasury stock

Repurchased shares are recognized as treasury shares (a contra-equity account) based on its repurchase price (including all directly accountable costs), net of tax. Gains on disposal of treasury shares are accounted for as Capital Reserve – Treasury Shares Transactions. Losses on disposal of treasury shares are offset against existing capital reserve arising from similar types of treasury shares. If the capital reserve is insufficient, such losses are charged to retained earnings. The carrying amount of treasury shares is calculated using the weighted average method for different types of repurchase.

If treasury shares are cancelled, Capital Reserve – Share Premiums and Share Capital are debited proportionately. Gains on cancellation of treasury shares are charged to capital reserves arising from similar types of treasury shares. Losses on cancellation of treasury shares are offset against existing capital reserves arising from similar types of treasury shares. If capital reserve is insufficient such losses are charged to retained earnings.

Company shares that are owned by the Company's subsidiaries are treated as treasury stock.

(19) Revenue

A. Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement.

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NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

B. Service

Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

(20) Employee benefits

A. Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

B. Defined benefit plans

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

C. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(21) Share-based payment

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

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

PEGATRON CORPORATION AND ITS SUBSIDIARIES

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

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

(22) Income Taxes

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

Income tax expense for the period is best estimated by multiplying pretax income for the interim reporting period with the effective annual tax rate as forecasted by the management. This should be recognised 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 are 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 recognised directly in equity or other comprehensive income as tax expense.

(23) Business combination

Business combinations of the Group are accounted for using the acquisition method. Goodwill is measured at the consideration transferred less amounts of the identifiable assets acquired and the liabilities assumed (generally at fair value) at the acquisition date. If the amounts of net assets acquired or liabilities assumed exceeds the acquisition price, an assessment is made whether all of the assets acquired and liabilities assumed are correctly identified, and a gain is recognized for the excess.

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

In a business combination achieved in batches, the previously held equity interest in the acquiree at its acquisition-date fair value is re-measured and the resulting gain or loss, if any, is recognized in profit or loss.

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

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NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

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

At the acquisition date, components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. Other non-controlling interest is measured at fair value at the acquisition date or other valuation techniques acceptable under the IFRS as endorsed by the FSC.

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

(24) Government grant

A government grant is recognized only when there is reasonable assurance that the entity will comply with any conditions attached to the grant and the grant will be received.

The grant is recognized as income over the period necessary to match them with the related costs, for which they are intended to compensate, on a systematic basis.

A grant relating to assets is presented as deferred income. If a grant is related to depreciable assets, the grant is recognized over the useful life of the assets and for a grant related to a non-depreciable asset, the grant is credited to income over the same period over which the cost is charged to income.

(25) Earnings per share

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

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(26) Operating segments

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

5. MAJOR SOURCES OF SIGNIFICANT ACCOUNTING ASSUMPTIONS, JUDGMENTS AND ESTIMATION UNCERTAINTY

The preparation of the consolidated quarterly financial statements in conformity with IFRSs (in accordance with IAS 34 "Interim financial reporting" and approved by 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.

In preparation of the consolidated quarterly financial statements, the major sources of significant accounting judgments and estimation uncertainty are consistent with those disclosed in Note 5 of the consolidated financial statements for the years ended December 31, 2014 and 2013 prepared under IFRS (endorsed by the FSC).

6. EXPLANATIONS TO SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>June 30,</u> <u>2015</u>	<u>December 31,</u> <u>2014</u>	<u>June 30,</u> <u>2014</u>
Cash on hand	\$ 31,210	33,098	42,496
Cash in banks	34,988,742	39,460,679	28,704,178
Time deposits	77,780,407	68,112,565	61,307,483
Cash equivalents-RP Bonds	-	82,290	292,043
	<u>\$ 112,800,359</u>	<u>107,688,632</u>	<u>90,346,200</u>

A. 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(12) and 8 for details.

B. Refer to Note 6(28) for the fair value sensitivity analysis and interest rate risk of the financial assets and liabilities of the Group.

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(2) Investment in financial assets and liabilities

A. The components of financial assets and liabilities were as follows:

	<u>June 30,</u> <u>2015</u>	<u>December 31,</u> <u>2014</u>	<u>June 30,</u> <u>2014</u>
Financial assets at fair value through profit or loss—current:			
Held-for-trading			
Shares of stock of listed companies	\$ 90,243	129,191	132,125
Beneficiary certificates	6,995,372	5,570,992	6,469,411
Corporate bonds	57,491	46,139	-
	<u>\$ 7,143,106</u>	<u>5,746,322</u>	<u>6,601,536</u>
Available-for-sale financial assets — current:			
Shares of stock of overseas listed companies	<u>\$ 909,636</u>	<u>1,083,436</u>	<u>493,173</u>
Available-for-sale financial assets — noncurrent:			
Shares of stock of listed companies	\$ 817,928	1,238,361	1,085,499
Equity securities — common stock	318,240	241,920	276,120
	<u>\$ 1,136,168</u>	<u>1,480,281</u>	<u>1,361,619</u>
Financial assets carried at cost — noncurrent:			
Equity securities — common stock	\$ 449,027	363,202	361,517
Equity securities — preferred stock	205,632	205,632	284,415
	<u>\$ 654,659</u>	<u>568,834</u>	<u>645,932</u>
Financial liabilities at fair value through profit or loss—current:			
Held-for-trading			
Option exchange (long call)	\$ -	8,937	165,659
Designated as at fair value through profit or loss			
Foreign convertible bonds — conversion options	-	256,763	1,262,770
Valuation adjustments	-	860,890	1,271,873
	<u>-</u>	<u>1,117,653</u>	<u>2,534,643</u>
	<u>\$ -</u>	<u>1,126,590</u>	<u>2,700,302</u>

(a) For the three and the six months ended June 30, 2015 and 2014, the Group recognized a net gain (loss) on financial assets and liabilities reported at fair value through profit or loss of \$7,525, \$(1,728,583), \$(222,617) and \$(2,515,069), respectively.

(b) For the three and the six months ended June 30, 2015 and 2014, the unrealized gains (losses) on available-for-sale financial assets amounted to \$(169,061), \$167,634, \$148,415 and \$283,832, respectively.

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- (c) The aforementioned investments held by the Group are measured at amortized cost at each reporting date given the range of reasonable fair value estimates is large and the probability for each estimate cannot be reasonably determined, therefore, the Group management determines the fair value cannot be measured reliably. The Group evaluated the carrying value and the recoverable amount of the investments and recognized impairment loss of \$0, for the three and the six months ended June 30, 2015 and 2014. As of June 30, 2015, December 31, 2014, and June 30, 2014, the Group had accumulated impairment loss of \$394,725, \$394,725 and \$401,088, respectively.
- (d) The convertible bond issued by the Group was treated as a compound financial instrument, for which the liability and equity components were accounted for separately. The call and put option embedded in bonds payable were separated from bonds payable, and were recognized as "Financial liabilities at fair value through profit or loss." For the three and the six months ended June 30, 2015 and 2014, the Group recognized losses on financial liability reported at fair value through profit or loss of \$0, \$1,732,028, \$238,997 and \$2,318,162, respectively. Please refer to Note 6(15) for detail.
- (e) Refer to Note 6(26) for further discussion on gains and losses on disposal of investments.
- (f) Refer to Note 6(28) for the Group's information on financial instruments risk management.
- (g) As of June 30, 2015, December 31, 2014 and June 30, 2014, the aforesaid financial assets were not pledged as collateral.

B. Foreign equity investments

Significant foreign equity investments at the end of each period were as follows:

	June 30, 2015			December 31, 2014			June 30, 2014		
	Foreign	Exchange	NTD	Foreign	Exchange	NTD	Foreign	Exchange	NTD
	Currency	Rate		Currency	Rate		Currency	Rate	
USD \$	29.840	30.860	920,862	26,851	31.650	849,834	29,564	29,865	882,929
CNY	62.275	5.0478	314,352	110,769	5.1724	572,943	-	-	-

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C. Derivative not used for hedging

The Group uses derivative financial instruments to hedge certain foreign exchange and interest risk the Group is exposed to, arising from its operating, investing and financing activities. Based on this policy, the Group holds derivative financial instruments for hedging purposes. As of June 30, 2015, December 31, 2014 and June 30, 2014, transactions that do not qualify for hedge accounting are presented as held-for-trading financial assets and financial liabilities:

Financial Assets

As of June 30, 2015, December 31, 2014, and June 30, 2014, there was no unsettled derivative

Financial Liabilities

	December 31, 2014	
	Notional Principal (thousands)	Contract Period
Derivative financial instruments not used for hedging		
Option exchange (long call)	USD <u>2,000</u>	2014.01~2015.03
June 30, 2014		
	Notional Principal (thousands)	Contract Period
Derivative financial instruments not used for hedge		
Option exchange (long call)	USD <u>9,000</u>	2013.11~2015.03

As of June 30, 2015, there was no unsettled derivative financial liability.

(3) Notes and accounts receivable and other receivables, net

	June 30, 2015	December 31, 2014	June 30, 2014
Notes receivable	\$ 119,397	211,918	130,614
Accounts receivable	89,664,328	131,843,496	84,705,452
Other receivables	5,126,654	14,888,670	12,952,785
Less: Allowance for impairment	<u>(2,014,869)</u>	<u>(2,208,128)</u>	<u>(1,979,598)</u>
	<u>\$ 92,895,510</u>	<u>144,735,956</u>	<u>95,809,253</u>

- A. Refer to Note 6(28) for the Group's notes receivable, accounts receivable and other receivables exposure to credit risk and currency risk, and the impairment evaluation of accounts receivable.

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B. As of June 30, 2015, December 31, 2014, and June 30, 2014, the Company sold its accounts receivable without recourse as follows:

June 30, 2015						
Purchaser	Assignment Facility	Factoring Line	Advanced Amount	Collateral	Significant Factoring Terms	Derecognition Amount
SMBC	\$ <u>3,635,476</u>	USD <u>300,000,000</u>	USD <u>117,805,459</u>	None	The accounts receivable factoring is without recourse but the seller still bears the risks except for eligible obligor's insolvency.	\$ <u>3,635,476</u>
ANZ (Note)	\$ <u>10,680,166</u>	USD <u>1,300,000,000</u>	USD <u>251,000,000</u>	None	"	\$ <u>10,680,166</u>
December 31, 2014						
Purchaser	Assignment Facility	Factoring Line	Advanced Amount	Collateral	Significant Factoring Terms	Derecognition Amount
SMBC	\$ <u>-</u>	USD <u>300,000,000</u>	USD <u>-</u>	None	The accounts receivable factoring is without recourse but the seller still bears the risks except for eligible obligor's insolvency.	\$ <u>-</u>
ANZ (Note)	\$ <u>41,145,000</u>	USD <u>1,300,000,000</u>	USD <u>894,000,000</u>	None	"	\$ <u>41,145,000</u>
June 30, 2014						
Purchaser	Assignment Facility	Factoring Line	Advanced Amount	Collateral	Significant Factoring Terms	Derecognition Amount
SMBC	\$ <u>-</u>	USD <u>300,000,000</u>	USD <u>-</u>	None	The accounts receivable factoring is without recourse but the seller still bears the risks except for eligible obligor's insolvency.	\$ <u>-</u>
ANZ (Note)	\$ <u>26,371,053</u>	USD <u>1,300,000,000</u>	USD <u>497,000,000</u>	None	"	\$ <u>26,371,053</u>

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Note: In October 2014 and 2013, the Company signed a one year joint accounts receivable factoring agreement with ANZ Bank and seven other banks where each bank will factor on pro-rata basis.

For the three and the six months ended June 30, 2015 and 2014, the Company recognized a loss of \$22,835, \$35,709, \$50,021 and \$100,067, respectively from the factoring of accounts receivable, which was accounted under financial costs in the statement of comprehensive income. Also, the difference of \$2,934,306, \$12,849,900 and \$11,528,148 between the carrying value of factored accounts receivable and the amount advanced was accounted for as other receivables as of June 30, 2015, December 31, 2014, and June 30, 2014, respectively.

C. As of June 30, 2015, December 31, 2014, and June 30, 2014, KINSUS INTERCONNECT TECHNOLOGY CORP. sold its accounts receivable without recourse as follows:

June 30, 2015						
<u>Purchaser</u>	<u>Assignment Facility</u>	<u>Factoring Line (thousands)</u>	<u>Advanced Amount</u>	<u>Collateral</u>	<u>Significant Factoring Terms</u>	<u>Derecognition Amount</u>
Mega International Commercial Bank	<u>\$ 458,232</u>	<u>USD 30,000</u>	<u>\$ 101,772</u>	None	The accounts receivable factoring is without recourse.	<u>\$ 458,232</u>

December 31, 2014						
<u>Purchaser</u>	<u>Assignment Facility</u>	<u>Factoring Line (thousands)</u>	<u>Advanced Amount</u>	<u>Collateral</u>	<u>Significant Factoring Terms</u>	<u>Derecognition Amount</u>
Mega International Commercial Bank	<u>\$ 509,292</u>	<u>USD 30,000</u>	<u>\$ 153,968</u>	None	The accounts receivable factoring is without recourse.	<u>\$ 509,292</u>

June 30, 2014						
<u>Purchaser</u>	<u>Assignment Facility</u>	<u>Factoring Line (thousands)</u>	<u>Advanced Amount</u>	<u>Collateral</u>	<u>Significant Factoring Terms</u>	<u>Derecognition Amount</u>
Mega International Commercial Bank	<u>\$ 502,594</u>	<u>USD 30,000</u>	<u>\$ 118,868</u>	None	The accounts receivable factoring is without recourse.	<u>\$ 502,594</u>

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(4) Inventories

	June 30, 2015	December 31, 2014	June 30, 2014
Merchandise	\$ 1,807,743	1,765,647	991,829
Finished goods	32,437,953	47,946,981	34,774,617
Work in process	66,095,222	13,953,394	15,079,434
Raw materials	26,671,531	37,736,580	31,329,127
Subtotal	127,012,449	101,402,602	82,175,007
Less: Allowance for inventory market decline and obsolescence	(5,247,223)	(5,772,164)	(5,612,306)
Total	\$ <u>121,765,226</u>	<u>95,630,438</u>	<u>76,562,701</u>

For the three and the six months ended June 30, 2015 and 2014, the components of cost of goods sold were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2015	2014	2015	2014
Cost of goods sold	\$ 197,307,804	196,981,318	448,838,194	400,933,244
Reversal of provision on inventory market price decline	(1,633,718)	(335,432)	(549,677)	(196,429)
Loss on disposal of inventory	8,132,127	2,537,199	12,471,738	5,381,381
Unallocated manufacturing overhead	216,299	139,866	447,015	642,793
Loss on physical inventory	1,940	26,572	4,604	27,918
	\$ <u>204,024,452</u>	<u>199,349,523</u>	<u>461,211,874</u>	<u>406,788,907</u>

As of June 30, 2015, December 31, 2014, and June 30, 2014, the aforesaid inventories were not pledged as collateral.

(5) Non-current assets classified as held-for-sale (net value)

	June 30, 2015	December 31, 2014	June 30, 2014
Investments accounted for using equity method	\$ -	388,901	-
Property, plant, and equipment	193	104,839	-
	\$ <u>193</u>	<u>493,740</u>	<u>-</u>

A. On February 26, 2015, Casetek Holdings sold its equity ownership in Indeed Holdings Limited for \$423,221 to non-related parties. As of December 31, 2014, the investments in Indeed Holdings Limited were accounted under non-current assets classified as held for sale. The transfer of equity ownership was completed in May 2015. A disposal gain of \$327,536 has been recognized thereon.

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- B. In December 2014, Ability (TW) and its subsidiaries sold part of the land and property of E-PIN's office in Taipei for \$158,280 in a sale-lease back arrangement. In February 2015, the process for the transfer of title of ownership to these assets was completed, when the payment for the assets sold is received, as required under the sales contract. In December 2014, Ability (TW) also sold its E-PIN's equipments in Nanjing for \$16,529 to a non-related party. In June, 2015, the process for the transfer of title of ownership to those non-current assets has been completed after declaring them at the customs office. A disposal gain of \$65,368 has been recognized thereon.
- C. In January 2014, ASLINK sold its ownership of ASAP TECHNOLOGY (JIANGXI) CO., LTD. for \$432,240 and recognized a gain on disposal of investments of \$61,508.
- D. Information for the Group's non-current assets held for sale pledged as securities for debt, please refer to Note 8.

(6) Investments accounted for using equity method

- A. The Group's financial information for investments accounted for using equity method at reporting date was as follows:

	<u>June 30, 2015</u>	<u>December 31, 2014</u>	<u>June 30, 2014</u>
Associates	\$ 466,562	490,372	1,067,757

For the three and the six months ended June 30, 2015 and 2014, the Group's shares of losses of the associates were as follows:

	<u>For the Three Months Ended June 30</u>		<u>For the Six Months Ended June 30</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Continuing operating loss for the period	\$ (10,654)	(49,088)	(23,909)	(116,353)
Other comprehensive income	1,788	(26,855)	256	(37,247)
Comprehensive income	\$ <u>(8,866)</u>	<u>(75,943)</u>	<u>(23,653)</u>	<u>(153,600)</u>

- B. As of June 30, 2015, December 31, 2014, and June 30, 2014, the aforesaid investments accounted for using equity method were not pledged as collateral.

(7) Disposal of investments without losing control

In March 2014, the Group sold 7.45% equity ownership of CASETEK CAYMAN for \$4,192,863.

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The effect of changes in equity of subsidiaries which also resulted in changes in equity of the parent company were as follows:

	<u>June 30, 2014</u>
Received from non-controlling interests	\$ 4,192,863
Carrying amount of subsidiaries disposed	<u>1,972,382</u>
Capital surplus — difference between consideration and carrying amount of subsidiaries disposed	<u>\$ 2,220,481</u>

(8) Subsidiaries that have material non-controlling interest

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

Subsidiaries	Country of registration	Equity Ownership of non-controlling interest		
		June 30, 2015	December 31, 2014	June 30, 2014
KINSUS and its subsidiaries	Taiwan	61.00%	61.00%	61.00%
ABILITY and its subsidiaries	Taiwan	88.28%	88.32%	88.32%
ASROCK and its subsidiaries	Taiwan	41.35%	41.35%	41.35%
CASETEK HOLDINGS LIMITED (CAYMAN)	Cayman	39.27%	39.27%	39.27%

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 these information are the fair value adjustment made during the acquisition and relevant difference in accounting principles between the Company and its subsidiary as at acquisition date. Intra-group transactions were not eliminated in this information.

A. Information regarding KINSUS and its subsidiaries

	<u>June 30, 2015</u>	<u>December 31, 2014</u>	<u>June 30, 2014</u>
Current assets	\$ 23,292,550	23,471,268	24,089,995
Non-current assets	17,972,638	17,580,406	16,212,260
Current liabilities	(11,013,414)	(10,103,181)	(11,276,618)
Non-current liabilities	(993,894)	(895,719)	(1,076,499)
Net assets	<u>\$ 29,257,880</u>	<u>30,052,774</u>	<u>27,949,138</u>
Non-controlling interest	<u>\$ 16,749,267</u>	<u>17,101,272</u>	<u>15,765,968</u>

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	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2015	2014	2015	2014
Operating revenue	\$ 5,432,665	6,784,197	10,778,886	12,580,996
Net income for the period	\$ 553,241	1,244,812	1,131,934	2,015,254
Other comprehensive loss	(45,883)	(112,051)	(142,828)	(34,256)
Comprehensive income	\$ 507,358	1,132,761	989,106	1,980,998
Net income attribute to non-controlling interest	\$ 374,965	741,728	749,940	1,225,907
Comprehensive income attribute to non-controlling interest	\$ 358,534	705,275	707,856	1,213,639
Cash flows from operating activities	\$ 990,626	1,733,469	2,186,036	3,003,487
Cash flows from investing activities	(1,207,841)	(681,781)	(2,338,296)	(1,460,218)
Cash flows from financing activities	287,168	(171,660)	(23,255)	(139,095)
Net increase (decrease) in cash and cash equivalents	\$ 69,953	880,028	(175,515)	1,404,174

B. Information regarding ABILITY and its subsidiaries

	June 30, 2015	December 31, 2014	June 30, 2014
Current assets	\$ 10,254,103	10,987,220	11,118,656
Non-current assets	5,397,710	5,878,525	5,834,387
Current liabilities	(5,364,467)	(6,752,002)	(7,643,977)
Non-current liabilities	(97,177)	(253,420)	(430,742)
Net assets	\$ 10,190,169	9,860,323	8,878,324
Non-controlling interest	\$ 9,028,256	8,724,907	7,900,945

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	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2015	2014	2015	2014
Operating revenue	\$ 4,937,573	6,695,544	9,585,241	11,827,013
Net income (loss) for the period	\$ 323,690	13,747	475,236	(193,555)
Other comprehensive income (loss)	(257,480)	(106,534)	(172,115)	58,794
Comprehensive income	\$ 66,210	(92,787)	303,121	(134,761)
Net income (loss) attribute to non-controlling interest	\$ 304,098	15,757	441,490	(166,894)
Comprehensive income (loss) attribute to non-controlling interest	\$ 76,544	(78,039)	289,820	(115,339)
Cash flows from operating activities	\$ 782,023	550,621	137,803	790,391
Cash flows from investing activities	276,059	(196,574)	363,087	(382,978)
Cash flows from financing activities	(296,875)	230,514	(491,421)	(73,463)
Net increase in cash and cash equivalents	\$ 761,207	584,561	9,469	333,950

C. Information regarding ASROCK and its Subsidiaries

	June 30, 2015	December 31, 2014	June 30, 2014
Current assets	\$ 7,450,970	7,068,735	7,885,837
Non-current assets	270,817	616,067	601,436
Current liabilities	(2,165,578)	(1,696,510)	(2,978,182)
Non-current liabilities	(45,033)	(25,436)	(21,309)
Net assets	\$ 5,511,176	5,962,856	5,487,782
Non-controlling interest	\$ 2,291,990	2,486,755	2,297,078

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	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2015	2014	2015	2014
Operating revenue	\$ 1,498,775	1,994,180	3,332,938	4,664,833
Net income for the period	\$ 24,367	(19,316)	102,207	232,232
Other comprehensive income (loss)	(54,261)	(74,327)	(97,240)	9,549
Comprehensive income	\$ (29,894)	(93,643)	4,967	241,781
Net income (loss) attributed to non-controlling interest	\$ 5,743	(11,583)	32,013	90,732
Comprehensive income (loss) attributed to non-controlling interest	\$ (19,362)	(42,323)	(7,465)	94,682
Cash flows from operating activities	\$ 501,015	(537,089)	956,390	(553,118)
Cash flows from investing activities	(927,124)	(47,839)	(619,092)	(648,998)
Cash flows from financing activities	398,834	-	402,354	-
Net increase (decrease) in cash and cash equivalents	\$ (27,275)	(584,928)	739,652	(1,202,116)

D. Information regarding CASETEK HOLDINGS LIMITED(CAYMAN)

	June 30, 2015	December 31, 2014	June 30, 2014
Current assets	\$ 25,543,436	27,834,791	22,309,968
Non-current assets	17,524,132	18,428,539	16,709,353
Current liabilities	(13,756,334)	(15,318,710)	(12,255,021)
Non-current liabilities	(2,232,269)	(2,595,094)	(2,806,064)
Net assets	\$ 27,078,965	28,349,526	23,958,236
Non-controlling interest	\$ 10,632,828	11,131,725	9,407,441

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	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2015	2014	2015	2014
Operating revenue	\$ 8,203,262	6,903,062	16,186,286	14,476,046
Net income for the period	\$ 958,552	1,021,223	1,861,882	2,143,035
Other comprehensive loss	(295,668)	(495,761)	(686,553)	(133,186)
Comprehensive income	\$ 662,884	525,462	1,175,329	2,009,849
Net income attribute to non-controlling interest	\$ 376,386	401,118	731,087	781,106
Comprehensive income attributed to non-controlling interest	\$ 262,629	181,910	463,846	664,296
Cash flows from operating activities	\$ 40,470	(802,352)	3,398,755	4,312,266
Cash flows from investing activities	(655,585)	(108,089)	(1,854,448)	(176,106)
Cash flows from financing activities	(345,065)	(183,878)	(455,120)	(207,830)
Net increase (decrease) in cash and cash equivalents	\$ (960,180)	(1,094,319)	1,089,187	3,928,330

(9) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group as of June 30, 2015 and 2014 were as follows:

	Machinery and Instrument Other Construction						Total
	Land	Buildings	equipment	equipment	facilities	in progress	
Cost or deemed cost:							
Balance as of January 1, 2015	\$ 5,567,180	41,446,276	58,742,688	1,670,643	25,178,826	2,982,725	135,588,338
Additions	10,766	333,516	563,051	22,071	909,311	2,163,661	4,002,376
Disposals and obsolescence	(179,496)	(606,208)	(3,228,586)	(88,116)	(1,138,427)	-	(5,240,833)
Reclassifications	-	372,231	1,430,661	-	193,646	(506,133)	1,490,405
Effect of movements in exchange rates	(8,931)	(948,399)	(1,155,744)	(32,205)	(541,458)	(35,163)	(2,721,900)
Balance as of June 30, 2015	\$ 5,389,519	40,597,416	56,352,070	1,572,393	24,601,898	4,605,090	133,118,386
Balance as of January 1, 2014	\$ 5,233,683	39,286,047	57,553,035	1,630,519	25,400,015	598,580	129,701,879
Additions	8,939	413,010	416,083	14,046	947,829	1,203,910	3,003,817
Disposals and obsolescence	-	(132,373)	(1,982,347)	(46,741)	(708,476)	-	(2,869,937)
Reclassifications	120,308	109,451	1,089,894	1,448	586,499	(471,606)	1,435,994
Effect of movements in exchange rates	730	(222,621)	(292,514)	(9,021)	(124,438)	(2,477)	(650,341)
Balance as of June 30, 2014	\$ 5,363,660	39,453,514	56,784,151	1,590,251	26,101,429	1,328,407	130,621,412

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	Land	Buildings	Machinery and equipment	Instrument equipment	Other facilities	Construction in progress	Total
Depreciation and impairment loss :	-						
Balance as of January 1, 2015 \$	50,054	11,823,017	33,554,418	1,026,774	16,235,791	-	62,690,054
Depreciation for the period	-	1,302,238	3,219,476	151,444	2,034,668	-	6,707,826
(Reversal of) impairment loss	(50,054)	(2)	(119,670)	(16)	369	-	(169,373)
Disposals and obsolescence	-	(507,773)	(3,001,314)	(85,123)	(1,035,483)	-	(4,629,693)
Reclassifications	-	-	106,285	-	(117,892)	-	(11,607)
Effect of movements in exchange rates	-	(289,762)	(668,948)	(21,031)	(367,957)	-	(1,347,698)
Balance as of June 30, 2015 \$	<u>-</u>	<u>12,327,718</u>	<u>33,090,247</u>	<u>1,072,048</u>	<u>16,749,496</u>	<u>-</u>	<u>63,239,509</u>
Balance as of January 1, 2014 \$	50,054	9,377,785	30,038,405	793,144	15,525,837	-	55,785,225
Depreciation for the period	-	1,292,890	3,157,128	158,363	2,220,320	-	6,828,701
Reversal of impairment loss	-	(40)	(36,003)	(192)	(35)	-	(36,270)
Disposals and obsolescence	-	(129,308)	(1,498,463)	(43,267)	(631,157)	-	(2,302,195)
Reclassification	-	-	(95,428)	-	95,055	-	(373)
Effect of movements in exchange rates	-	(64,892)	(157,595)	(5,618)	(90,283)	-	(318,388)
Balance as of June 30, 2014 \$	<u>50,054</u>	<u>10,476,435</u>	<u>31,408,044</u>	<u>902,430</u>	<u>17,119,737</u>	<u>-</u>	<u>59,956,700</u>
Carrying amounts :							
Balance as of January 1, 2015 \$	<u>5,517,126</u>	<u>29,623,259</u>	<u>25,188,270</u>	<u>643,869</u>	<u>8,943,035</u>	<u>2,982,725</u>	<u>72,898,284</u>
Balance as of June 30, 2015 \$	<u>5,389,519</u>	<u>28,269,698</u>	<u>23,261,823</u>	<u>500,345</u>	<u>7,852,402</u>	<u>4,605,090</u>	<u>69,878,877</u>
Balance as of January 1, 2014 \$	<u>5,183,629</u>	<u>29,908,262</u>	<u>27,514,630</u>	<u>837,375</u>	<u>9,874,178</u>	<u>598,580</u>	<u>73,916,654</u>
Balance as of June 30, 2014 \$	<u>5,313,606</u>	<u>28,977,079</u>	<u>25,376,107</u>	<u>687,821</u>	<u>8,981,692</u>	<u>1,328,407</u>	<u>70,664,712</u>

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2015	2014	2015	2014
Impairment loss (reversal gain) \$	<u>(163,565)</u>	<u>11,733</u>	<u>(169,373)</u>	<u>(36,270)</u>

- B. KINSUS INTERCONNECT TECHNOLOGY CORP. ("KINSUS") completed a series of farm land purchases in the name of KINSUS's director instead of KINSUS, due to certain local government restrictions.

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- C. CASTEK CAYMAN and its subsidiaries had moved part of their operation and personnel from KAI HE COMPUTER ACCESSORY (SUZHOU) CO., LTD to the factory of RI-TENG in Shanghai, China in order to align their resources with the requirements of their major client. CASETEK CAYMAN and its subsidiaries conducted the impairment testing for the production line of KAI HE COMPUTER ACCESSORY (SUZHOU) CO., LTD, and an impairment loss of \$338,653 was recognized by KAI HE COMPUTER ACCESSORY (SUZHOU) CO., LTD On June 30, 2015, CASETEK CAYMAN and its subsidiaries retested the impairment of the production line of KAI HE COMPUTER ACCESSORY (SUZHOU) CO., LTD and the result thereof disclosed an excess of \$83,625 in the recoverable amount of the production line over its carrying value, which was recognized as reversal gain..
- D. Please refer to Note 6(26) for details of the capitalization of interest expenses and gain or loss on disposal of property, plant and equipment.
- E. Please refer to Note 8 for details of the property, plant and equipment pledged as collateral.

(10) Investment property

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Carrying amount :			
Balance as of January 1, 2015	\$ 272,328	376,424	648,752
Balance as of June 30, 2015	\$ 272,328	371,235	643,563
Balance as of January 1, 2014	\$ 272,328	386,803	659,131
Balance as of June 30, 2014	\$ 272,328	381,614	653,942

A. Rental revenues and direct expenses of investment property:

	<u>For the Three Months Ended</u>		<u>For the Six Months Ended</u>	
	<u>June 30</u>		<u>June 30</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Rental revenues from investment property	\$ 7,642	7,290	15,263	14,178

Please refer to Note 12 for details of depreciation expenses related to rental revenues generated by investment property.

- B. For the six months ended June 30, 2015 and 2014, there was no significant purchase, disposal, impairment loss, or reversal gain on investment property. Please refer to Note 12 for the details of depreciation on investment property and refer to Note 6(9) of the consolidated financial statements for the year ended December 31, 2014 for other related information.

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C. As of June 30, 2015, December 31, 2014, and June 30, 2014, the fair value of investment property of the Group was \$1,038,007, \$1,036,455 and \$964,777, respectively. The fair value of investment property was evaluated based on the recent market transaction on arm's length terms.

D. As of June 30, 2015, December 31, 2014, and June 30, 2014, the aforesaid investment properties were not pledged as collateral.

(11) Intangible assets

The costs of intangible assets, amortization, and impairment loss of the Group for the six months ended June 30, 2015 and 2014 were as follows:

	<u>Goodwill</u>	<u>Customer relationship</u>	<u>Technology</u>	<u>Others</u>	<u>Total</u>
Costs:					
Balance as of January 1, 2015	\$ 1,943,538	380,175	813,972	909,737	4,047,422
Additions	-	-	-	46,096	46,096
Disposals	-	-	-	(20,883)	(20,883)
Reclassifications	-	-	-	2,154	2,154
Effect of movement in exchange rate	(27,591)	(9,489)	(20,317)	(16,560)	(73,957)
Balance as of June 30, 2015	<u>\$ 1,915,947</u>	<u>370,686</u>	<u>793,655</u>	<u>920,544</u>	<u>4,000,832</u>
Balance as of January 1, 2014	\$ 1,882,028	358,013	766,522	1,191,013	4,197,576
Additions	-	-	-	42,144	42,144
Disposals	-	-	-	(276,347)	(276,347)
Reclassifications	-	-	-	1,212	1,212
Effect of movement in exchange rates	2,095	721	1,543	362	4,721
Balance as of June 30, 2014	<u>\$ 1,884,123</u>	<u>358,734</u>	<u>768,065</u>	<u>958,384</u>	<u>3,969,306</u>
Amortization and Impairment Loss:					
Balance as of January 1, 2015	\$ 671,792	380,175	813,972	580,224	2,446,163
Amortization for the period	-	-	-	105,451	105,451
Disposals	-	-	-	(20,883)	(20,883)
Reclassifications	-	-	-	10,174	10,174
Effect of movement in exchange rates	-	(9,489)	(20,317)	(11,704)	(41,510)
Balance as of June 30, 2015	<u>\$ 671,792</u>	<u>370,686</u>	<u>793,655</u>	<u>663,262</u>	<u>2,499,395</u>
Balance as of January 1, 2014	\$ 342,154	358,013	766,522	761,055	2,227,744
Amortization for the period	-	-	-	98,816	98,816
Disposals	-	-	-	(276,347)	(276,347)
Effect of movement in exchange rates	-	721	1,543	(403)	1,861
Balance as of June 30, 2014	<u>\$ 342,154</u>	<u>358,734</u>	<u>768,065</u>	<u>583,121</u>	<u>2,052,074</u>
Carrying value:					
Balance as of January 1, 2015	<u>\$ 1,271,746</u>	<u>-</u>	<u>-</u>	<u>329,513</u>	<u>1,601,259</u>
Balance as of June 30, 2015	<u>\$ 1,244,155</u>	<u>-</u>	<u>-</u>	<u>257,282</u>	<u>1,501,437</u>
Balance as of January 1, 2014	<u>\$ 1,539,874</u>	<u>-</u>	<u>-</u>	<u>429,958</u>	<u>1,969,832</u>
Balance as of June 30, 2014	<u>\$ 1,541,969</u>	<u>-</u>	<u>-</u>	<u>375,263</u>	<u>1,917,232</u>

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A. Goodwill impairment

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

	December 31, 2014	December 31, 2013
Mechanics	\$ 1,061,332	999,462
Consumer electronic	208,892	538,890
Others	1,522	1,522
	<u>\$ 1,271,746</u>	<u>1,539,874</u>

For the six months ended June 30, 2015 and 2014, there was no significant addition, disposal, impairment loss, or reversal gain on goodwill. Please refer to Note 6(10) of the consolidated financial statements for the year ended December 31, 2014 for other related information.

B. Impairment

For the six months ended June 30, 2015 and 2014, there was no significant addition, disposal, impairment loss, or reversal gain on intangible assets other than goodwill. Please refer to Note 12 for the details of impairment and refer to Note 6(10) of the consolidated financial statements for the year ended December 31, 2014 for other related information.

(12) Other financial assets and other assets

Other current and noncurrent assets were as follows:

	June 30, 2015	December 31, 2014	June 30, 2014
Other financial assets—current	\$ 4,016,982	2,187,887	3,002,920
Other financial assets—noncurrent	285,286	611,921	622,089
Other current assets	12,022,671	12,036,315	5,799,406
Other noncurrent assets	55,447	109,503	63,869
	<u>\$ 16,380,386</u>	<u>14,945,626</u>	<u>9,488,284</u>

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

B. Other current assets consisted of temporary payments, current tax asset and others.

C. Other noncurrent assets consisted of long-term prepaid expenses and others.

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(13) Short-term loans

	June 30, 2015	December 31, 2014	June 30, 2014
Unsecured bank loans	\$ 41,304,891	27,171,068	10,360,945
Secured bank loans	-	9,495	8,959
Total	<u>\$ 41,304,891</u>	<u>27,180,563</u>	<u>10,369,904</u>
Unused credit line	<u>\$ 38,607,623</u>	<u>55,757,891</u>	<u>49,898,802</u>
Interest rate	<u>0.72%~2.01%</u>	<u>0.60%~5.06%</u>	<u>0.85%~5.08%</u>

A. Borrowing and repayment

In consideration of the operating situation and the terms of the loan agreement, the Group borrowed and repaid its short-term loans by \$14,124,328 and \$12,644,574 for the six months ended June 30, 2015 and 2014, respectively. Please refer to Note 6(26) for the details of interest expenses and refer to Note 6(12) of the consolidated financial statements for the year ended December 31, 2014 for other related information.

B. Securities for bank loans

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

(14) Long-term loans

	June 30, 2015	December 31, 2014	June 30, 2014
Unsecured bank loans	\$ 17,512,195	20,970,311	23,300,971
Secured bank loans	311,190	740,200	853,302
	17,823,385	21,710,511	24,154,273
Less: current portion	(4,460,456)	(7,743,689)	(7,011,559)
Less: fees	(15,200)	(17,600)	(20,000)
Total	<u>\$ 13,347,729</u>	<u>13,949,222</u>	<u>17,122,714</u>
Unused credit line	<u>\$ 10,229,500</u>	<u>6,796,950</u>	<u>8,526,095</u>
Interest rate	<u>0.78%~1.77%</u>	<u>0.72%~1.80%</u>	<u>0.71%~2.25%</u>

A. Borrowing and repayment

In consideration of the operating situation and the terms of the loan agreement, the Group repaid the long-term loans of \$8,975,478 and \$12,909,066 for the six months ended June 30, 2015 and 2014. In addition, the Group obtained new long-term loans of \$5,291,811 and \$7,360,600 for the six months ended June 30, 2015 and 2014, respectively. Please refer to Note 6(26) for interest expenses and refer to Note 6(14) of the consolidated financial statements for the year ended December 31, 2014 for other related information.

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B. Securities for bank loans

The Group's promissory notes were pledged as a guarantee for the Group's credit loan facility. Please refer to Note 8 for details of the related assets pledged as collateral.

C. The subsidiaries of CASETEK CAYMAN obtained a long-term loan from DBS and Mega International Commercial Bank. CASETEK CAYMAN is the endorsement guarantee provider for the long-term loan obtained from Mega International Commercial Bank.

D. Loan covenants

According to the Group's credit loan facility agreements with the banks, during the loan repayment periods, the Group must comply with certain financial covenants, such as current ratio, debt ratio, interest coverage ratio and tangible net assets, based on its audited annual consolidated financial statements (December 31), reviewed semi-annual consolidated financial statements (June 30), and reviewed quarterly financial statements (March 31 and September 30). If the aforesaid covenants are breached, the syndicate banks have the rights to demand an immediate repayment. As of June 30, 2015, December 31, 2014, and June 30, 2014, the Group was in compliance with the above financial covenants. Please refer to Note 6(14) of the consolidated financial statements for the year ended December 31, 2014 for other related information.

(15) Bonds payable

A. The Company's overseas unsecured convertible bonds were as follows:

	<u>June 30,</u> <u>2015</u>	<u>December 31,</u> <u>2014</u>	<u>June 30,</u> <u>2014</u>
Convertible bonds issued	\$ 8,874,000	8,874,000	8,874,000
Unamortized discounted on bonds payable	-	(120,577)	(694,389)
Accumulated amount of converted bonds	(8,874,000)	(7,069,620)	-
Bonds payable, end of the period	-	1,683,803	8,179,611
Foreign currency valuation, end of the period	-	124,427	85,247
Bonds payable, net	-	1,808,230	8,264,858
Less: current portion of bonds payable	-	(1,808,230)	(8,264,858)
	<u>\$ -</u>	<u>-</u>	<u>-</u>
Embedded derivative –conversion options (accounted under financial liabilities at fair value through profit or loss)	<u>\$ -</u>	<u>1,117,653</u>	<u>2,534,643</u>

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	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2015	2014	2015	2014
Embedded derivative –conversion options (accounted under other gains and losses)	\$ -	1,732,028	238,997	2,318,162
Interest expense	\$ -	98,312	(65,389)	196,676

For the six months ended June 30, 2015 and 2014, there was no significant issuance, repurchase, or repayment of bonds payable. Please refer to Note 6(15) of the consolidated financial statements for the year ended December 31, 2014 for related information on issuance of convertible bonds in 2012.

The put option of the bonds payable is exercisable three years after the first day of issue. Bonds payable of \$1,808,230 and \$8,264,858 as of December 31, 2014 and June 30, 2014, was classified as current liabilities for those convertible bonds whose holders bear the right to require for bond redemption within a year. Those bonds payable which are not expected to be settled within twelve months after the redemption period were reclassified as noncurrent liabilities. As of February 28, 2015, all of the convertible bonds issued in 2012 have been converted into shares.

For the six months ended June 30, 2015, convertible bonds with face value of USD 61,000 were converted into 47,425 thousand shares. Please refer to Note 6(20) for the information on capital surplus - conversion of convertible bonds of \$2,679,408 generated from the conversion.

(16) Provisions

	June 30, 2015	December 31, 2014	June 30, 2014
Warranties	\$ 234,805	235,959	233,677
Allowance for sales returns and discounts	156,008	285,495	207,599
	\$ 390,813	521,454	441,276

For the six months ended June 30, 2015 and 2014, there were no significant changes in provisions. Please refer to Note 6(16) of the consolidated financial statements for the year ended December 31, 2014 for other related information.

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(17) Operating leases

A. Leases

For the six months ended June 30, 2015 and 2014, there were no significant new lease contracts. Please refer to Note 6(17) of the consolidated financial statements for the year ended December 31, 2014 for other related information.

B. Long-term prepaid rents

	June 30, 2015	December 31, 2014	June 30, 2014
Long-term prepaid rents	\$ 3,979,675	4,093,778	3,580,493

(a) Long-term prepaid rentals represent payment for land use rights under operating lease arrangement which are amortized and expensed using straight-line method over 45 to 50 years.

(b) Please refer to Note 8 for details of the aforesaid land-use rights pledged as collateral.

(18) Employee benefits

A. 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, 2014 and 2013.

The Group's pension expenses recognized in profit or loss for the three and the six months ended June 30, 2015 and 2014 were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2015	2014	2015	2014
Cost of sales	\$ (612)	337	474	679
Operating expense	2,252	2,529	4,893	5,096
	\$ 1,640	2,866	5,367	5,775

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B. Defined contribution plans

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2015	2014	2015	2014
Cost of sales	\$ 1,415,492	743,356	2,262,419	1,261,602
Operating expense	208,816	120,270	390,998	308,868
	<u>\$ 1,624,308</u>	<u>863,626</u>	<u>2,653,417</u>	<u>1,570,470</u>

- C. As of June 30, 2015, December 31, 2014 and June 30, 2014, the Group's short-term debts from the employees annual leave benefits amounted to \$244,889, \$247,698 and \$206,041, respectively.

(19) Income Tax

- A. Tax expense in the interim financial statements is measured and disclosed according to paragraph B12 of IAS 34 "Interim Financial Reporting."
- B. The components of income tax expense for the three and the six months ended June 30, 2015 and 2014 were as follows:

<u>Income tax expense, excluding tax on sale of discontinued operation</u>	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2015	2014	2015	2014
Current income tax	\$ 1,861,439	1,239,911	3,977,535	2,236,582
Prior years income tax adjustment	(318,823)	(51,962)	(314,679)	(72,750)
	<u>\$ 1,542,616</u>	<u>1,187,949</u>	<u>3,662,856</u>	<u>2,163,832</u>

C. Income Tax

- (a) The Company's income tax returns through 2011 have been assessed and approved by the Tax Authority.

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(b)The Group's income tax returns approved by the Tax Authority were as follows:

<u>Years of Approval</u>	<u>Company Name</u>
2013	Azurewave Technologies Inc., Azure Lighting Technologies, Inc., AMA Precision Inc., Asustek Investment, Asuspower Investment, Lumens Digital Optics Inc., Asfly Travel Service Ltd., Hua-Yuan Investment Ltd., Pega International Ltd, Asrock Rack, Kinsus Investment, Pegavision Corporation, Starlink Electronics Corporation, Rih Kuan, and Ezwave.
2012	Unihan, Kinsus Interconnect Technology Corp., Asus Investment Co., Ltd, and Ability Investment.
2011	Asrock, Abilty(TW) And E-Pin Optical Industry Co., Ltd.

D. Stockholders' imputation tax credit account and tax rate:

	<u>June 30,</u> <u>2015</u>	<u>December 31,</u> <u>2014</u>	<u>June 30,</u> <u>2014</u>
Stockholders' imputation tax credit account	\$ 3,238,097	1,457,733	1,521,940
	<u>2014 (Estimated)</u>	<u>2013 (Actual)</u>	
Tax deduction ratio for earnings distributable to R.O.C. residents	12.49%	9.29%	

All of the Company's earnings generated for the period up to December 31, 1997 have been appropriated.

The aforesaid imputation tax related information was prepared in accordance with Decree No.10204562810 issued by Taxation Administration, Ministry of Finance, R.O.C. on October 17, 2013.

(20) Capital and reserves

Except for the following, there were no significant changes in capital and reserves for the six months ended June 30, 2015. Please refer to Note 6(20) of the consolidated financial statements for the year ended December 31, 2014 for other related information.

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A. Nominal ordinary shares

The movements in ordinary shares of stock outstanding for the six months ended June 30, 2015 and 2014 were as follows:

Ordinary Shares (In thousands of shares)	For the Six Months Ended June 30	
	2015	2014
Beginning balance, January 1	2,367,911	2,320,435
Expiration of restricted stock issued to employees	(318)	(614)
Exercise of employee stock options	1,380	2,975
Conversion of convertible bonds	194,674	-
Ending balance, June 30	<u>2,563,647</u>	<u>2,322,796</u>

For the six months ended June 30, 2015, the Company issued 39,678 thousand shares of employee restricted stock. New common shares of stock totaling 860 and 47,425 thousand shares, respectively, were issued from the exercise of employee stock options and conversion of convertible bonds and were accounted under advance receipts as the registration procedures were yet to be completed. For the six months ended June 30, 2014, new common shares of stock totaling 7,758 were issued from the exercise of employee stock options, of which 5,504 thousand shares were accounted under advance receipts as the registration procedures were yet to be completed. For the six months ended June 30, 2015 and 2014, the Company had retired 318 and 614 thousand shares of restricted stock to employees, respectively. Therefore, the authorized capital of the Company consisted of both 3,000,000 thousand shares, with par value of \$10 per share, and its outstanding capital consisted of 2,563,647 thousand and 2,322,796 thousand common shares of stock, as of June 30, 2015 and 2014, respectively.

As of June 30, 2015, December 31, 2014 and June 30, 2014, the restricted Company shares of stock issued to employees have expired, of which 96 thousand shares, 207 thousand shares and 95 thousand shares, respectively, have not been retired.

B. Global depositary receipts

As of June 30, 2015, the Company has listed, in total, 6,308 thousand units of GDR 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 31,541 thousand common shares of stock of the Company.

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C. Capital surplus

The components of the capital surplus were as follows:

	<u>June 30,</u> <u>2015</u>	<u>December 31,</u> <u>2014</u>	<u>June 30,</u> <u>2014</u>
From issuance of share capital	\$ 62,063,456	62,023,550	61,641,462
From conversion of convertible bonds	11,187,179	8,507,771	-
From treasury stock-transactions	108,582	96,553	96,543
Difference between consideration and carrying amount of subsidiaries acquired or disposed	2,383,056	2,383,056	2,337,222
Changes in ownership interest in subsidiaries	740,506	729,852	682,418
Employee share options	1,304	13,171	48,471
Restricted stock to employees	2,028,253	131,850	352,131
Other	409,917	409,917	409,917
	<u>\$ 78,922,253</u>	<u>74,295,720</u>	<u>65,568,164</u>

D. 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, is distributed as follows:

(a) Legal reserve

No less than 10% as employees' bonuses which are distributable in cash or shares of stock. In the event that the employee bonus is distributed in the form of shares of stock, employees qualifying for such distribution may include the employees of subsidiaries of the Company who meet certain specific requirements. Such qualified employees and distribution ratio are decided by the Board of Directors.

(b) Up to 1% as remuneration to directors.

(c) The remaining earnings, if any, may be appropriated according to a resolution of a stockholders' meeting.

Pursuant to the Regulations of Securities and Futures Bureau Commission, a special reserve is set aside from the current year's net income after tax and prior year's unappropriated earnings at an amount equal to the debit balance of contra accounts in the shareholders' equity such as the unrealized loss on financial instruments and cumulative translation adjustments. When the debit balance of any of these contra accounts in the shareholders' equity is reversed, the related special reserve can be reversed.

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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, the Company distributes cash dividends of at least 10% of the aggregate dividends, if the distributions include cash dividends.

In accordance with the amended Companies Act of 2015, employee bonuses and directors and supervisors' remuneration are no longer distributed from earnings. The Company will amend its Articles of Incorporation on this regard before the date prescribed by the Authority.

(a) Legal reserve

In accordance with the amended Companies Act of 2012, 10 percent of net income should be set aside as legal reserve, until it is equal to share capital. If the Company incurred profit for the year, 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 percent of the actual share capital.

(b) Special reserve

In accordance with Permit No. 1010012865 as issued by the Financial Supervisory Commission on 6 April 2012, a special reserve equal to the contra account of other shareholders' equity is appropriated from current and prior period earnings. When the debit balance of any of the contra accounts in the shareholders' equity is reversed, the related special reserve can be reversed. The subsequent reversals of the contra accounts in shareholders' equity shall qualify for additional distributions.

(c) Earnings Distribution

For the three and the six months ended June 30, 2014, employee bonuses of \$134,000 and \$381,000, and directors' remuneration of \$14,000 and \$38,000, respectively, were estimated and recognized as current expense. These amounts were calculated using the Company's net profit for the three and the six months ended June 30, 2014, and were determined according to the earnings allocation method, priority and factor for employee benefits and key management personnel compensation as stated under the Articles of Association. These benefits were charged to profit or loss under operating costs or operating expenses for the six months ended June 30, 2014.

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On June 15, 2015 and June 18 2014, the shareholders' meetings resolved to distribute the 2014 and 2013 earnings, respectively. These earnings were appropriated or distributed as dividends and employee bonuses and remuneration to directors and supervisors as follows:

	<u>2014</u>	<u>2013</u>
Common stock dividends per share (dollars)		
— Cash	\$ <u>4.10</u>	<u>2.80</u>
Employee bonus — cash	\$ 1,325,000	870,000
Remuneration to directors and supervisors	<u>131,000</u>	<u>85,000</u>
Total	\$ <u>1,456,000</u>	<u>955,000</u>

There was no difference between the earnings approved for distribution and those accrued in the financial statements for the years ended December 31, 2014 and 2013. Related information can be accessed from the Market Observation Post System on the web site.

E. Treasury stock

Company shares of stock that are owned by the Company's subsidiaries are treated as treasury stock. As of June 30, 2015, December 31, 2014 and June 30, 2014, the Company's shares held by its subsidiaries were 0, 553 and 553 thousand shares amounting to \$0, \$40,369 and \$31,521 at fair value, respectively.

F. Other equity accounts (net of tax)

	<u>Exchange differences on translation of foreign financial statements</u>	<u>Available-for- sale investments</u>	<u>Deferred compensation arising from issuance of restricted stock</u>	<u>Total</u>
Balance, January 1, 2015	\$ 4,788,058	177,810	(64,523)	4,901,345
Exchange differences on foreign operation	(2,643,469)	-	-	(2,643,469)
Exchange differences on subsidiaries accounted for using equity method	256	-	-	256
Unrealized gains on available-for-sale financial assets of subsidiaries accounted for using equity method	-	192,862	-	192,862
Deferred compensation cost	-	-	(1,763,877)	(1,763,877)
Balance, June 30, 2015	\$ <u>2,144,845</u>	<u>370,672</u>	<u>(1,828,400)</u>	<u>687,117</u>

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	Exchange differences on translation of foreign financial statements	Available-for-sale investments	Deferred compensation arising from issuance of restricted stock	Total
Balance, January 1, 2014	\$ (48,637)	79,871	(241,370)	(210,136)
Exchange differences on foreign operation	(418,094)	-	-	(418,094)
Exchange differences on subsidiaries accounted for using equity method	(37,247)	-	-	(37,247)
Unrealized gains on available-for-sale financial assets of subsidiaries accounted for using equity method	-	198,837	-	198,837
Deferred compensation cost	-	-	107,951	107,951
Balance, June 30, 2014	<u>\$ (503,978)</u>	<u>278,708</u>	<u>(133,419)</u>	<u>(358,689)</u>

G. Non-controlling interests(net of tax)

	For the Six Months Ended	
	June 30	
	2015	2014
Balance, January 1	\$ 41,200,299	36,751,385
Profit attributable to non-controlling interests	1,963,850	1,740,045
Comprehensive income attributable to non-controlling interests		
Foreign currency translation differences—foreign operations	(470,625)	(162,140)
Unrealized gain on available-for-sale financial assets	(44,447)	84,995
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	(2,220,481)
Changes in ownership interest in subsidiaries	(10,654)	30,713
Changes in non-controlling interests	(2,277,114)	842,995
Balance, June 30	<u>\$ 40,361,309</u>	<u>37,067,512</u>

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(21) Share-based payment

For the six months ended June 30, 2015 and 2014, there were no significant changes in share-based payment. Please refer to Note 6(21) of the consolidated financial statements for the year ended December 31, 2014 for other related information.

A. Restricted stock to employee

On June 18, 2014, the shareholders approved a resolution passed during their meeting to award 40,000 thousand Pegatron new restricted shares of stock to those full-time employees who meet certain requirement of the Company. The restricted stock has been registered with and approved by the Securities and Futures Bureau of the Financial Supervisory Commission, R.O.C. On May 7, 2015, the board of directors issued 39,678 thousand restricted shares with fair value of NT\$91.90 each at grant date.

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

For the six months ended June 30, 2015 and 2014, 207 and 631 thousand shares of the restricted shares of stock issued to employees have expired, which were charged to capital surplus of \$2,070 and \$6,308, respectively. As of June 30, 2015 and 2014, the Company has deferred compensation cost arising from issuance of restricted shares of stock of \$1,828,400 and \$133,419, respectively.

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B. Employee stock options

Information on aforesaid employee stock options was as follows:

(a) For the six months ended June 30, 2015

	Issued in 2012	
	Number of Exercisable Thousand Shares	Weighted-average Exercise Price
Balance, beginning of the period	872	\$ 40.80
Granted	-	-
Exercised	860	40.80
Forfeited	-	-
Expired	12	-
Balance, end of the period	-	
Exercisable, end of the period	-	
Weighted-average fair value of options granted	13.8	
Exercise price of share option outstanding, end of the period	-	
Weighted-average remaining contractual life	-	
Expenses incurred on share-based payment transactions	-	

(b) For the six months ended June 30, 2014

	Issued in 2012	
	Number of Exercisable Thousand Shares	Weighted-average Exercise Price
Balance, beginning of the period	6,501	\$ 42.67
Granted	-	-
Exercised	2,918	42.67
Forfeited	153	-
Expired	-	-
Balance, end of the period	3,430	42.67
Exercisable, end of the period	3,369	
Weighted-average fair value of options granted	13.8	
Exercise price of share option outstanding, end of the period	42.67	
Weighted-average remaining contractual life	0.75	
Expenses incurred on share-based payment transactions	8,848	

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	Issued in 2011	
	Number of Exercisable Thousand Shares	Weighted-average Exercise Price
Balance, beginning of the period	5,050	\$ 27.06
Granted	-	-
Exercised	4,840	27.06
Forfeited	66	-
Expired	144	-
Balance, end of the period	-	-
Exercisable, end of the period	-	-
Weighted-average fair value of options granted	7.9	
Exercise price of share option outstanding, end of the period	-	
Weighted-average remaining contractual life	-	
Expenses incurred on share-based payment transactions	(1,138)	

C. Expenses and liabilities resulting from share-based payments

The Group incurred expenses from share-based payments transactions as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2015	2014	2015	2014
Expenses resulting from issuance of restricted stock to \$ employees	208,601	55,014	227,867	108,989
Expenses arising from granting of employee share options (including granted by the Company to subsidiaries)	-	(308)	-	7,710
Total	\$ 208,601	54,706	227,867	116,699

(22) Subsidiary's share-based payments

For the six months ended June 30, 2015 and 2014, there were no significant changes in share-based payment except for the following. Please refer to Note 6(22) of the consolidated financial statements for the year ended December 31, 2014 for other related information.

- A. On June 22, 2012, pursuant to the resolutions of its shareholders' meetings, Ability (TW) was authorized to issue restricted shares of stock to employees with par value of \$10 per share, effective May 21, 2014. Unless the three years service vesting conditions have lapsed, the restricted shares of stock may not be transferred. Holders of retired shares of stock are entitled to rights as the Company's existing common shareholders except for the vesting conditions.

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B. Information on share-based payment transactions were as follows:

(a) For the six months ended June 30, 2015

	Issued in 2008	
	Number of Exercisable Thousand Shares	Weighted-average Exercise Price
Balance, beginning of the period	428	\$ 13.6
Granted	-	-
Exercised	(91)	13.6
Expired	-	-
Balance, end of the period	<u>337</u>	13.6
Exercisable, end of the period	<u>337</u>	13.6

(b) For the six months ended June 30, 2014

	Issued in 2008	
	Number of Exercisable Thousand Shares	Weighted-average Exercise Price
Balance, beginning of the period	1,268	\$ 15.0
Granted	-	-
Exercised	(649)	15.0
Expired	-	-
Balance, end of the period	<u>619</u>	15.0
Exercisable, end of the period	<u>619</u>	15.0

	Issued in 2007	
	Number of Exercisable Thousand Shares	Weighted-average Exercise Price
Balance, beginning of the period	5,079	\$ 29.9
Granted	-	-
Exercised	-	-
Expired	-	-
Balance, end of the period	<u>5,079</u>	29.9
Exercisable, end of the period	<u>5,079</u>	29.9

C. For the six months ended June 30, 2015 and 2014, the weighted-average exercise price of stock option on the date of exercise amounted to \$15.88 and \$19.99 per share, respectively.

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D. The expenses resulting from the share-based payment transactions were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2015	2014	2015	2014
Equity-settled	\$ 14,607	10,983	39,318	10,983

E. For the six months ended June 30, 2015, Ability (TW) repurchased 1,472 thousand shares of stock for \$14,722 at \$10 per share as certain employee resigned during the vesting period. As of June 30, 2015, 520 thousand shares with total amount of \$5,201 have yet been retired.

(23) Earnings per share

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2015	2014	2015	2014
Basic earnings per share				
Profit attributable to ordinary shareholders	\$ 4,655,693	1,498,392	10,983,563	4,229,892
Weighted-average number of ordinary shares	2,563,187	2,320,640	2,558,668	2,319,782
	\$ 1.82	0.65	4.29	1.82
Diluted earnings per share				
Profit attributable to ordinary shareholders (diluted)	\$ 4,655,693	1,498,392	10,983,563	4,229,892
Weighted-average number of ordinary shares	2,563,187	2,320,640	2,558,668	2,319,782
Effect of potentially dilutive ordinary shares				
Effect of employee stock bonus	25,715	20,645	25,715	21,699
Effect of employee stock option	-	2,288	-	1,518
Weighted-average number of ordinary shares (diluted)	2,588,902	2,343,573	2,584,383	2,342,999
	\$ 1.80	0.64	4.25	1.81

For the six months ended June 30, 2015 and 2014, convertible bonds of \$230,562 and \$2,511,128, respectively, were not included in the calculation of weighted-average number of shares (diluted) as they were not dilutive.

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(24) Revenue

	For the Three Months		For the Six Months	
	Ended June 30		Ended June 30	
	2015	2014	2015	2014
Sale of goods	\$ 205,020,963	206,169,298	469,636,302	421,127,878
Others	12,907,783	6,183,060	22,555,020	9,961,332
	<u>\$ 217,928,746</u>	<u>212,352,358</u>	<u>492,191,322</u>	<u>431,089,210</u>

(25) Employee bonuses and remuneration of directors and supervisors

For the three and the six months ended June 30, 2015, employee bonuses of \$422,000 and \$992,000, and remuneration of directors and supervisors of \$42,000 and \$98,000, respectively, were estimated and recognized as current expense. These amounts were calculated using the Company's net profit for the three and the six months ended June 30, 2015, and were determined according to the earnings allocation method, priority and factor for employee benefits and key management personnel compensation as stated under the Articles of Association. These benefits were charged to profit or loss under operating costs or operating expenses for the six months ended June 30, 2015. Management is expecting that the differences between the amounts which are yet to be approved in the shareholders' meeting and those recognized in the financial statements, if any, will be treated as changes in accounting estimates and charged to profit or loss.

(26) Non-operating income and expenses

A. Other income

	For the Three Months		For the Six Months	
	Ended June 30		Ended June 30	
	2015	2014	2015	2014
Interest income	\$ 407,118	486,092	854,174	970,648
Subsidy income	357,320	26,537	370,968	230,861
Rental income	53,480	44,970	125,075	110,616
Technical service income	74,661	44,910	121,755	134,844
Other income	330,377	93,827	482,214	116,743
	<u>\$ 1,222,956</u>	<u>696,336</u>	<u>1,954,186</u>	<u>1,563,712</u>

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B. Other gains and losses

	For the Three Months		For the Six Months	
	Ended June 30		Ended June 30	
	2015	2014	2015	2014
Gains (losses) on reversal of uncollectable account	\$ 17,573	(14,451)	195,815	5,810
Loss on disposal of property, plant and equipment	(55,900)	(23,704)	(65,995)	(124,026)
Gains (losses) on disposal of non-current assets classified as held for sale	327,536	(127)	392,904	61,508
Gains on disposals of investments	187,939	34,807	360,410	40,062
Foreign exchange losses	(70,454)	(494,154)	(390,296)	(749,842)
Reversal of (impairment loss) recognized in profit or loss	163,565	(11,733)	169,373	36,270
Net gains (losses) on evaluation of financial assets (liabilities) measured at fair value through profit or loss	7,525	(1,728,583)	(222,617)	(2,515,069)
	<u>\$ 577,784</u>	<u>(2,237,945)</u>	<u>439,594</u>	<u>(3,245,287)</u>

C. Finance costs

	For the Three Months		For the Six Months	
	Ended June 30		Ended June 30	
	2015	2014	2015	2014
Interest expenses	\$ 185,011	281,895	285,100	588,742
Interest expense capitalization	-	-	-	-
Finance expense – bank fees	27,541	39,839	60,426	109,328
	<u>\$ 212,552</u>	<u>321,734</u>	<u>345,526</u>	<u>698,070</u>

(27) Adjustments to other comprehensive income

	For the Three Months		For the Six Months	
	Ended June 30		Ended June 30	
	2015	2014	2015	2014
Net fair value change in available-for-sale financial assets recognized in:				
Other comprehensive income	\$ (304,240)	132,827	(149,450)	249,214
Profit or loss	135,179	34,807	297,865	34,618
Net fair value change recognized in other comprehensive income	<u>\$ (169,061)</u>	<u>167,634</u>	<u>148,415</u>	<u>283,832</u>

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(28) Financial instruments

For the six months ended June 30, 2015 and 2014, there were no significant changes in fair value of financial instrument and exposures to credit risk, liquidity risk and market risk, except for the following. Please refer to Note 6(27) of the consolidated financial statements for the year ended December 31, 2014 for other related information.

A. Credit risk

(a) Exposure to credit risk

As of June 30, 2015, December 31, 2014, and June 30, 2014, the Group's credit exposure arose from accounts receivable from its top three customers, which amounted to \$44,104,645, \$67,551,363 and \$36,742,616, representing 49%, 51% and 43%, respectively, of the related consolidated accounts receivable.

(b) Impairment losses

Aging analysis of notes and accounts receivable and other receivables on the balance sheet date were as follows:

	June 30, 2015	December 31, 2014	June 30, 2014
Current (not past due)	\$ 89,601,154	141,233,520	92,258,350
Past due 0 - 30 days	2,848,296	2,903,684	3,451,989
Past due 31 - 120 days	580,428	718,248	241,992
Past due 121 - 365 days	53,165	186,174	165,661
Past due more than 1 year	1,827,336	1,902,458	1,670,859
	<u>\$ 94,910,379</u>	<u>146,944,084</u>	<u>97,788,851</u>

The movements in the allowance for impairment with respect to the receivables during the period were as follows:

	Individually assessed impairment	Collectively assessed impairment	Total
Balance as of January 1, 2015	\$ 72,020	2,136,108	2,208,128
Reversal of impairment loss	(212)	(189,904)	(190,116)
Written off unrecoverable amount	-	(583)	(583)
Foreign exchange gain	(1,783)	(777)	(2,560)
Balance as of June 30, 2015	<u>\$ 70,025</u>	<u>1,944,844</u>	<u>2,014,869</u>
Balance as of January 1, 2014	\$ 71,096	2,038,457	2,109,553
(Reversal of) impairment loss	591	(168,665)	(168,074)
Written off unrecoverable amount	(4,718)	-	(4,718)
Foreign exchange loss	1,292	41,545	42,837
Balance as of June 30, 2014	<u>\$ 68,261</u>	<u>1,911,337</u>	<u>1,979,598</u>

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B. Liquidity risk

The following are the contractual maturities of financial liabilities, excluding estimated interest payment 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>
June 30, 2015					
Non-derivative financial liabilities					
Secured bank loans	\$ 311,190	311,190	169,953	88,737	52,500
Unsecured bank loans	58,817,086	58,817,086	45,595,394	844,171	12,377,521
Non-interest bearing liabilities	178,584,838	178,584,838	178,584,838	-	-
	<u>\$ 237,713,114</u>	<u>237,713,114</u>	<u>224,350,185</u>	<u>932,908</u>	<u>12,430,021</u>
December 31, 2014					
Non-derivative financial liabilities					
Secured bank loans	\$ 749,695	749,695	386,400	148,295	215,000
Unsecured bank loans	48,141,379	48,141,379	34,537,852	1,424,492	12,179,035
Unsecured convertible bonds	1,808,230	1,808,230	1,808,230	-	-
Non-interest bearing liabilities	207,107,696	207,107,696	207,107,696	-	-
Derivative financial liabilities					
Overseas convertible bonds —					
conversion options	1,117,653	1,117,653	1,117,653	-	-
Option exchange contract —outflow	8,937	8,937	8,937	-	-
	<u>\$ 258,933,590</u>	<u>258,933,590</u>	<u>244,966,768</u>	<u>1,572,787</u>	<u>12,394,035</u>

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	<u>Carrying</u>	<u>Contractual</u>	<u>Within 1</u>		<u>More than</u>
	<u>amount</u>	<u>cash flows</u>	<u>year</u>	<u>1-2 years</u>	<u>2 years</u>
June 30, 2014					
Non-derivative financial liabilities					
Secured bank loans	\$ 862,261	862,261	244,351	182,409	435,501
Unsecured bank loans	33,661,916	33,661,916	17,137,112	3,900,835	12,623,969
Unsecured convertible bonds	8,264,858	8,264,858	8,264,858	-	-
Non-interest bearing liabilities	151,745,284	151,745,284	151,745,284	-	-
Derivative financial liabilities					
Overseas convertible bonds —					
conversion options	2,534,643	2,534,643	2,534,643	-	-
Option exchange contract —outflow	165,659	165,659	165,659	-	-
	<u>\$ 197,234,621</u>	<u>197,234,621</u>	<u>180,091,907</u>	<u>4,083,244</u>	<u>13,059,470</u>

The cash outflow of the aforesaid bank loans does not include interest expense. The Group is not expecting that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

C. Currency risk

(a) Currency risk exposure

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

	<u>June 30, 2015</u>			<u>June 30, 2014</u>		
	<u>Foreign</u>	<u>Exchange</u>		<u>Foreign</u>	<u>Exchange</u>	
	<u>Currency</u>	<u>Rate</u>	<u>NTD</u>	<u>Currency</u>	<u>Rate</u>	<u>NTD</u>
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 7,675.620	30.86	236,869,633	7,716.951	29.865	230,466,742
USD:CNY	4,795.532	6.1136	147,990,118	4,429.559	6.1528	132,288,780
CNY:NTD	1,429,453	5.0478	7,215,593	1,214.593	4.8539	5,895,513

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NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

	June 30, 2015			June 30, 2014		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
<u>Financial liabilities</u>						
<u>Monetary items*</u>						
USD:NTD	6,434.096	30.86	198,556,203	7,308.760	29.865	218,276,117
USD:CNY	7,644.077	6.1136	235,896,216	5,910.672	6.1528	176,522,219
CNY:NTD	121.540	5.0478	613,510	226.122	4.8539	1,097,574

	December 31, 2014		
	Foreign Currency	Exchange Rate	NTD
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	9,524,967	31.65	301,465,206
USD:CNY	5,838,639	6.119	184,792,924
CNY:NTD	1,627,657	5.1724	8,418,893
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	8,819,213	31.65	279,128,091
USD:CNY	7,875,746	6.119	249,267,361
CNY:NTD	251,501	5.1724	1,300,864

The Group's exposure to foreign currency risk arises from the fluctuations in foreign exchange rate on cash and cash equivalents, accounts receivable, other receivables, loans, accounts payable, bonds payable and other payables that are denominated in foreign currency. A 1% of appreciation of each major foreign currency against the Group's functional currency as of June 30, 2015 and 2014 would have decreased the after-tax net income by \$420,826 and \$261,558, respectively. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the reporting date. The analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for both periods.

As the Group deals in diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the three and the six months ended June 30, 2015 and 2014, the foreign exchange loss, including both realized and unrealized, amounted to \$70,454, \$494,154, \$390,296 and \$749,842, respectively.

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(b) Interest rate risk

The following sensitivity analysis is based on the risk exposure to interest rates on the derivative and non-derivative financial instruments on the reporting date.

For variable rate instruments, the sensitivity analysis assumes the variable rate liabilities are outstanding for the whole year on 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 or decreases by 1%, the Group's net income will decrease or increase by \$28,259 and \$31,535 for the six months ended June 30, 2015 and 2014, respectively, assuming all other variable factors remain constant. This is due mainly to the Group's variable borrowing rate.

(c) Other price risks

If the stock price changes at the reporting date, the changes in other comprehensive income of the Group are as follows: (The analysis was made on the same basis for both periods, assuming that all other variables remain constant and any impact of forecasted sales and purchases was ignored):

Stock Price	For the Six Months Ended			
	2015		2014	
	Other comprehensive income (net of tax)	Net Income (net of tax)	Other comprehensive income (net of tax)	Net Income (net of tax)
Increase by 3%	\$ 61,374	214,293	55,644	198,046
Decrease by 3%	\$ (61,374)	(214,293)	(55,644)	(198,046)

D. Fair value of financial instruments

The fair value of financial assets and liabilities were as follows (including information on fair value hierarchy, but excluding measurements that have similarities to fair value but are not fair value and those fair value cannot be reliably measured or inputs are unobservable in active markets.):

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(a) Categories of financial instruments

Financial Assets	June 30, 2015	December 31, 2014	June 30, 2014
Financial assets at fair value through profit or loss			
Held-for-trading financial assets	\$ 7,143,106	5,746,322	6,601,536
Available-for-sale financial assets	2,045,804	2,563,717	1,854,792
Financial assets carried at cost	654,659	568,834	645,932
Deposits and receivables			
Cash and cash equivalents	112,800,359	107,688,632	90,346,200
Notes, accounts and other receivables	92,895,510	144,735,956	95,809,253
Other financial assets	4,302,268	2,799,808	3,625,009
Sub-total	209,998,137	255,224,396	189,780,462
	\$ 219,841,706	264,103,269	198,882,722
Financial liabilities			
Financial liabilities at fair value through profit or loss			
Held-for-trading	\$ -	8,937	165,659
Financial liabilities designated as at fair value through profit or loss	-	1,117,653	2,534,643
Sub-total	-	1,126,590	2,700,302
Financial liabilities carried at amortised cost			
Short-term loans	41,304,891	27,180,563	10,369,904
Notes and accounts payable	178,584,838	207,107,696	151,745,284
Bonds payable (including current portion)	-	1,808,230	8,264,858
Long-term borrowings (including current portion)	17,808,185	21,692,911	24,134,273
Guarantee deposit (recognized in other noncurrent liabilities)	524,257	443,603	486,408
Sub-total	238,222,171	258,233,003	195,000,727
	\$ 238,222,171	259,359,593	197,701,029

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(b) Fair value hierarchy

The table below analyses financial instruments carried at fair value, by the levels in the fair value hierarchy. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
June 30, 2015					
Financial assets designated as at fair value through profit or loss					
Held-for-trading non-derivative financial assets	\$ 7,143,106	7,143,106	-	-	7,143,106
Available-for-sale financial assets					
Stock of listed companies	817,928	817,928	-	-	817,928
Equity investment—common stock	318,240	-	318,240	-	318,240
Stock of overseas listed companies	909,636	909,636	-	-	909,636
	<u>\$ 9,188,910</u>	<u>8,870,670</u>	<u>318,240</u>	<u>-</u>	<u>9,188,910</u>
December 31, 2014					
Financial assets designated as at fair value through profit or loss					
Held-for-trading non-derivative financial assets	\$ 5,746,322	5,746,322	-	-	5,746,322
Available-for-sale financial assets					
Stock of listed companies	1,238,361	1,238,361	-	-	1,238,361
Equity investment—common stock	241,920	-	241,920	-	241,920
Stock of overseas listed companies	1,083,436	-	1,083,436	-	1,083,436
	<u>\$ 8,310,039</u>	<u>6,984,683</u>	<u>1,325,356</u>	<u>-</u>	<u>8,310,039</u>
Financial liabilities designated as at fair value through profit or loss					
Derivative financial liabilities	\$ 8,937	-	8,937	-	8,937
Overseas convertible bonds—conversion options	1,117,653	-	1,117,653	-	1,117,653
	<u>\$ 1,126,590</u>	<u>-</u>	<u>1,126,590</u>	<u>-</u>	<u>1,126,590</u>

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	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
June 30, 2014					
Financial assets designated as at fair value through profit or loss					
Held-for-trading non-derivative financial assets	\$ 6,601,536	6,601,536	-	-	6,601,536
Available-for-sale financial assets					
Stock of listed companies	1,085,499	1,085,499	-	-	1,085,499
Equity investment—common stock	276,120	-	276,120	-	276,120
Stock of overseas listed companies	493,173	-	493,173	-	493,173
	<u>\$ 8,456,328</u>	<u>7,687,035</u>	<u>769,293</u>	<u>-</u>	<u>8,456,328</u>
Financial liabilities designated as at fair value through profit or loss					
Derivative financial liabilities	\$ 165,659	-	165,659	-	165,659
Overseas convertible bonds—conversion options	2,534,643	-	2,534,643	-	2,534,643
	<u>\$ 2,700,302</u>	<u>-</u>	<u>2,700,302</u>	<u>-</u>	<u>2,700,302</u>

There have been no transfers from each level for the six months ended June 30, 2015 and 2014.

(c) Valuation techniques for financial instruments which is not measured at fair value:

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

(i) Financial assets measured at amortized cost

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

(d) Valuation techniques for financial instruments measured at fair value:

(i) Non-derivative financial instruments

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

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

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

Measurement of the fair value of derivative instruments is based on the valuation techniques that are generally accepted by the market participants. For instance, discount method or option pricing models. Fair value of forward currency exchange is usually determined by the forward currency rate.

(ii) Derivative financial instruments

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

(29) Financial risk management

A. Overview

The nature and the extent of the Group's risks arising from financial instruments, which include credit risk, liquidity risk and market risk, are discussed below. Also, the Group's objectives, policies and procedures of measuring and managing risks are discussed below.

For more quantitative information about the financial instruments, please refer to the other related notes of the notes to the financial statements.

B. Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has deputized managements of core business departments for developing and monitoring the Group's risk management policies. Management reports regularly to the Board of Directors on its activities.

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

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

C. Credit risk

Credit risk means the potential loss of the Group if the counterparty involved in that transaction defaults. Since the Group's derivative financial instrument agreements are entered into with financial institutions with good credit ratings, management believes that there is no significant credit risk from these transactions.

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

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

(a) Accounts receivables and other receivables

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

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

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

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The Group establishes an impairment allowance that represents its estimate of incurred losses in respect of trade receivables. The two components of this impairment allowance are specific loss component that relates to individually significant exposure and collective loss component which the loss was incurred but not identified. The collective component is based on historical payment experience of similar financial assets.

(b) Investment

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

(c) Guarantee

The Group's policies were prepared in accordance with Guidelines for Lending of Capital, Endorsements and Guarantees by Public Companies. Please refer to Note 9 for details.

D. Liquidity risk

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

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

The funds and marketable securities investments held by the Group have publicly quoted prices and could be sold at approximate market price. In the case of foreign currency swap contracts, management believes that the cash flow risk is not significant because contracted foreign currency exchange rates are fixed.

Equity investments recorded as financial assets carried at cost do not have reliable market prices and are expected to have liquidity risk.

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E. Market risk

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

(a) Currency risk

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

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

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

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

(b) Interest rate risk

The Group's interest rate risk arises from short-term and long-term loans bearing floating interest rates. Future cash flow will be affected by a change in market interest rate.

(c) Price floating risk on equity instruments

The equity securities held by the Group are classified as financial assets measured at fair value through profit or loss and available-for-sale financial assets. As these assets are measured at fair value, the Group is exposed to the market price fluctuation risk in the equity securities market.

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NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

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

(30) 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, 2014. Also, they believe that for the six months ended June 30, 2015, there were also no changes in the Group's capital management information. Please refer to Note 6(29) of the consolidated financial statements for the year ended December 31, 2014 for other related information.

(31) Non-cash transactions of financing activity

Convertible bonds payable converted into ordinary shares. Please refer to Note 6(15) for details.

7. RELATED PARTY TRANSACTIONS

(1) The ultimate parent company

The Company is the ultimate parent company of the Group.

(2) Other Related Party Transactions

A. Sale of Goods and Services to Related Parties

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

	Sales			
	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2015	2014	2015	2014
Others	\$ -	-	-	-
	Receivables from Related Parties			
	June 30, 2015	December 31, 2014	June 30, 2014	
Others	\$ -	502	-	

There were no significant differences between the terms and pricing of sales transactions with related enterprises and those carried out with other normal vendors. The average collection period for notes and accounts receivable pertaining to such sale transactions ranged from one to three months. Receivables from related parties were not secured with collaterals, and did not require provisions for bad debt expenses.

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B. Purchase of Goods from Related Parties

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

	Purchase			
	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2015	2014	2015	2014
Others	\$ 18,178	152,460	31,300	420,637

	Payable from Related Parties		
	June 30, 2015	December 31, 2014	June 30, 2014
	Others	\$ 16,238	13,136

There were no significant differences between the terms and pricing of purchase transactions with related enterprises and those carried out with other normal vendors. The average payment period for notes and accounts payable pertaining to such purchase transactions ranged from one to four months, which is similar to that of other normal vendors.

C. Warranty repair expense paid to Related Parties

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2015	2014	2015	2014
	Others	\$ (5)	-	531

D. Other related party transactions accounted for as assets and liabilities in the balance sheet

	June 30, 2015	December 31, 2014	June 30, 2014
Accrued expenses			
Others	\$ -	-	1,609
Other current liabilities			
Others	\$ 3	-	80

(3) Key management personnel compensation:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2015	2014	2015	2014
	Short-term employee benefits	\$ 112,169	123,776	243,605
Post-employment benefits	1,180	1,186	2,359	2,389
Share-based payments	38,559	8,987	41,313	16,426
	\$ 151,908	133,949	287,277	275,108

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Please refer to Notes 6(21) and 6(22) for further explanations related to share-based payment transactions.

8. Pledged Assets

As of June 30, 2015, December 31, 2014 and June 30, 2014, pledged assets were as follows:

<u>Asset</u>	<u>Purpose of pledge</u>	<u>June 30, 2015</u>	<u>December 31, 2014</u>	<u>June 30, 2014</u>
Other financial asset	Customs duty guarantee, rental deposits, travel agency guarantee, etc.	\$ 44,494	45,255	46,710
Non-current assets classified as held for sale	Bank loans	-	88,517	-
Property, plant and equipment	Bank loans	1,508,964	1,858,372	1,963,151
Long-term prepaid rentals	Bank loans	-	12,333	11,723
Refundable deposits	Customs duty guarantee, rental deposits and deposits for performance guarantee	30,532	27,044	34,942
		<u>\$ 1,583,990</u>	<u>2,031,521</u>	<u>2,056,526</u>

9. Significant Commitments And Contingencies

(1) Major commitments and contingencies were as follows:

A. Unused standby letters of credit

	<u>June 30, 2015</u>	<u>December 31, 2014</u>	<u>June 30, 2014</u>
EUR	\$ 40	2,973	2,561
JPY	1,721,192	5,882,425	3,062,839
USD	23,521	30,633	8,492

B. Promissory notes and certificates of deposit obtained for business purpose were as follows:

	<u>June 30, 2015</u>	<u>December 31, 2014</u>	<u>June 30, 2014</u>
NTD	\$ 6,788	11,997	17,544

C. As of June 30, 2015, December 31, 2014, and June 30, 2014, the significant contracts for purchase of property, plant and equipment by the Group amounted to \$10,109,615, \$5,219,870 and \$3,689,127 of which \$5,061,889, \$2,894,149 and \$2,613,981, respectively, were unpaid.

D. As of June 30, 2015, December 31, 2014, and June 30, 2014, the Group provided endorsement guarantee for bank loans obtained by the related parties, including Group entities, amounting to \$13,226,831, \$16,488,504 and \$15,387,839, respectively.

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E. As of June 30, 2015, the Group issued a tariff guarantee of \$402,848 to the bank for the purpose of importing goods.

F. The board of directors of Ability (TW) decided to build a new office building on its own land. Construction services will be provided by Ta Chen Construction & Engineering Corp. The whole contract price for this construction is \$824,775 (tax included).

(2) Significant contingent liability: None.

10. LOSSES DUE TO MAJOR DISASTERS: None.

11. SUBSEQUENT EVENTS:

On July 17, 2015 and July 24, 2015, CASETEK CAYMAN and its subsidiaries signed a machine purchase contract and a land use right contract with non-related parties with total price of \$1,229,595 and \$393,875, respectively. For related information please refer to Market Observation Post System for more information.

12. OTHERS

(1) The nature of operating costs and expenses were as follows:

By item	For the Three Months Ended June 30, 2015			For the Three Months Ended June 30, 2014		
	Operating Cost	Operating expense	Total	Operating Cost	Operating expense	Total
Employee benefit						
Salary	\$ 9,846,578	3,749,059	13,595,637	8,561,592	2,406,364	10,967,956
Health and labor insurance	1,082,721	199,111	1,281,832	363,944	119,387	483,331
Pension	1,414,880	211,068	1,625,948	743,693	122,799	866,492
Others	272,158	157,634	429,792	415,937	116,925	532,862
Depreciation	2,960,695	347,698	3,308,393	2,888,227	453,081	3,341,308
Amortization	7,277	44,687	51,964	7,230	43,072	50,302

By item	For the Six Months Ended June 30, 2015			For the Six Months Ended June 30, 2014		
	Operating Cost	Operating expense	Total	Operating Cost	Operating expense	Total
Employee benefit						
Salary	\$ 19,466,028	7,444,249	26,910,277	15,509,597	5,793,842	21,303,439
Health and labor insurance	2,139,184	450,691	2,589,875	1,221,289	404,909	1,626,198
Pension	2,262,893	395,891	2,658,784	1,262,281	313,964	1,576,245
Others	779,713	355,995	1,135,708	795,564	292,848	1,088,412
Depreciation	5,922,417	785,409	6,707,826	5,834,273	994,428	6,828,701
Amortization	14,811	90,640	105,451	15,193	83,623	98,816

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

	For the Three Months ended June 30		For the Six Months ended June 30	
	2015	2014	2015	2014
Depreciation – investment property	\$ 2,595	2,595	5,189	5,189

(2) Seasonality of activities: The Group's operation is neither affected by seasonality nor periodicity.

13. SEGMENT INFORMATION

The Group identifies the entity's operating segments based on the decision of the chief operating decision maker and perform quantitative threshold testing in accordance with IFRS 8 "Operating Segments."

For the three and the six months ended June 30, 2015 and 2014, the Group's operating segments required to be disclosed are categorized as DMS (Design, Manufacturing and Service) and Strategic Investment Group. DMS's main operating activities are designing and manufacturing computer, communication and consumer electronics' end products, and providing after-sales service. Strategic Investment Group is DMS's upstream and downstream supply chain, strategic investments and other related investments arms. The chief operating decision maker's main responsibility is to integrate strategy that creates operating synergy throughout the supply chain and to allocate the profit from the operating result. The Group assesses performance of the segments based on the segments' profit, and report the amounts of revenues based on the financial information used to prepare the consolidated financial statements.

The Group's operating segment information and reconciliation were as follows:

For the Three Months Ended June 30, 2015	DMS	Strategic Investment Group	Adjustment and eliminations	Total
Revenue :				
Revenue from external customers	\$ 195,449,922	22,478,824	-	217,928,746
Intersegment revenues	235,390	1,580,011	(1,815,401)	-
Total revenue	\$ 195,685,312	24,058,835	(1,815,401)	217,928,746
Reportable segment profit	\$ 5,442,686	5,709,549	(3,878,986)	7,273,249

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For the Three Months Ended June 30, 2014	DMS	Strategic Investment Group	Adjustment and eliminations	Total
Revenue :				
Revenue from external customers \$	188,787,218	23,565,140	-	212,352,358
Intersegment revenues	311,370	3,079,661	(3,391,031)	-
Total revenue	<u>\$ 189,098,588</u>	<u>26,644,801</u>	<u>(3,391,031)</u>	<u>212,352,358</u>
Reportable segment profit	<u>\$ 2,071,136</u>	<u>6,728,911</u>	<u>(5,128,625)</u>	<u>3,671,422</u>
For the Six Months Ended June 30, 2015				
Revenue :				
Revenue from external customers \$	447,589,722	44,601,600	-	492,191,322
Intersegment revenues	726,427	3,231,411	(3,957,838)	-
Total revenue	<u>\$ 448,316,149</u>	<u>47,833,011</u>	<u>(3,957,838)</u>	<u>492,191,322</u>
Reportable segment profit	<u>\$ 13,419,637</u>	<u>9,806,066</u>	<u>(6,615,434)</u>	<u>16,610,269</u>
For the Six Months Ended June 30, 2014				
Revenue :				
Revenue from external customers \$	386,120,815	44,968,395	-	431,089,210
Intersegment revenues	457,292	6,122,695	(6,579,987)	-
Total revenue	<u>\$ 386,578,107</u>	<u>51,091,090</u>	<u>(6,579,987)</u>	<u>431,089,210</u>
Reportable segment profit	<u>\$ 5,293,401</u>	<u>10,548,633</u>	<u>(7,708,265)</u>	<u>8,133,769</u>
Reportable segment assets				
June 30, 2015	<u>\$ 356,942,252</u>	<u>210,512,006</u>	<u>(132,506,454)</u>	<u>434,947,804</u>
December 31, 2014	<u>\$ 373,500,846</u>	<u>212,802,987</u>	<u>(129,210,692)</u>	<u>457,093,141</u>
June 30, 2014	<u>\$ 287,564,133</u>	<u>196,408,878</u>	<u>(120,850,041)</u>	<u>363,122,970</u>