

PEGATRON CORPORATION AND SUBSIDIARIES**Consolidated Financial Statements****With Independent Auditors' Review Report
For the Three Months Ended March 31, 2023 and 2022**

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

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Independent Auditors' Review Report

To the Board of Directors of Pegatron Corporation:

Introduction

We have reviewed the accompanying consolidated balance sheets of Pegatron Corporation and its subsidiaries as of March 31, 2023 and 2022, and the related consolidated statements of comprehensive income and changes in equity and cash flows for the three months ended March 31, 2023 and 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Basis for Qualified Conclusion

As stated in Note 4(b), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect total assets amounting to \$76,684,290 thousand and \$62,512,686 thousand, constituting 12.26% and 9.72% of consolidated total assets as of March 31, 2023 and 2022, respectively, total liabilities amounting to \$10,314,867 thousand and \$14,626,097 thousand, constituting 2.45% and 3.21% of consolidated total liabilities as of March 31, 2023 and 2022, respectively, and total comprehensive (loss) gain amounting to \$(203,085) thousand and \$712,319 thousand, constituting (7.07)% and 8.10% of consolidated total comprehensive income for the three months ended March 31, 2023 and 2022, respectively.

Furthermore, as stated in Note 6(g), the other equity accounted investments of Pegatron Corporation and its subsidiaries in its investee companies of \$27,672,395 thousand and \$24,196,764 thousand as of March 31, 2023 and 2022, respectively, and its equity in net earnings on these investee companies of \$82,584 thousand and \$1,127,306 thousand for the three months ended March 31, 2023 and 2022, respectively, were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Pegatron Corporation and its subsidiaries as of March 31, 2023 and 2022, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2023 and 2022 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Other Matter

We did not review the financial statements of certain consolidated subsidiaries, with total assets of \$92,010,659 thousand and \$82,091,795 thousand, representing 14.71% and 12.77% of the related consolidated total assets as of March 31, 2023 and 2022, and net sales of \$13,355,432 thousand and \$17,295,290 thousand, representing 4.20% and 5.34% of the related consolidated total net sales for the three months ended March 31, 2023 and 2022, respectively. Those financial statements were reviewed by other auditors whose reports have been furnished to us, and our review, insofar as it relates to the amounts included for certain consolidated subsidiaries, are based solely on the reports of the other auditors.

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

KPMG

Taipei, Taiwan (Republic of China)
May 11, 2023

Notes to Readers

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

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH STANDARDS ON AUDITING AS OF MARCH 31, 2023 AND 2022

PEGATRON CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2023, December 31, 2022, and March 31, 2022

(Expressed in Thousands of New Taiwan Dollars)

Assets		March 31, 2023		December 31, 2022		March 31, 2022	
		Amount	%	Amount	%	Amount	%
Current assets:							
1100	Cash and cash equivalents (Note 6(a))	\$ 121,658,063	19	84,577,382	13	121,109,907	19
1110	Current financial assets at fair value through profit or loss (Note 6(b))	9,780,824	2	9,024,851	2	8,818,542	1
1170	Accounts receivable, net (Notes 6(d), (x) and 7)	164,786,578	26	190,247,179	30	178,052,201	28
1200	Other receivables, net (Notes 6(e) and 7)	1,623,558	-	1,329,144	-	10,428,347	2
130X	Inventories (Note 6(f))	168,843,974	27	199,441,528	31	183,297,488	28
1476	Other current financial assets (Notes 6(m) and 8)	17,436,843	3	12,012,749	2	18,957,066	3
1479	Other current assets (Note 6(m))	6,131,422	1	5,854,949	1	5,115,950	1
		<u>490,261,262</u>	<u>78</u>	<u>502,487,782</u>	<u>79</u>	<u>525,779,501</u>	<u>82</u>
Non-current assets:							
1510	Non-current financial assets at fair value through profit or loss (Note 6(b))	2,114,865	-	2,170,427	-	1,614,868	-
1517	Non-current financial assets at fair value through other comprehensive income (Note 6(c))	1,438,945	-	1,403,646	-	1,462,429	-
1550	Investments accounted for using the equity method (Note 6(g))	28,155,235	5	27,861,177	5	24,561,408	4
1600	Property, plant and equipment (Notes 6(i) and 8)	79,435,385	13	79,689,609	13	72,254,005	11
1755	Right-of-use assets (Note 6(j))	5,775,700	1	6,176,134	1	6,691,817	1
1760	Investment property, net (Note 6(k))	32,927	-	33,985	-	33,835	-
1780	Intangible assets (Note 6(l))	225,516	-	225,014	-	208,225	-
1840	Deferred tax assets	2,962,949	1	2,794,744	-	3,005,562	1
1915	Prepayments on purchase of equipment (Note 9)	14,466,650	2	12,984,052	2	6,994,350	1
1980	Other non-current financial assets (Notes 6(m) and 8)	398,466	-	374,605	-	396,598	-
1990	Other non-current assets (Note 6(m))	23,658	-	21,612	-	49,357	-
		<u>135,030,296</u>	<u>22</u>	<u>133,735,005</u>	<u>21</u>	<u>117,272,454</u>	<u>18</u>
Total assets		<u>\$ 625,291,558</u>	<u>100</u>	<u>636,222,787</u>	<u>100</u>	<u>643,051,955</u>	<u>100</u>

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH STANDARDS ON AUDITING AS OF MARCH 31, 2023 AND 2022

PEGATRON CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets (CONT'D)

March 31, 2023, December 31, 2022, and March 31, 2022

(Expressed in Thousands of New Taiwan Dollars)

		March 31, 2023		December 31, 2022		March 31, 2022	
		Amount	%	Amount	%	Amount	%
Liabilities and Equity							
Current liabilities:							
2100	Short-term loans (Note 6(n))	\$ 106,299,121	17	79,589,451	13	93,331,878	15
2130	Current contract liabilities (Note 6(x))	1,022,425	-	1,200,270	-	1,392,115	-
2170	Accounts payable (Note 7)	169,914,737	27	202,467,364	32	225,496,634	35
2209	Accrued expenses (Note 7)	20,010,368	3	24,131,570	4	23,905,951	4
2216	Dividends payable	13,299,727	2	-	-	15,649,656	3
2219	Other payables (Note 9)	7,543,308	1	9,203,327	2	8,376,416	1
2230	Current tax liabilities	5,775,955	1	5,264,896	1	3,200,071	1
2281	Current lease liabilities (Note 6(q))	1,103,638	-	1,366,074	-	1,377,460	-
2321	Bonds payable, current portion (Note 6(p))	-	-	4,500,000	-	6,500,000	1
2322	Long-term loans payable, current portion (Note 6(o))	3,166,329	1	2,773,471	-	1,358,762	-
2399	Other current liabilities (Note 6(o))	34,381,819	6	34,939,573	6	26,599,170	4
		362,517,427	58	365,435,996	58	407,188,113	64
Non-Current liabilities:							
2527	Non-current contract liabilities (Note 6(x))	4,175,556	1	2,627,942	-	155,469	-
2530	Bonds payable (Note 6(p))	30,378,841	5	30,376,992	5	30,371,444	5
2540	Long-term loans (Note 6(o))	15,048,955	2	14,225,427	2	11,498,063	2
2570	Deferred tax liabilities	1,809,827	-	1,889,662	-	1,448,296	-
2581	Non-current lease liabilities (Note 6(q))	1,429,160	-	1,522,527	-	2,083,062	-
2650	Credit balance of investments accounted for using equity method (Note 6(g))	2,617	-	4,314	-	779	-
2670	Other non-current liabilities (Note 6(o))	5,506,291	1	5,571,664	1	2,660,791	-
		58,351,247	9	56,218,528	8	48,217,904	7
	Total liabilities	420,868,674	67	421,654,524	66	455,406,017	71
Equity Attributable to Owners of the Parent Company (Note 6(t)):							
3110	Ordinary share	26,669,234	4	26,676,337	4	26,688,758	4
Capital surplus:							
3210	Capital surplus, premium on capital stock	78,707,148	12	78,703,620	13	78,057,566	12
3280	Capital surplus, others (Note (u))	4,706,951	1	4,648,384	-	5,314,711	1
		83,414,099	13	83,352,004	13	83,372,277	13
Retained earnings:							
3310	Legal reserve	17,721,898	3	17,721,898	3	15,698,039	3
3320	Special reserve	20,918,849	3	20,918,849	3	15,866,201	3
3350	Unappropriated retained earnings	33,763,811	6	41,419,117	7	34,985,911	5
		72,404,558	12	80,059,864	13	66,550,151	11
Other equity interest:							
3410	Exchange differences on translation of foreign financial statements	(7,993,658)	(1)	(7,603,630)	(1)	(15,740,029)	(3)
3420	Unrealized Gains (losses) on financial assets measured at fair value through other comprehensive income	90,094	-	79,970	-	288,188	-
3491	Deferred compensation cost arising from issuance of restricted stock (Note 6(u))	(50,654)	-	(68,877)	-	(566,137)	-
		(7,954,218)	(1)	(7,592,537)	(1)	(16,017,978)	(3)
3500	Treasury stock	(2,750)	-	(7,103)	-	(4,225)	-
	Equity attributable to the parent company	174,530,923	28	182,488,565	29	160,588,983	25
36xx	Non-controlling interests (Notes 6(h) and (t))	29,891,961	5	32,079,698	5	27,056,955	4
	Total equity	204,422,884	33	214,568,263	34	187,645,938	29
	Total liabilities and equity	\$ 625,291,558	100	636,222,787	100	643,051,955	100

See accompanying notes to financial statements.

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PEGATRON CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months ended March 31, 2023 and 2022

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

		For the three months ended March 31			
		2023		2022	
		Amount	%	Amount	%
4110	Operating revenue (Notes 6(x) and 7)	\$ 318,988,908	100	324,216,528	100
4170	Less: Sales returns and allowances	852,362	-	855,767	-
	Operating revenue, net	<u>318,136,546</u>	<u>100</u>	<u>323,360,761</u>	<u>100</u>
5000	Cost of sales (Notes 6(f), (q), (r), (u), (v), (y) and 7)	<u>307,773,351</u>	<u>97</u>	<u>311,846,067</u>	<u>96</u>
	Gross profit from operations	<u>10,363,195</u>	<u>3</u>	<u>11,514,694</u>	<u>4</u>
6000	Operating expenses (Notes 6(q), (r), (u), (v) and (y)):				
6100	Selling expenses	1,119,993	-	1,245,378	-
6200	General and administrative expenses	2,604,749	1	2,308,692	1
6300	Research and development expenses	<u>3,814,769</u>	<u>1</u>	<u>3,619,085</u>	<u>1</u>
	Total operating expenses	<u>7,539,511</u>	<u>2</u>	<u>7,173,155</u>	<u>2</u>
	Net operating income	<u>2,823,684</u>	<u>1</u>	<u>4,341,539</u>	<u>2</u>
	Non-operating income and expenses:				
7100	Interest income (Notes 6(z) and 7)	1,292,289	-	394,533	-
7010	Other income (Note 6(z))	1,187,599	-	1,545,321	-
7020	Other gains and losses (Notes 6(i) and (z))	(271,152)	-	(3,259,569)	(1)
7050	Finance costs (Notes 6(d), (p), (q) and (z))	(1,090,681)	-	(251,623)	-
7060	Share of profit of associates and joint ventures accounted for using the equity method (Note 6(g))	<u>175,019</u>	<u>-</u>	<u>1,122,684</u>	<u>-</u>
	Total non-operating income and expenses	<u>1,293,074</u>	<u>-</u>	<u>(448,654)</u>	<u>(1)</u>
	Profit before tax	<u>4,116,758</u>	<u>1</u>	<u>3,892,885</u>	<u>1</u>
7950	Less: Tax expenses (Note 6(s))	<u>773,807</u>	<u>-</u>	<u>627,841</u>	<u>-</u>
8000	Profit from continuing operations	<u>3,342,951</u>	<u>1</u>	<u>3,265,044</u>	<u>1</u>
8100	Loss from discontinued operations, net of tax (Note 12)	<u>(68,140)</u>	<u>-</u>	<u>(116,850)</u>	<u>-</u>
	Profit for the year	<u>3,274,811</u>	<u>1</u>	<u>3,148,194</u>	<u>1</u>
8300	Other comprehensive income:				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8311	Gain on remeasurements of defined benefit plans (Note 6(r))	4,253	-	-	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	10,124	-	(156,590)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 6(s))	-	-	-	-
	Total components of other comprehensive income (loss) that will not be reclassified to profit or loss	<u>14,377</u>	<u>-</u>	<u>(156,590)</u>	<u>-</u>
8360	Components of other comprehensive income that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(526,410)	-	4,919,954	2
8370	Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method, components of other comprehensive income that will be reclassified to profit or loss (Note 6(g))	108,264	-	877,879	-
8399	Income tax related to components of other comprehensive (loss) income that will be reclassified to profit or loss (Note 6(s))	<u>(1,131)</u>	<u>-</u>	<u>774</u>	<u>-</u>
	Total components of other comprehensive (loss) income that will be reclassified to profit or loss	<u>(417,015)</u>	<u>-</u>	<u>5,797,059</u>	<u>2</u>
8300	Other comprehensive (loss) income for the period, net of tax	<u>(402,638)</u>	<u>-</u>	<u>5,640,469</u>	<u>2</u>
8500	Total comprehensive income for the period	<u>\$ 2,872,173</u>	<u>1</u>	<u>8,788,663</u>	<u>3</u>
	Profit attributable to:				
8610	Owners of the parent company	\$ 3,007,867	1	1,667,425	1
8620	Non-controlling interests	<u>266,944</u>	<u>-</u>	<u>1,480,769</u>	<u>-</u>
		<u>\$ 3,274,811</u>	<u>1</u>	<u>3,148,194</u>	<u>1</u>
	Comprehensive income attributable to:				
8710	Owners of the parent company	\$ 2,632,216	1	7,134,432	2
8720	Non-controlling interests	<u>239,957</u>	<u>-</u>	<u>1,654,231</u>	<u>1</u>
		<u>\$ 2,872,173</u>	<u>1</u>	<u>8,788,663</u>	<u>3</u>
	Earnings per share, net of tax (Note 6(w))				
9750	Basic earnings per share				
	Basic earnings per share from continuing operations	\$ 1.15		0.65	
	Basic loss per share from discontinued operations	<u>(0.02)</u>		<u>(0.03)</u>	
	Total basic earnings per share	<u>\$ 1.13</u>		<u>0.62</u>	
9850	Diluted earnings per share				
	Diluted earnings per share from continuing operations	\$ 1.14		0.65	
	Diluted loss per share from discontinued operations	<u>(0.02)</u>		<u>(0.03)</u>	
	Total diluted earnings per share	<u>\$ 1.12</u>		<u>0.62</u>	

See accompanying notes to financial statements.

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PEGATRON CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity
For the three months ended March 31, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of the parent company													Non-controlling interests	Total equity
	Share capital		Retained earnings				Total other equity interest								
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Deferred compensation cost arising from issuance of restricted stock	Total other equity interest	Treasury stock	Total equity attributable to owners of the parent company			
Balance on January 1, 2022	\$ 26,691,316	83,321,308	15,698,039	15,866,201	46,661,789	78,226,029	(21,363,627)	444,778	(712,701)	(21,631,550)	(2,558)	166,604,545	27,662,332	194,266,877	
Profit for the period	-	-	-	-	1,667,425	1,667,425	-	-	-	-	-	1,667,425	1,480,769	3,148,194	
Other comprehensive income (loss) for the period	-	-	-	-	-	-	5,623,598	(156,590)	-	5,467,008	-	5,467,008	173,461	5,640,469	
Total comprehensive income (loss) for the period	-	-	-	-	1,667,425	1,667,425	5,623,598	(156,590)	-	5,467,008	-	7,134,433	1,654,230	8,788,663	
Appropriation and distribution of retained earnings:															
Cash dividends of ordinary share	-	-	-	-	(13,343,303)	(13,343,303)	-	-	-	-	-	(13,343,303)	-	(13,343,303)	
Changes in equity of associates and joint ventures accounted for using equity method	-	22,677	-	-	-	-	-	-	-	-	-	22,677	-	22,677	
Changes in ownership interests in subsidiaries	-	1,166	-	-	-	-	-	-	-	-	-	1,166	(1,166)	-	
Expiration of restricted shares of stock issued to employees	(2,558)	4,225	-	-	-	-	-	-	-	(1,667)	-	-	-	-	
Compensation cost arising from restricted shares of stock	-	22,901	-	-	-	-	-	-	146,564	146,564	-	169,465	-	169,465	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(2,258,441)	(2,258,441)	
Balance on March 31, 2022	\$ 26,688,758	83,372,277	15,698,039	15,866,201	34,985,911	66,550,151	(15,740,029)	288,188	(566,137)	(16,017,978)	(4,225)	160,588,983	27,056,955	187,645,938	
Balance on January 1, 2023	\$ 26,676,337	83,352,004	17,721,898	20,918,849	41,419,117	80,059,864	(7,603,630)	79,970	(68,877)	(7,592,537)	(7,103)	182,488,565	32,079,698	214,568,263	
Profit for the period	-	-	-	-	3,007,867	3,007,867	-	-	-	-	-	3,007,867	266,944	3,274,811	
Other comprehensive income (loss) for the period	-	-	-	-	4,253	4,253	(390,028)	10,124	-	(379,904)	-	(375,651)	(26,987)	(402,638)	
Total comprehensive income (loss) for the period	-	-	-	-	3,012,120	3,012,120	(390,028)	10,124	-	(379,904)	-	2,632,216	239,957	2,872,173	
Appropriation and distribution of retained earnings:															
Cash dividends of ordinary share	-	-	-	-	(10,667,426)	(10,667,426)	-	-	-	-	-	(10,667,426)	-	(10,667,426)	
Changes in equity of associates and joint ventures accounted for using equity method	-	15,581	-	-	-	-	-	-	-	-	-	15,581	-	15,581	
Changes in ownership interests in subsidiaries	-	(31,948)	-	-	-	-	-	-	-	-	-	(31,948)	31,948	-	
Expiration of restricted shares of stock issued to employees	(7,103)	2,750	-	-	-	-	-	-	-	-	4,353	-	-	-	
Compensation cost arising from restricted shares of stock	-	75,712	-	-	-	-	-	-	18,223	18,223	-	93,935	-	93,935	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(2,459,642)	(2,459,642)	
Balance on March 31, 2023	\$ 26,669,234	83,414,099	17,721,898	20,918,849	33,763,811	72,404,558	(7,993,658)	90,094	(50,654)	(7,954,218)	(2,750)	174,530,923	29,891,961	204,422,884	

See accompanying notes to financial statements.

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

PEGATRON CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the three months ended March 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended March 31	
	2023	2022
Cash flows from operating activities:		
Profit from continuing operations before tax	\$ 4,116,758	3,892,885
Loss from discontinued operations before tax	(68,140)	(116,850)
Profit before tax	4,048,618	3,776,035
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	3,666,220	3,446,871
Amortization expense	38,536	27,032
Expected credit loss (gain)	53,340	(1,800)
Net loss on financial assets and liabilities at fair value through profit or loss	100,122	3,335,345
Interest expense	1,086,823	252,393
Interest income	(1,292,289)	(394,631)
Dividend income	(1,293)	(1,292)
Compensation cost arising from share-based payments	137,079	214,050
Amortization of issuance costs on bonds payable	1,849	1,849
Share of profit of associates and joint ventures accounted for using the equity method	(175,019)	(1,122,684)
Gain on lease modification	(18,689)	(5,628)
Gain on disposal of property, plant and equipment	(15,948)	(77,415)
Property, plant and equipment charged to expenses	46,143	35,480
Impairment loss on non-financial assets	2,797	8,793
Loss on foreign currency exchange on long-term loans	-	32,970
Government grants income	(25,808)	(21,391)
Total adjustments to reconcile profit	3,603,863	5,729,942
Changes in operating assets and liabilities:		
Changes in operating assets:		
Increase in financial assets at fair value through profit or loss	(800,533)	(509,229)
Decrease in accounts receivable	25,407,310	71,482,662
Decrease (increase) in other receivables	251,638	(732,435)
Decrease (increase) in inventories	30,597,839	(35,234,972)
Increase in other current assets	(381,611)	(386,649)
(Increase) decrease in other financial assets	(5,424,095)	11,359,878
(Increase) decrease in other non-current assets	(2,047)	676
Total changes in operating assets	49,648,501	45,979,931
Changes in operating liabilities:		
Increase in contract liabilities	491,067	71,958
Decrease in accounts payable	(32,552,627)	(41,164,906)
Decrease in accrued expenses	(4,531,411)	(2,050,010)
Increase (decrease) in other payables	58,849	(789,527)
(Decrease) increase in other current liabilities	(67,878)	2,302,656
(Decrease) increase in other non-current liabilities	(48,709)	143,108
Total changes in operating liabilities	(36,650,709)	(41,486,721)
Total changes in operating assets and liabilities	12,997,792	4,493,210
Total adjustments	16,601,655	10,223,152
Cash inflow generated from operations	20,650,273	13,999,187
Interest received	744,903	337,132
Dividends received	1,293	1,292
Interest paid	(772,034)	(237,323)
Income taxes paid	(324,491)	(1,015,290)
Net cash flows from operating activities	20,299,944	13,084,998

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

PEGATRON CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows (CONT'D)

For the three months ended March 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended March 31	
	2023	2022
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(28,533)	(124,574)
Acquisition of property, plant and equipment	(4,347,206)	(3,563,223)
Proceeds from disposal of property, plant and equipment	405,940	261,710
Acquisition of intangible assets	(38,031)	(25,215)
Increase in other financial assets	(22,101)	(18,486)
Increase in prepayments on purchase of equipment	(1,483,626)	(1,708,989)
Net cash flows used in investing activities	(5,513,557)	(5,178,777)
Cash flows from financing activities:		
Increase (decrease) in short-term loans	26,709,670	(691,426)
Repayments of bonds	(4,500,000)	-
Proceeds from long-term loans	1,900,000	85,875
Repayments of long-term loans	(670,710)	(524,273)
Repayments of lease liabilities	(331,373)	(361,862)
Redemption of restricted stock	-	(4,225)
Changes in non-controlling interests	14,456	29,550
Net cash flows from (used in) financing activities	23,122,043	(1,466,361)
Effect of exchange rate fluctuations on cash held	(827,749)	3,645,961
Net increase in cash and cash equivalents	37,080,681	10,085,821
Cash and cash equivalents, beginning of the period	84,577,382	111,024,086
Cash and cash equivalents, end of the period	\$ 121,658,063	121,109,907

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with Standards on Auditing as of March 31, 2023 and 2022

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

March 31, 2023 and 2022

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

(1) Company history

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

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

The consolidated financial statements of the Company as of and for the three months ended March 31, 2023 comprise the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”) and the Group’s interest in associates entities.

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

The accompanying consolidated financial statements were authorized for issuance by the Board of Directors on May 11, 2023.

(3) New standards, amendments and interpretations adopted

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

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

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

(4) Summary of significant accounting policies

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

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

(a) Statement of compliance

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

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

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Basis of consolidation

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

Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			March 31, 2023	December 31, 2022	March 31, 2022	
THE COMPANY	UNIHAN HOLDING LTD. (UNIHAN)	Investing activities	100.00 %	100.00 %	100.00 %	Note 14
UNIHAN	CASETEK HOLDINGS LIMITED (CASETEK)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 14
CASETEK	SLITEK HOLDINGS LIMITED (SLITEK)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 14
CASETEK	CASETEK COMPUTER (SUZHOU) CO., LTD. (CASETEK SUZHOU)	Manufacturing, developing and selling computers, computer parts, application systems, and providing after-sales service	100.00 %	100.00 %	100.00 %	Note 14
CASETEK	KAEDAR HOLDINGS LIMITED (KHL)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 14
KHL	KAEDAR ELECTRONICS (KUNSHAN) CO., LTD. (KAEDAR)	Tooling molds of stainless-steel computer cases	100.00 %	100.00 %	100.00 %	Note 14
CASETEK	KAEDAR TRADING LTD. (KTL)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 14
CASETEK	CORE-TEK (SHANGHAI) LIMITED (CORE-TEK)	Researching and producing spare parts for notebook computers, designing nonmetal tooling, electronic specific equipment and related products, repairing and producing precision equipment and providing after-sales service	100.00 %	100.00 %	100.00 %	Note 14
CASETEK	KAI-CHUAN ELECTRONICS (CHONGQING) CO., LTD. (KAI-CHUAN)	Manufacturing, developing and inspecting computers and application systems, designing and manufacturing nonmetal and metal tooling, developing plastic and electronic component, selling self-manufactured products	100.00 %	100.00 %	100.00 %	Note 14
THE COMPANY, ASUSPOWER INVESTMENT AND ASUSTEK INVESTMENT	AZUREWAVE TECHNOLOGIES, INC. (AZUREWAVE)	Wireless network development as well as selling and retailing of telecommunication, business and computer equipment and information software	32.37 %	32.37 %	32.24 %	Note 1
AZUREWAVE	EZWAVE TECHNOLOGIES, INC. (EZWAVE)	Information products service	100.00 %	100.00 %	100.00 %	Note 14
AZUREWAVE	Azurewave Technologies (USA) Inc. (Azurewave USA)	Market development activities	100.00 %	100.00 %	100.00 %	Note 14
AZUREWAVE	AZURE LIGHTING TECHNOLOGIES, INC. (AZURE)	Selling electronic parts	100.00 %	100.00 %	100.00 %	Note 14
AZUREWAVE	Azwave Holding (Samoa) Inc. (Azwave)	Investing activities	100.00 %	100.00 %	100.00 %	
Azwave	Azurewave Technologies (Shanghai) Inc. (Azurewave Shanghai)	Designing, manufacturing and trading computer products	100.00 %	100.00 %	100.00 %	Note 14

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			March 31, 2023	December 31, 2022	March 31, 2022	
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	KINSUS INTERCONNECT TECHNOLOGY CORP. (KINSUS)	Manufacturing electronic parts, whole selling and retailing of electronic components, as well as providing business management consultant service	38.29 %	38.41 %	38.58 %	Note 2
KINSUS	KINSUS INVESTMENT CO., LTD. (KINSUS INVESTMENT)	Investing activities	100.00 %	100.00 %	100.00 %	
KINSUS INVESTMENT, ASUSPOWER INVESTMENT AND ASUSTEK INVESTMENT	PEGAVISION CORPORATION (PEGAVISION)	Manufacturing medical appliances	45.21 %	45.21 %	45.21 %	Note 9
PEGAVISION	PEGAVISION JAPAN INC. (PEGAVISION JAPAN)	Selling medical appliances	100.00 %	100.00 %	100.00 %	
PEGAVISION	Pegavision (Jiangsu) Limited. (Pegavision Jiangsu)	Manufacturing and selling medical appliances	100.00 %	100.00 %	100.00 %	
PEGAVISION	PEGAVISION CONTACT LENSES CORPORATION (PEGAVISION SHANGHAI)	Selling medical appliances	- %	- %	100.00 %	Note 10
PEGAVISION	Mayin Investment Co., Ltd.(Mayin)	Investing activities	100.00 %	100.00 %	100.00 %	
Mayin	BeautyTech Platform Corporation (BeautyTech)	Selling medical appliances and cosmetics	85.00 %	85.00 %	100.00 %	Note 8
BeautyTech	PEGAVISION CONTACT LENSES CORPORATION (PEGAVISION SHANGHAI)	Selling medical appliances	100.00 %	100.00 %	- %	Note 10
PEGAVISION SHANGHAI	Gemvision Technology (Zhejiang) Limited (Gemvision Zhejiang).	Selling medical appliances	100.00 %	100.00 %	100.00 %	
BeautyTech	BEAUTYTECH PLATFORM (SINGAPORE) PTE. LTD (BEAUTYTECH SG)	Selling medical appliances and cosmetics	100.00 %	100.00 %	- %	Note 10
BeautyTech	BeautyTech Platform (Shanghai) Corporation (BeautyTech Shanghai)	Selling medical appliances and cosmetics	100.00 %	100.00 %	100.00 %	Note 10
BeautyTech	Aquamax Vision Corporation(Aquamax)	Selling medical appliances and cosmetics	- %	- %	100.00 %	Note 10
Mayin	FacialBeau International Corporation(FacialBeau)	Selling medical appliances and cosmetics	55.00 %	55.00 %	55.00 %	Note 10
FacialBeau	FacialBeau (Jiangsu) Corporation (FacialBeau Jiangsu)	Selling medical appliances and cosmetics	100.00 %	100.00 %	100.00 %	Note 10
FacialBeau	Aquamax Vision Corporation(Aquamax)	Selling medical appliances and cosmetics	100.00 %	100.00 %	- %	Note 10
FacialBeau	IKIDO Inc. (IKIDO)	Selling medical appliances and cosmetics	100.00 %	100.00 %	100.00 %	Note 10

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			March 31, 2023	December 31, 2022	March 31, 2022	
FacialBeau	RODNA CO. LTD. (RODNA)	Selling medical appliances and cosmetics	100.00 %	100.00 %	- %	Note 10
KINSUS INVESTMENT, ASUSTEK INVESTMENT AND ASUS INVESTMENT	FUYANG TECHNOLOGY CORPORATION (FUYANG)	Manufacturing and wholesaling of wires, cables, and electronic components	89.13 %	89.13 %	89.13 %	Note 14
FUYANG	FUYANG FLEX HOLDING LTD. (FUYANG HOLDING)	Investing activities	100.00 %	100.00 %	100.00 %	Note 14
FUYANG HOLDING	FUYANG ELECTRONICS (SUZHOU) CO., LTD. (FUYANG SUZHOU)	Researching, producing, inspecting, repairing and selling flexible multilayer model, computer digital signal process system and card; selling own produced products and providing related technical consulting service	100.00 %	100.00 %	100.00 %	Note 14
KINSUS	KINSUS CORP. (USA) (KINSUS USA)	Designing substracts, formulating marketing strategy analysis, developing new customers, researching and development new product technology	100.00 %	100.00 %	100.00 %	
KINSUS	KINSUS HOLDING (SAMOA) LIMITED (KINSUS SAMOA)	Investing activities	100.00 %	100.00 %	100.00 %	
KINSUS SAMOA	KINSUS HOLDING (CAYMAN) LIMITED (KINSUS CAYMAN)	Investing activities	100.00 %	100.00 %	100.00 %	
KINSUS CAYMAN	KINSUS INTERCONNECT TECHNOLOGY (SUZHOU) CORP. (KINSUS SUZHOU)	Manufacturing and selling circuit boards (PCB) (not high-density fine-line)	100.00 %	100.00 %	100.00 %	
KINSUS CAYMAN	XIANG-SHOU (SUZHOU) TRADING LIMITED (XIANG-SHOU)	Trading of PCB related products and materials (not high-density fine-line)	- %	- %	100.00 %	Note 11
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	STARLINK ELECTRONICS CORPORATION (STARLINK)	Manufacturing electronic parts and plastic products, and manufacturing and wholesaling electronic components	100.00 %	100.00 %	100.00 %	Note 14
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	ASUSPOWER CORPORATION (ASUSPOWER)	Investing and trading activities	100.00 %	100.00 %	100.00 %	
THE COMPANY	CASETEK HOLDINGS LIMITED (CAYMAN) (CASETEK CAYMAN)	Investing activities	100.00 %	100.00 %	100.00 %	
CASETEK CAYMAN	RIH LI INTERNATIONAL LIMITED (RIH LI)	Investing activities	100.00 %	100.00 %	100.00 %	

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			March 31, 2023	December 31, 2022	March 31, 2022	
PSG	PEGATRON SERVICE KOREA LLC.(PKR)	Sales and repair service center in Korea	100.00 %	100.00 %	100.00 %	Note 14
ASUS INVESTMENT	HUA-YUAN INVESTMENT LIMITED (HUA-YUAN)	Investing activities	100.00 %	100.00 %	100.00 %	Note 14
THE COMPANY	PEGATRON SERVICE AUSTRALIA PTY. LTD.(PAU)	Sales and repair service center in Australia	100.00 %	100.00 %	100.00 %	Note 14
THE COMPANY	PEGATRON USA, INC. (PUSA)	Sales and repair service center in North America	100.00 %	100.00 %	100.00 %	Note 14
THE COMPANY, ASUSPOWER INVESTMENT	PT PEGAUNIHAN TECHNOLOGY INDONESIA (PTB)	Data storage and processing equipment, manufacturing wired and wireless communication equipment, installing and selling of computer equipment and electronic components	100.00 %	100.00 %	100.00 %	Note 14
THE COMPANY	PEGATRON VIETNAM COMPANY LIMITED (PVN)	Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts	100.00 %	100.00 %	100.00 %	Note 12 and Note 14
THE COMPANY	PEGATRON TECHNOLOGY HAI PHONG COMPANY LIMITED (PHP)	Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts	100.00 %	100.00 %	100.00 %	Note 14
THE COMPANY, ASUSPOWER INVESTMENT	Pegatron Technology India Private Limited (PTI)	Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts	100.00 %	100.00 %	100.00 %	Note 14
THE COMPANY	PEGATRON TECHNOLOGY TEXAS INC. (PTX)	Sales center in North America	100.00 %	100.00 %	100.00 %	Note 14
THE COMPANY	PEGATRON ELECTRONICS INC. (PEL)	Sales center in North America	100.00 %	100.00 %	100.00 %	Note 14
THE COMPANY	Pegapower Investment Co., Ltd. (Pegapower Investment)	Investing activities	100.00 %	100.00 %	100.00 %	Note 13 and Note 14
THE COMPANY	Pegatron Investment Co., Ltd. (Pegatron Investment)	Investing activities	100.00 %	100.00 %	100.00 %	Note 13 and Note 14
Pegapower Investment, Pegatron Investment	Pegatron Venture Capital Co., Ltd. (Pegatron Venture)	Investing activities	100.00 %	100.00 %	100.00 %	Note 13 and Note 14

Note 1 : Since the Group only held 32.37% of voting rights of AZUREWAVE, with the remaining 67.63% shares belonging to different shareholders having no intention of exercising their votes collectively, and also, due to the fact that the Group's participation dominated the previous shareholders' meetings, resulting in the Group having a significant control over AZUREWAVE, therefore, AZUREWAVE has been included in the consolidated financial statement of the Group.

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- Note 2 : On February 13, 2023, KINSUS approved to issue new shares of restricted stock awards, resulting in the Group's shareholding ratio in KINSUS decreasing from 38.41% to 38.29%. Since the Group only held 38.29% of the voting rights of KINSUS, with remaining 61.71% shares belonging to different shareholders having no intention of exercising their votes collectively, and also, due to the fact that the Group's participation dominated the previous shareholder's meeting, resulting in the Group having a significant control over KINSUS. Therefore, KINSUS has been included in the consolidated financial statement of the Group.
- Note 3 : On November 2, 2022, ASROCK reduced its capital by canceling those repurchased new shares of restricted stock awards, resulting in the Group's shareholder's ratio in ASROCK increasing from 54.88% to 55.30%.
- Note 4 : ASRock Rack issued stock dividends to inject its capital with surplus on July 26, 2022, resulting in the Group's shareholding ratio in ASRock Rack increasing from 59.67% to 59.68%. The group canceled treasury shares on March 6, 2023, resulting in the Group's shareholding ratio in ASRock Rack increasing from 59.68% to 59.73%.
- Note 5 : On July 19, 2022, ASRock Industrial approved to issue new shares for employee stock options during its board meeting, resulting in the Group's shareholding ratio in ASRock Industrial decreasing from 65.83% to 64.46%.
- Note 6 : On December 16, 2022, ASROCK increased its investment by \$113,438 thousand to purchase 9,075 thousand share of stock in ASJade, resulting in the Group's shareholding ratio in ASJade increasing from 78.57% to 82.50%.
- Note 7 : In March 2023, September and December 2022, PMX increased its capital by cash, and all of the capital was subscribed by CASETEK CAYMAN, a subsidiary of the same Group.
- Note 8 : To improve the synergy of the Group, the board of directors decided to reorganize at August 26, 2022. BeautyTech increased its capital by cash on September 26, 2022, and retain 15% of the total number of new shares issued. After the capital increase, Mayin's shareholding ratio decreased to 85%.
- Note 9 : Since the Group only held 45.21% of rights of PEGAVISION, with the remaining 54.79% shares belonging to different shareholders having no intention of exercising their votes collectively, and also due to the fact that the Group's participation dominated the previous shareholders' meetings, resulting in the Group having a significant control over PEGAVISION, PEGAVISION has been included in the consolidated financial statements of the Group.
- Note 10 : To improve the synergy of the Group, the board of directors decided to reorganize and set up the subsidiaries at July 26, 2021:
- 1) BeautyTech Shanghai, which is 100% held by BeautyTech was registered at January 24, 2022.
 - 2) BEAUTYTECH SG, which is 100% held by BeautyTech was registered at August 30, 2022.
 - 3) FacialBeau Jiangsu, which is 100% held by FacialBeau was registered at February 25, 2022. The investment amount has not been remitted as at March 31, 2023.
 - 4) The equity of PEGAVISION SHANGHAI was transferred to BeautyTech from PEGAVISION.
 - 5) IKIDO, which is 100% held by FacialBeau was registered at March 14, 2022.
 - 6) RODNA, which is 100% held by FacialBeau was registered at June 23, 2022.
 - 7) The equity of Aquamax was transferred to FacialBeau from BeautyTech.
- Note 11 : The subsidiary has been canceled in July 2022.
- Note 12 : In March 2023, PVN increased its capital by cash and all of the capital was subscribed by CASETEK CAYMAN, a subsidiary of the same Group.

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Note 13 : The subsidiary was established by the Group in 2022.

Note 14 : It is an insignificant subsidiary that the financial statements for the three months ended March 31, 2023 and 2022, have not been reviewed.

(c) Income taxes

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

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

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

(d) Employee benefits

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

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

The preparation of the consolidated financial statements in conformity with the Regulations and IFRSs (in accordance with IAS 34 “Interim Financial Reporting” and endorsed by the FSC) requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The preparation of the consolidated financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2022. For related information, please refer to Note 5 of the consolidated financial statements for the year ended December 31, 2022.

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(6) Explanation of significant accounts

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

(a) Cash and cash equivalents

	March 31, 2023	December 31, 2022	March 31, 2022
Cash on hand	\$ 8,491	9,424	23,510
Cash in banks	40,520,644	47,438,984	50,799,344
Time deposits	75,502,075	34,399,399	70,200,637
Cash equivalents	<u>5,626,853</u>	<u>2,729,575</u>	<u>86,416</u>
	<u>\$ 121,658,063</u>	<u>84,577,382</u>	<u>121,109,907</u>

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

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

	March 31, 2023	December 31, 2022	March 31, 2022
Current mandatorily measured at fair value through profit or loss:			
Non-derivative financial assets			
Shares of stock of listed companies	\$ 1,164,656	1,012,989	1,257,964
Shares of emerging stock of listed companies	114,810	114,810	-
Shares of stock of unlisted companies	10,688	10,688	7,704
Beneficiary certificates	3,123,790	2,308,443	1,852,788
Shares of stock of overseas listed companies	5,283,301	5,496,226	5,614,056
Convertible bonds	<u>83,579</u>	<u>81,695</u>	<u>86,030</u>
Subtotal	<u>9,780,824</u>	<u>9,024,851</u>	<u>8,818,542</u>

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	March 31, 2023	December 31, 2022	March 31, 2022
Non-current mandatorily measured at fair value through profit or loss:			
Non-derivative financial assets			
Shares of stock of listed companies	211,750	201,250	219,800
Shares of stock of unlisted companies	192,314	192,314	183,780
Beneficiary certificates	1,259,356	1,114,902	505,021
Shares of stock of overseas listed companies	300,398	510,102	465,617
Share of stock of overseas unlisted companies	151,047	151,859	240,650
Subtotal	<u>2,114,865</u>	<u>2,170,427</u>	<u>1,614,868</u>
Total	<u>\$ 11,895,689</u>	<u>11,195,278</u>	<u>10,433,410</u>

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

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

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

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

	March 31, 2023	December 31, 2022	March 31, 2022
Debt investments at fair value through other comprehensive income:			
Beneficiary certificates	\$ -	-	166,357
Equity instruments at fair value through other comprehensive income:			
Shares of stock of listed companies	669,464	672,778	863,344
Shares of stock of unlisted companies	166,017	161,247	149,357
Shares of stock of overseas listed companies	214,773	201,334	237,147
Shares of stock of overseas unlisted companies	388,691	368,287	46,224
Total	<u>\$ 1,438,945</u>	<u>1,403,646</u>	<u>1,462,429</u>

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

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

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

For three months ended March 31, 2023, and 2022, the Group has not recognized dividend from equity investments at fair value through other comprehensive income.

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

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

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

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

	March 31, 2023	December 31, 2022	March 31, 2022
Notes receivables from operating activities	\$ 12,887	11,200	3,249
Accounts receivable-measured at amortized cost	165,013,779	190,423,074	178,167,643
Less: Allowance for impairment	<u>240,088</u>	<u>187,095</u>	<u>118,691</u>
	<u>\$ 164,786,578</u>	<u>190,247,179</u>	<u>178,052,201</u>

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

(ii) Credit loss

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

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The loss allowance provision was determined as follows:

	March 31, 2023		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 162,990,697	0%~1%	(28,638)
Overdue 0 to 30 days	1,557,277	1%~30%	(36,208)
Overdue 31 to 120 days	324,284	1%~100%	(69,896)
Overdue 121 to 365 days	152,701	17%~100%	(103,639)
Over 365 days past due	<u>1,707</u>	100%	<u>(1,707)</u>
	<u>\$ 165,026,666</u>		<u>(240,088)</u>
	December 31, 2022		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 187,806,209	0%~1%	(33,269)
Overdue 0 to 30 days	2,217,855	1%~30%	(61,117)
Overdue 31 to 120 days	378,226	2%~100%	(63,225)
Overdue 121 to 365 days	30,280	33%~100%	(27,780)
Over 365 days past due	<u>1,704</u>	100%	<u>(1,704)</u>
	<u>\$ 190,434,274</u>		<u>(187,095)</u>
	March 31, 2022		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 175,909,436	0%~1%	(34,283)
Overdue 0 to 30 days	2,053,629	1%~30%	(36,156)
Overdue 31 to 120 days	183,827	1%~100%	(24,550)
Overdue 121 to 365 days	16,512	50%~100%	(16,214)
Over 365 days past due	<u>7,488</u>	100%	<u>(7,488)</u>
	<u>\$ 178,170,892</u>		<u>(118,691)</u>

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	For the three months ended March 31	
	2023	2022
Balance on January 1	\$ 187,095	119,064
Impairment losses recognized	53,830	7,815
Impairment loss reversed	(539)	(9,222)
Foreign exchange (losses) gains	(298)	1,034
Balance on March 31	\$ 240,088	118,691

The aforesaid financial assets were not pledged as collateral.

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

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

As of March 31, 2023, December 31, 2022 and March 31, 2022, the relevant information on accounts receivable factored by the Company, but unsettled, was as follows:

March 31, 2023						
Purchaser	Amount Derecognized	Factoring Line (thousands)	Amount Advanced Paid (thousands)	Collateral	Range of Interest Rate	Significant Factoring Terms
ANZ (Note 1 and 2)	\$ -	USD 420,000	USD -	None	-	The accounts receivable factoring is without recourse but the seller still bears the risks except for eligible obligor's insolvency.

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

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

March 31, 2022

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

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

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

For three months ended March 31, 2023 and 2022, the Company recognized a fee and interest on bank advance payment of both \$0 thousand from the factoring of accounts receivable.

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

March 31, 2023

Purchaser	Amount Derecognized	Factoring Line (thousands)	Amount Advanced Paid (thousands)	Collateral	Range of Interest Rate	Significant Factoring Terms
Mega International Commercial Bank	\$ 417,154	USD 30,000	\$ -	None	-	The accounts receivable factoring is without recourse

December 31, 2022

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

March 31, 2022

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

(e) Other receivables

	March 31, 2023	December 31, 2022	March 31, 2022
Other receivables	\$ 1,635,346	1,201,107	1,552,102
Other receivables-Related parties	4,637	144,336	8,892,911
Less: Allowance for impairment	16,425	16,299	16,666
	<u>\$ 1,623,558</u>	<u>1,329,144</u>	<u>10,428,347</u>

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

(f) Inventories

	March 31, 2023	December 31, 2022	March 31, 2022
Merchandise	\$ 1,777,052	1,707,990	886,081
Finished goods	80,123,319	82,232,393	62,576,671
Work in process	23,841,329	23,693,836	27,682,481
Raw materials	<u>63,102,274</u>	<u>91,807,309</u>	<u>92,152,255</u>
	<u>\$ 168,843,974</u>	<u>199,441,528</u>	<u>183,297,488</u>

The components of cost of goods sold were as follows:

	For the three months ended March 31					
	2023			2022		
	Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
Cost of goods sold	\$ 304,577,704	-	304,577,704	309,647,230	448,690	310,095,920
Provision on (reversal of) market price decline	376,166	-	376,166	846,116	(24,234)	821,882
Loss on disposal of inventory	2,753,380	-	2,753,380	1,294,981	99,378	1,394,359
Unallocated manufacturing overhead	45,102	-	45,102	53,319	-	53,319
Loss on physical inventory	<u>20,999</u>	<u>-</u>	<u>20,999</u>	<u>4,421</u>	<u>-</u>	<u>4,421</u>
	<u>\$ 307,773,351</u>	<u>-</u>	<u>307,773,351</u>	<u>311,846,067</u>	<u>523,834</u>	<u>312,369,901</u>

For three months ended March 31, 2023 and 2022, the Group recognized an inventory valuation loss due to the decreasing value from the carrying amount to the net realized value. Such a loss was recognized as the cost of goods sold.

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

(g) Investments accounted for using the equity method

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

	March 31, 2023	December 31, 2022	March 31, 2022
Associates	\$ <u>28,155,235</u>	<u>27,861,177</u>	<u>24,561,408</u>
Credit balance of investments accounted for using equity method-associate	<u>2,617</u>	<u>4,314</u>	<u>779</u>

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

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

Luxcase

	March 31, 2023	December 31, 2022	March 31, 2022
Current assets	\$ 106,831,114	94,901,775	106,399,022
Non-current assets	43,228,426	43,530,571	39,175,323
Current liabilities	(90,636,305)	(81,475,601)	(85,287,059)
Non-current liabilities	(2,970,369)	(923,620)	(10,058,394)
Net assets attributable to shareholders	<u>\$ 56,452,866</u>	<u>56,033,125</u>	<u>50,228,892</u>

	For the three months ended March 31	
	2023	2022
Operating revenue	\$ <u>76,741,702</u>	<u>69,488,513</u>
Gain from continuing operations	\$ 184,132	2,340,120
Other comprehensive loss	(22,158)	(3,466)
Comprehensive income attributable to shareholders	<u>\$ 161,974</u>	<u>2,336,654</u>

	For the three months ended March 31	
	2023	2022
Shares of net assets of the associate as of January 1	\$ 26,992,837	22,168,901
Net gain attributable to the Group	78,300	1,127,306
Comprehensive income attributable to the Group	108,321	877,880
Change in the ownership interest attributable to the Group	15,581	22,677
Shares of net assets of associates	27,195,039	24,196,764
Goodwill	113,419	106,616
Carrying amount of the associate's equity as of March 31	<u>\$ 27,308,458</u>	<u>24,303,380</u>

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

	March 31, 2023	December 31, 2022	March 31, 2022
Carrying amount of individually insignificant associates' equity	\$ 844,160	749,616	257,249
	For the three months ended March 31		
	2023	2022	
Attributable to the Group:			
Gain (loss) from continuing operations	\$ 96,719	(4,622)	
Other comprehensive loss	(57)	(1)	
Total comprehensive income (loss)	\$ 96,662	(4,623)	

- (i) As of March 31, 2023, December 31, 2022 and March 31, 2022, the aforesaid investments accounted for using the equity method were not pledged as collateral.
- (ii) The unreviewed financial statements of investments accounted for using the equity method.

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

- (h) Subsidiaries that have material non-controlling interest

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

Subsidiaries	Main operation place/Country of registration	Equity ownership of non-controlling interest		
		March 31, 2023	December 31, 2022	March 31, 2022
KINSUS and its subsidiaries	Taiwan	61.71 %	61.59 %	61.42 %
ASROCK and its subsidiaries	Taiwan	44.70 %	44.70 %	45.12 %

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

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(i) Information regarding KINSUS and its subsidiaries

	March 31, 2023	December 31, 2022	March 31, 2022
Current assets	\$ 26,752,360	28,100,289	27,289,969
Non-current assets	46,599,190	44,533,127	33,368,448
Current liabilities	(16,375,303)	(15,373,749)	(17,186,989)
Non-current liabilities	<u>(21,219,845)</u>	<u>(18,443,774)</u>	<u>(11,097,056)</u>
Net assets	<u>\$ 35,756,402</u>	<u>38,815,893</u>	<u>32,374,372</u>
Non-controlling interest	<u>\$ 22,946,878</u>	<u>24,764,767</u>	<u>20,516,308</u>

**For the three months ended
March 31**

	2023	2022
Operating revenue	<u>\$ 6,834,744</u>	<u>9,550,481</u>
Net income for the period	\$ 216,904	1,721,127
Other comprehensive income	14,198	107,458
Comprehensive income	<u>\$ 231,102</u>	<u>1,828,585</u>
Net income attribute to non-controlling interest	<u>\$ 197,109</u>	<u>1,135,484</u>
Comprehensive income attribute to non-controlling interest	<u>\$ 197,066</u>	<u>1,201,642</u>

**For the three months ended
March 31**

	2023	2022
Cash flows from operating activities	\$ 2,060,315	2,172,444
Cash flows used in investing activities	(4,796,231)	(2,809,614)
Cash flows from financing activities	1,738,582	298,858
Effect of movement in exchange rate	<u>5,707</u>	<u>63,925</u>
Net decrease in cash and cash equivalents	<u>\$ (991,627)</u>	<u>(274,387)</u>

(ii) Information regarding ASROCK and its subsidiaries

	March 31, 2023	December 31, 2022	March 31, 2022
Current assets	\$ 12,994,308	13,993,593	15,247,039
Non-current assets	832,210	774,221	510,041
Current liabilities	(5,713,401)	(5,813,692)	(7,671,009)
Non-current liabilities	<u>(107,651)</u>	<u>(60,195)</u>	<u>(94,622)</u>
Net assets	<u>\$ 8,005,466</u>	<u>8,893,927</u>	<u>7,991,449</u>
Non-controlling interest	<u>\$ 4,001,125</u>	<u>4,399,123</u>	<u>3,941,857</u>

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Notes to the Consolidated Financial Statements

	For the three months ended	
	March 31	
	2023	2022
Operating revenue	<u>\$ 4,395,071</u>	<u>5,038,348</u>
Net income for the period	\$ 107,968	648,627
Other comprehensive (loss) income	(36,255)	128,941
Comprehensive income	<u>\$ 71,713</u>	<u>777,568</u>
Net income attribute to non-controlling interest	<u>\$ 38,822</u>	<u>311,857</u>
Comprehensive income attribute to non-controlling interest	<u>\$ 22,616</u>	<u>370,035</u>

	For the three months ended	
	March 31	
	2023	2022
Cash flows used in operating activities	\$ (114,446)	(1,327,014)
Cash flows (used in) from investing activities	(644,097)	67,221
Cash flows used in financing activities	(240,664)	(12,234)
Effect of movement in exchange rate	(33,955)	121,352
Net decrease in cash and cash equivalents	<u>\$ (1,033,162)</u>	<u>(1,150,675)</u>

(i) Property, plant and equipment

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

	<u>Land</u>	<u>Buildings</u>	<u>Machinery equipment</u>	<u>Instrument equipment</u>	<u>Other facilities</u>	<u>Construction in progress</u>	<u>Total</u>
Cost or deemed cost:							
Balance on January 1, 2023	\$ 12,099,104	55,266,759	52,705,931	1,343,727	38,236,146	8,661,817	168,313,484
Additions	-	69,907	27,193	33,168	336,303	1,876,007	2,342,578
Disposals and obsolescence	-	(315,173)	(382,121)	(75,781)	(824,440)	-	(1,597,515)
Reclassifications	-	468,272	463,901	5,140	1,148,496	(918,663)	1,167,146
Effect of movement in exchange rates	3,885	(226,737)	(69,240)	(6,369)	(67,214)	28,309	(337,366)
Balance on March 31, 2023	<u>\$ 12,102,989</u>	<u>55,263,028</u>	<u>52,745,664</u>	<u>1,299,885</u>	<u>38,829,291</u>	<u>9,647,470</u>	<u>169,888,327</u>
Balance on January 1, 2022	\$ 11,856,650	51,500,156	53,338,900	1,313,354	34,999,356	3,058,362	156,066,778
Additions	-	68,722	301,659	30,778	475,848	2,159,023	3,036,030
Disposals and obsolescence	-	(55,281)	(679,267)	(79,116)	(1,595,149)	-	(2,408,813)
Reclassifications	-	(321)	1,346,410	12,986	822,464	(696,744)	1,484,795
Effect of movement in exchange rates	5,366	1,373,916	998,494	26,395	825,545	62,661	3,292,377
Balance on March 31, 2022	<u>\$ 11,862,016</u>	<u>52,887,192</u>	<u>55,306,196</u>	<u>1,304,397</u>	<u>35,528,064</u>	<u>4,583,302</u>	<u>161,471,167</u>

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Land</u>	<u>Buildings</u>	<u>Machinery equipment</u>	<u>Instrument equipment</u>	<u>Other facilities</u>	<u>Construction in progress</u>	<u>Total</u>
Depreciation and impairment loss:							
Balance on January 1, 2023	\$ -	26,668,850	36,379,503	1,054,512	24,521,010	-	88,623,875
Depreciation for the period	-	754,200	1,249,491	41,084	1,249,668	-	3,294,443
Impairment loss	-	-	-	-	2,797	-	2,797
Disposals and obsolescence	-	(318,342)	(267,190)	(75,692)	(546,299)	-	(1,207,523)
Effect of movement in exchange rates	-	(85,282)	(71,256)	(6,025)	(98,087)	-	(260,650)
Balance on March 31, 2023	<u>\$ -</u>	<u>27,019,426</u>	<u>37,290,548</u>	<u>1,013,879</u>	<u>25,129,089</u>	<u>-</u>	<u>90,452,942</u>
Balance on January 1, 2022	\$ -	21,880,939	41,304,823	1,023,595	22,120,891	-	86,330,248
Depreciation for the period	-	686,638	1,085,216	45,134	1,191,522	-	3,008,510
Impairment loss (reversal gain)	-	198	(241)	-	8,836	-	8,793
Disposals and obsolescence	-	(55,263)	(633,722)	(78,974)	(1,456,559)	-	(2,224,518)
Reclassifications	-	(1,686)	-	-	(1,443)	-	(3,129)
Effect of movement in exchange rates	-	655,754	860,199	25,438	555,867	-	2,097,258
Balance on March 31, 2022	<u>\$ -</u>	<u>23,166,580</u>	<u>42,616,275</u>	<u>1,015,193</u>	<u>22,419,114</u>	<u>-</u>	<u>89,217,162</u>
Carrying value:							
Balance on January 1, 2023	<u>\$ 12,099,104</u>	<u>28,597,909</u>	<u>16,326,428</u>	<u>289,215</u>	<u>13,715,136</u>	<u>8,661,817</u>	<u>79,689,609</u>
Balance on March 31, 2023	<u>\$ 12,102,989</u>	<u>28,243,602</u>	<u>15,455,116</u>	<u>286,006</u>	<u>13,700,202</u>	<u>9,647,470</u>	<u>79,435,385</u>
Balance on January 1, 2022	<u>\$ 11,856,650</u>	<u>29,619,217</u>	<u>12,034,077</u>	<u>289,759</u>	<u>12,878,465</u>	<u>3,058,362</u>	<u>69,736,530</u>
Balance on March 31, 2022	<u>\$ 11,862,016</u>	<u>29,720,612</u>	<u>12,689,921</u>	<u>289,204</u>	<u>13,108,950</u>	<u>4,583,302</u>	<u>72,254,005</u>

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

	For the three months ended March 31	
	<u>2023</u>	<u>2022</u>
Impairment loss	<u>\$ 2,797</u>	<u>8,793</u>

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

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(j) Right-of-use assets

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

	<u>Land</u>	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Total</u>
Cost:				
Balance on January 1, 2023	\$ 4,359,191	4,986,033	2,822	9,348,046
Additions	15,367	294,359	-	309,726
Reductions	-	(691,794)	-	(691,794)
Effect of movement in exchange rates	(28,871)	6,274	(13)	(22,610)
Balance on March 31, 2023	<u>\$ 4,345,687</u>	<u>4,594,872</u>	<u>2,809</u>	<u>8,943,368</u>
Balance on January 1, 2022	\$ 4,051,052	5,015,576	3,977	9,070,605
Additions	-	685,524	-	685,524
Reductions	(10,156)	(1,224,307)	-	(1,234,463)
Reclassifications	-	29,380	-	29,380
Effect of movement in exchange rates	138,559	114,148	45	252,752
Balance on March 31, 2022	<u>\$ 4,179,455</u>	<u>4,620,321</u>	<u>4,022</u>	<u>8,803,798</u>
Accumulated depreciation:				
Balance on January 1, 2023	\$ 974,270	2,196,561	1,081	3,171,912
Depreciation for the period	26,968	343,970	68	371,006
Reductions	-	(360,086)	-	(360,086)
Effect of movement in exchange rates	(5,879)	(9,278)	(7)	(15,164)
Balance on March 31, 2023	<u>\$ 995,359</u>	<u>2,171,167</u>	<u>1,142</u>	<u>3,167,668</u>
Balance on January 1, 2022	\$ 837,553	1,995,046	1,547	2,834,146
Depreciation for the period	25,226	412,133	231	437,590
Reductions	(10,156)	(1,222,739)	-	(1,232,895)
Effect of movement in exchange rates	28,725	44,404	11	73,140
Balance on March 31, 2022	<u>\$ 881,348</u>	<u>1,228,844</u>	<u>1,789</u>	<u>2,111,981</u>
Carrying value:				
Balance on January 1, 2023	<u>\$ 3,384,921</u>	<u>2,789,472</u>	<u>1,741</u>	<u>6,176,134</u>
Balance on March 31, 2023	<u>\$ 3,350,328</u>	<u>2,423,705</u>	<u>1,667</u>	<u>5,775,700</u>
Balance on January 1, 2022	<u>\$ 3,213,499</u>	<u>3,020,530</u>	<u>2,430</u>	<u>6,236,459</u>
Balance on March 31, 2022	<u>\$ 3,298,107</u>	<u>3,391,477</u>	<u>2,233</u>	<u>6,691,817</u>

(k) Investment property

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

	<u>Buildings</u>
Carrying amounts:	
Balance on January 1, 2023	\$ <u>33,985</u>
Balance on March 31, 2023	\$ <u>32,927</u>
Balance on January 1, 2022	\$ <u>33,433</u>
Balance on March 31, 2022	\$ <u>33,835</u>

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

	For the three months ended	
	March 31	
	2023	2022
Rental income	\$ -	-
Direct operating expenses arising from investment property that generate rental income	\$ 771	771

- (ii) As of March 31, 2023, December 31, 2022 and March 31, 2022, the fair value of investment property of the Group was \$73,826 thousand, \$70,374 thousand and \$79,576 thousand, respectively. The fair value has not been valued by independent appraisers, but only by the management of the Group according to the third level input value using the evaluation model which is commonly used by market participants, with the transaction amount based on the nearby real estate price.
- (iii) There were no significant additions, disposal, or recognition and reversal of impairment losses of investment property for the three months ended March 31, 2023 and 2022. Information on depreciation for the period is discussed in Note 12. Please refer to Note 6(m) of the consolidated financial statements for the year ended December 31, 2022 for other related information.
- (iv) As of March 31, 2023, December 31, 2022 and March 31, 2022, the aforesaid investment properties were not pledged as collateral.

(l) Intangible assets

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

	Goodwill	Others	Total
Costs:			
Balance on January 1, 2023	\$ 1,746,111	596,122	2,342,233
Additions	-	38,031	38,031
Disposals	-	(20,116)	(20,116)
Reclassifications	-	1,422	1,422
Effect of movement in exchange rates	(9,290)	(965)	(10,255)
Balance on March 31, 2023	\$ 1,736,821	614,494	2,351,315
Balance on January 1, 2022	\$ 1,640,132	997,715	2,637,847
Additions	-	25,215	25,215
Disposals	-	(49,650)	(49,650)
Effect of movement in exchange rates	32,899	19,985	52,884
Balance on March 31, 2022	\$ 1,673,031	993,265	2,666,296

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	<u>Goodwill</u>	<u>Others</u>	<u>Total</u>
Amortization and impairment losses:			
Balance on January 1, 2023	\$ 1,701,854	415,365	2,117,219
Amortization for the period	-	38,536	38,536
Disposals	-	(20,116)	(20,116)
Effect of movement in exchange rates	(8,920)	(920)	(9,840)
Balance on March 31, 2023	<u>\$ 1,692,934</u>	<u>432,865</u>	<u>2,125,799</u>
Balance on January 1, 2022	\$ 1,600,097	829,564	2,429,661
Amortization for the period	-	27,032	27,032
Disposals	-	(49,650)	(49,650)
Effect of movement in exchange rates	31,588	19,440	51,028
Balance on March 31, 2022	<u>\$ 1,631,685</u>	<u>826,386</u>	<u>2,458,071</u>
Carrying value:			
Balance on January 1, 2023	<u>\$ 44,257</u>	<u>180,757</u>	<u>225,014</u>
Balance on March 31, 2023	<u>\$ 43,887</u>	<u>181,629</u>	<u>225,516</u>
Balance on January 1, 2022	<u>\$ 40,035</u>	<u>168,151</u>	<u>208,186</u>
Balance on March 31, 2022	<u>\$ 41,346</u>	<u>166,879</u>	<u>208,225</u>

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

(m) Other financial assets and other assets

Other financial assets and other assets were as follows:

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Other financial assets - current	\$ 17,436,843	12,012,749	18,957,066
Other financial assets - non-current	398,466	374,605	396,598
Other current assets	6,131,422	5,854,949	5,115,950
Other non-current assets	<u>23,658</u>	<u>21,612</u>	<u>49,357</u>
	<u>\$ 23,990,389</u>	<u>18,263,915</u>	<u>24,518,971</u>

- (i) Other financial assets are assets that do not qualify as cash equivalents which consisted of time deposits, restricted time deposits, callable bonds and guarantee deposits. Please refer to Note 8 for details.
- (ii) Other current assets consisted of prepayments, current tax asset, rights to the returned goods and others.
- (iii) Other non-current assets consisted of prepayments on other long-term expenses and others.

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PEGATRON CORPORATION AND SUBSIDIARIES
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(n) Short-term loans

	March 31, 2023	December 31, 2022	March 31, 2022
Unsecured bank loans	\$ 106,299,121	79,589,451	91,041,878
Other unsecured loans	-	-	2,290,000
Total	<u>\$ 106,299,121</u>	<u>79,589,451</u>	<u>93,331,878</u>
Range of interest rate	<u>0.75%~6.20%</u>	<u>0.38%~5.94%</u>	<u>0.38%~1.91%</u>

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

(o) Long-term loans

The details were as follows:

	March 31, 2023	December 31, 2022	March 31, 2022
Unsecured bank loans	\$ 17,954,569	16,726,682	12,802,758
Secured bank loans	<u>260,715</u>	<u>272,216</u>	<u>54,067</u>
	18,215,284	16,998,898	12,856,825
Less: current portion	<u>(3,166,329)</u>	<u>(2,773,471)</u>	<u>(1,358,762)</u>
Total	<u>\$ 15,048,955</u>	<u>14,225,427</u>	<u>11,498,063</u>
Range of interest rate	<u>0.95%~5.98%</u>	<u>0.35%~5.74%</u>	<u>0.35%~1.95%</u>

(i) Borrowing and repayment

In consideration of the operating situation and the terms of the loan agreement, the Group repaid the long-term loans of \$670,710 thousand and \$524,273 thousand for the three months ended March 31, 2023 and 2022, respectively. In addition, the Group proceeded from long-term loans of \$1,900,000 thousand and \$85,875 thousand for the three months ended March 31, 2023 and 2022, respectively. Please refer to Note 6(z) for interest expenses.

(ii) Collateral for bank loans

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

(iii) Government low-interest loan

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

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(p) Bonds payable

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

	March 31, 2023	December 31, 2022	March 31, 2022
Ordinary corporate bonds issued	\$ 30,400,000	34,900,000	36,900,000
Unamortized discount on bonds payable	(21,159)	(23,008)	(28,556)
Bonds payable, end of the year	30,378,841	34,876,992	36,871,444
Less: current portion	<u>-</u>	<u>(4,500,000)</u>	<u>(6,500,000)</u>
	<u>\$ 30,378,841</u>	<u>30,376,992</u>	<u>30,371,444</u>

	For the three months ended March 31	
	2023	2022
Interest expense	<u>\$ 56,883</u>	<u>71,248</u>

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

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

(Continued)

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

(q) Lease liabilities

The Group's lease liabilities were as follows:

	March 31, 2023	December 31, 2022	March 31, 2022
Current	<u>\$ 1,103,638</u>	<u>1,366,074</u>	<u>1,377,460</u>
Non-current	<u>\$ 1,429,160</u>	<u>1,522,527</u>	<u>2,083,062</u>

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

The amounts recognized in profit or loss were as follows:

	For the three months ended March 31	
	2023	2022
Interest on lease liabilities	<u>\$ 19,538</u>	<u>28,537</u>
Variable lease payments not included in the measurement of lease liabilities	<u>\$ 12,065</u>	<u>10,686</u>
Income from sub-leasing right-of-use assets	<u>\$ 197</u>	<u>-</u>
Expenses relating to short-term leases	<u>\$ 46,882</u>	<u>91,189</u>
Expenses relating to leases of low-value, excluding short-term leases of low-value assets	<u>\$ 1,930</u>	<u>849</u>
Covid-19 - related rent concessions	<u>\$ 19</u>	<u>238</u>

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

	For the three months ended March 31	
	2023	2022
Total cash outflow for leases	<u>\$ 411,769</u>	<u>492,885</u>

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

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(r) Employee benefits

(i) Defined benefit plans

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, 2022 and 2021.

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

	For the three months ended March 31	
	2023	2022
Operating cost	\$ 198	26
Operating expense	1,616	1,054
	\$ 1,814	1,080

(ii) Defined contribution plans

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

	For the three months ended March 31	
	2023	2022
Operating cost	\$ 969,924	1,048,268
Operating expense	228,996	200,344
	\$ 1,198,920	1,248,612

(s) Income tax

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

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

	For the three months ended March 31	
	2023	2022
Current income tax expense		
Current period incurred	\$ 752,792	627,642
Prior years income tax adjustment	21,015	199
Income tax expense	\$ 773,807	627,841

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	For the three months ended	
	March 31	
	2023	2022
Items that will be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign financial statements	\$ (1,131)	774

- (iv) Status of approval of income tax

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

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

- (t) Capital and other equity

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

- (i) Ordinary shares

For the three months ended March 31, 2023 and 2022, the Company had retired 710 thousand and 256 thousand shares, respectively, of restricted stock to employees. The authorized capital of the Company consisted of 30,000,000 thousand shares, with par value of \$10 per share \$3,000,000, and its outstanding capital were consisted of 2,666,923 thousand, 2,667,634 thousand and 2,668,876 thousand common shares of stock, as of March 31, 2023, December 31, 2022 and March 31, 2022, respectively. All share proceeds from outstanding capital have been collected.

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

As of March 31, 2023, December 31, 2022 and March 31, 2022, the restricted Company shares of stock issued to employees have expired, of which 275 thousand, 710 thousand and 423 thousand shares, respectively, have not been retired.

(ii) Global depositary receipts

As of March 31, 2023, December 31, 2022 and March 31, 2022, the Company has listed, in total, 225 thousand, 225 thousand and 253 thousand units of GDRs, respectively, on the Euro MTF market of the Luxembourg Stock Exchange. As each unit of these GDRs represents 5 common shares of the Company, the Company has listed Company shares totaling 1,126 thousand, 1,126 thousand and 1,267 thousand shares of stock, respectively.

(iii) Capital surplus

The components of the capital surplus were as follows:

	March 31, 2023	December 31, 2022	March 31, 2022
From issuance of share capital	\$ 67,633,485	67,629,957	66,983,902
From conversion of convertible bonds	11,073,663	11,073,663	11,073,663
From treasury stock transactions	47,865	47,865	47,865
Difference between consideration and carrying amount of subsidiaries acquired or disposed	2,273,401	2,273,401	2,273,401
Changes in equity of associates accounted for using the equity method	186,407	170,826	43,539
Changes in ownership interest in subsidiaries	1,321,358	1,353,306	1,437,733
Employee stock options	6,094	6,094	5,854
Restricted stock to employees	461,909	386,975	1,096,403
Other	409,917	409,917	409,917
	<u>\$ 83,414,099</u>	<u>83,352,004</u>	<u>83,372,277</u>

(iv) Retained earnings

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

1) Legal reserve

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

2) Special reserve

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

3) Earnings distribution

On March 14, 2023, and March 10, 2022, the Company's Board of Directors resolved to distribute cash dividends for the appropriation of the 2022 and 2021 earnings, respectively. On June 15, 2022, the Company's shareholders' meeting resolved to appropriate the 2021 earnings. The earnings were appropriated as follows:

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Other equity (net of tax)

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Deferred compensation arising from issuance of restricted stock	Total
Balance on January 1, 2023	\$ (7,603,630)	79,970	(68,877)	(7,592,537)
Exchange differences on foreign operations	(498,292)	-	-	(498,292)
Exchange differences on associates accounted for using the equity method	108,264	-	-	108,264
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	10,124	-	10,124
Deferred compensation cost arising from issuance of restricted stock	-	-	18,223	18,223
Balance on March 31, 2023	<u>\$ (7,993,658)</u>	<u>90,094</u>	<u>(50,654)</u>	<u>(7,954,218)</u>
Balance on January 1, 2022	\$ (21,363,627)	444,778	(712,701)	(21,631,550)
Exchange differences on foreign operations	4,745,719	-	-	4,745,719
Exchange differences on associates accounted for using the equity method	877,879	-	-	877,879
Unrealized gains from financial assets measured at fair value through other comprehensive income	-	(156,590)	-	(156,590)
Deferred compensation cost arising from issuance of restricted stock	-	-	146,564	146,564
Balance on March 31, 2022	<u>\$ (15,740,029)</u>	<u>288,188</u>	<u>(566,137)</u>	<u>(16,017,978)</u>

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

	For the three months ended March 31	
	2023	2022
Balance on January 1	\$ 32,079,698	27,662,332
Income attributable to non-controlling interests	266,944	1,480,769
Other comprehensive income (loss) attributable to non-controlling interests		
Exchange differences on foreign operations	(26,987)	173,461
Changes in ownership interest in subsidiaries	31,948	(1,166)
Changes in non-controlling interests	(2,459,642)	(2,258,441)
Balance on March 31	<u>\$ 29,891,961</u>	<u>27,056,955</u>

(u) Share-based payment

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

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) New shares of restricted stock awards

For the three months ended March 31, 2023 and 2022, 275 thousand and 423 thousand new shares of restricted stock awards issued to employees have expired, which were converted to capital surplus of \$2,750 thousand and \$4,225 thousand, respectively. As of March 31, 2023, December 31, 2022 and March 31, 2022, the Company has deferred compensation cost arising from issuance of new shares of restricted stock awards of \$50,654 thousand, \$68,877 thousand and \$566,137 thousand, respectively.

(ii) Expenses recognized in profit or loss

The Company incurred expenses of share-based arrangements for the three months ended March 31, 2023 and 2022 were as follows:

	For the three months ended	
	March 31	
	2023	2022
Expenses resulting from the issuance of new shares of restricted stock awards	\$ 93,935	169,465

(v) Subsidiary's share-based payments

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

(i) New shares of restricted stock awards of AZUREWAVE

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

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

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PEGATRON CORPORATION AND SUBSIDIARIES
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On March 7, 2022, AZUREWAVE approved to retire and cancel 45 thousand shares new shares of restricted stock awards, with the record date set on March 15, 2022, due to those employees who did not meet the vesting condition for the three months ended March 31, 2023.

For the three months ended March 31, 2023 and 2022, AZUREWAVE recognized share-based compensation cost of \$5,051 thousand and \$9,356 thousand, due to the issuance of new shares of restricted stock awards.

- (ii) New shares of restricted stock awards of ASROCK
- 1) ASROCK

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

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

A. The overall performance of ASROCK:

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

B. Personal performance:

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

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PEGATRON CORPORATION AND SUBSIDIARIES
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- C. One year of employment after subscription of new shares of restricted stock awards, and there should be no violation of laws or regulations, company working rules, business ethics codes, as well as other related regulations and agreements, in the first year, with the existing 40% of the shares are multiplied by the overall weight, then multiplied by the personal weight.
- D. Two years of employment after subscription of new shares of restricted stock awards, and there should be no violation of laws or regulations, company working rules, business ethics codes, as well as other related regulations and agreements, in the second year, with the existing 30% of the shares are multiplied by the overall weight, then multiplied by the personal weight.
- E. Three years of employment after subscription of new shares of restricted stock awards, and there should be no violation of laws or regulations, company working rules, business ethics codes, as well as other related regulations and agreements, in the third year, with the existing 30% of the shares are multiplied by the overall weight, then multiplied by the personal weight.

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

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

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

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

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) ASRock Rack

As of March 31, 2023, the share-based payment transactions issued by ASROCK RACK were as follows:

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

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

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

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

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

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

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

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

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

<u>June 30, 2022</u>	<u>For the three months ended March 31, 2023</u>	
	<u>Outstanding number of options (In thousand units)</u>	<u>Weighted average exercise price (dollars)</u>
Outstanding as of January 1	2,300	\$ 19.45
Granted during the period	-	-
Forfeited during the period	-	-
Exercised during the period	-	-
Outstanding as of March 31	<u>2,300</u>	19.45
Exerisable as of March 31	<u>-</u>	

As of March 31, 2023, related information about outstanding options on the share-based payment were as follows:

	<u>Exercise price (dollars)(Note)</u>	<u>Weighted average residual duration (years)</u>
March 31, 2023		
Outstanding option	\$ 19.45	2.75

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
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3) ASRock Industrial

As of March 31, 2023, the share-based payment transactions issued by ASRock Industrial were as follows:

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

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

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

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

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

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

(Continued)

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

	For the three months ended March 31			
	2023		2022	
	Outstanding number of options (In thousand units)	Weighted average exercise price (dollars)	Outstanding number of options (In thousand units)	Weighted average exercise price (dollars)
April 20, 2021				
Outstanding as of January 1	1,430	\$ 10	2,200	\$ 12.5
Granted during the period	-	-	-	-
Exercised during the period	-	-	-	-
Outstanding as of March 31	<u>1,430</u>	10	<u>2,200</u>	12.5
Exercisable as of March 31	<u>-</u>	-	<u>-</u>	-

As of March 31, 2023, the related information about outstanding options on the share-based payment were as follows:

	Exercise price (dollars) (Note)	Weighted average residual duration (years)
March 31, 2023		
Outstanding option	\$10.0	1.55
March 31, 2022		
Outstanding option	\$12.5	2.55

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

	For the three months ended March 31, 2023	
	Outstanding number of options (In thousand units)	Weighted average exercise price (dollars)
July 8, 2022		
Outstanding as of January 1	2,100	\$ 16.15
Granted during the period	-	-
Exercised during the period	-	-
Outstanding as of March 31	<u>2,100</u>	16.15
Exercisable as of March 31	<u>-</u>	

As of March 31, 2023, the related information about outstanding options on the share-based payments were as follows:

	Exercise price (dollars) (Note)	Weighted average residual duration (years)
March 31, 2023		
Outstanding option	\$ 16.15	2.77

(Continued)

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4) ASJADE

As of March 31, 2023, the share-based payment transactions issued by ASJADE were as follows:

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

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

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

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

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

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

<u>September 7, 2022</u>	<u>For the three months ended March 31, 2023</u>	
	<u>Outstanding number of options (In thousand units)</u>	<u>Weighted average exercise price (dollars)</u>
Outstanding as of January 1	3,240	\$ 10
Granted during the period	-	-
Exercised during the period	-	-
Outstanding as of March 31	<u>3,240</u>	10
Exercisable as of March 31	<u>-</u>	

(Continued)

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As of March 31, 2023, the related information about outstanding options on the share-based payments were as follows:

	<u>Exercise price (dollars)</u>	<u>Weighted average residual duration (years)</u>
March 31, 2023		
Outstanding option	\$ 10	9.40

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

No Modification or cancellation of the share-based payment plan has occurred for the three month period ended March 31, 2023.

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

	<u>For the three months ended March 31</u>	
	<u>2023</u>	<u>2022</u>
Expense resulting from equity-settled share-based payment	\$ <u>15,785</u>	<u>36,240</u>

- (iii) Employee stock option of Lumens

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

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

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

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

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

2) Employee stock options

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

	<u>For the three months ended March 31</u>			
	<u>2023</u>		<u>2022</u>	
	<u>Weighted- average exercise price (dollars)</u>	<u>Units of stock option</u>	<u>Weighted- average exercise price (dollars)</u>	<u>Units of stock option</u>
Outstanding as of January 1 (In thousand units)	\$ 78.6	1,517	78.6	1,613
Granted during the period	-	-	-	-
Outstanding as of March 31 (In thousand units)	78.6	<u>1,517</u>	78.6	<u>1,613</u>
Exercisable as of March 31 (In thousand units)	-	<u>-</u>	-	<u>-</u>

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

	<u>March 31, 2023</u>	<u>March 31, 2022</u>
Exercise price (dollars)	\$78.6	78.6
Weighted average residual duration	4.46 years	5.46 years

3) Expenses resulting from share-based payment

	<u>For the three months ended March 31</u>	
	<u>2023</u>	<u>2022</u>
Expenses resulting from employee stock option	<u>\$ 3,329</u>	<u>3,539</u>

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

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

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

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

II. Employees above grade 8 (inclusive)

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

III. Employees from Grade 6 to Grade 7

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

The restricted obligation before vested was as follows:

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

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On August 19, 2022, KINSUS issued 1,932 thousand new shares of restricted stock awards, and incurred 226,134 thousand to capital surplus, of new shares of restricted stock awards of KINSUS. As of March 31, 2023, 5 thousand shares of new shares of restricted stock awards have expired, resulting in the capital surplus of KINSUS to increase by \$50 thousand. Subsequently, as of March 31, 2023, the deferred compensation cost of KINSUS arising from the issuance of its new shares of restricted stock awards amounted to \$25,117 thousand.

On March 20, 2023, KINSUS issued 1,448 thousand new shares restricted stock awards, and incurred \$109,469 thousand of capital surplus, As of March 31, 2023, the deferred compensation cost of KINSUS arising from the issuance of its new share of restricted stock amounted to \$19,283 thousand.

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

	For the three months ended March 31	
	2023	2022
	Expenses resulting from equity-settled share-based payment	\$ 18,979

- 3) KINSUS did not make any cancellation or amendment to share-based payment transactions for the three months ended March 31, 2023 and 2022.

(w) Earnings per share

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

	For the three months ended March 31					
	2023			2022		
	Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
Basic earnings per share						
Profit attributable to ordinary shareholders	\$ 3,054,562	(46,695)	3,007,867	1,747,673	(80,248)	1,667,425
Weighted-average number of ordinary shares	2,666,853	2,666,853	2,666,853	2,668,639	2,668,639	2,668,639
	\$ 1.15	(0.02)	1.13	0.65	(0.03)	0.62
Diluted earnings per share						
Profit attributable to ordinary shareholders (diluted)	\$ 3,054,562	(46,695)	3,007,867	1,747,673	(80,248)	1,667,425
Weighted-average number of ordinary shares	2,666,853	2,666,853	2,666,853	2,668,639	2,668,639	2,668,639
Effect of potentially dilutive ordinary shares	19,885	19,885	19,885	19,669	19,669	19,669
Weighted-average number of ordinary shares (diluted)	2,686,738	2,686,738	2,686,738	2,688,308	2,688,308	2,688,308
	\$ 1.14	(0.02)	1.12	0.65	(0.03)	0.62

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(x) Revenue from contracts with customers

(i) Disaggregation of revenue

For the three months ended March 31, 2023					
Continuing Operations					
	DMS	Strategic Investment Group	Subtotal	Discontinued Operations	Total
Primary geographical markets:					
Europe	\$ 150,717,481	1,471,502	152,188,983	-	152,188,983
U.S.A.	112,880,021	2,761,557	115,641,578	-	115,641,578
Taiwan	17,576,844	1,382,125	18,958,969	-	18,958,969
China	6,002,196	4,173,882	10,176,078	(416)	10,175,662
Japan	5,020,453	944,717	5,965,170	-	5,965,170
Other countries	13,096,436	2,109,332	15,205,768	-	15,205,768
	<u>\$ 305,293,431</u>	<u>12,843,115</u>	<u>318,136,546</u>	<u>(416)</u>	<u>318,136,130</u>

For the three months ended March 31, 2022					
Continuing Operations					
	DMS	Strategic Investment Group	Subtotal	Discontinued Operations	Total
Primary geographical markets:					
Europe	\$ 147,733,716	1,198,341	148,932,057	6,717	148,938,774
U.S.A.	109,287,311	3,884,840	113,172,151	-	113,172,151
Taiwan	26,325,210	4,000,151	30,325,361	32,342	30,357,703
China	7,119,305	7,055,485	14,174,790	165,856	14,340,646
Japan	1,948,423	843,311	2,791,734	-	2,791,734
Other countries	13,915,340	49,328	13,964,668	258,863	14,223,531
	<u>\$ 306,329,305</u>	<u>17,031,456</u>	<u>323,360,761</u>	<u>463,778</u>	<u>323,824,539</u>

(ii) Contract balances

	March 31, 2023	December 31, 2022	March 31, 2022
Notes receivable	\$ 12,887	11,200	3,249
Accounts receivable	165,013,779	190,423,074	178,167,643
Less: Allowance for impairment	240,088	187,095	118,691
Total	<u>\$ 164,786,578</u>	<u>190,247,179</u>	<u>178,052,201</u>
Contract liabilities	<u>\$ 5,197,981</u>	<u>3,828,212</u>	<u>1,547,584</u>

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

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The major change in the balance of contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received. There were no other significant changes for the three months ended March 31, 2023 and 2022.

(y) Remunerations to employees and directors

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

For the three months ended March 31, 2023 and 2022 the Company estimated its employee remuneration amounting to \$274,000 thousand and \$131,000 thousand, and directors' remuneration amounting to \$27,000 thousand and \$12,000 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees and directors of each period, multiplied by the percentage of remuneration to employees and directors as specified in the Company's articles. Such amounts were recognized as operating costs or operating expenses during the three months ended March 31, 2023 and 2022. Management is expecting that the differences, if any, between the actual distributed amounts and estimated amounts will be treated as changes in accounting estimates and charged to profit or loss. The numbers of shares to be distributed were calculated based on the closing price of the Company's ordinary shares, one day before the date of the meeting of Board of Directors.

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

(z) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	For the three months ended March 31					
	2023			2022		
	Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
Interest income from bank deposits	<u>\$ 1,292,289</u>	<u>697</u>	<u>1,292,986</u>	<u>394,533</u>	<u>98</u>	<u>394,631</u>

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(ii) Other income

The details of other income were as follows:

	For the three months ended March 31					
	2023			2022		
	Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
Subsidy income	\$ 713,713	-	713,713	981,197	-	981,197
Rental income	124,717	-	124,717	193,980	-	193,980
Dividend income	1,293	-	1,293	1,292	-	1,292
Technical service income	269,173	-	269,173	97,415	-	97,415
Other income	78,703	12,326	91,029	271,437	3,988	275,425
	<u>\$ 1,187,599</u>	<u>12,326</u>	<u>1,199,925</u>	<u>1,545,321</u>	<u>3,988</u>	<u>1,549,309</u>

(iii) Other gains and losses

The details of other gains and losses were as follows:

	For the three months ended March 31					
	2023			2022		
	Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
Foreign exchange gains (losses)	\$ (210,578)	821	(209,757)	88,969	(3,711)	85,258
Gains on disposal of property, plant and equipment	15,948	-	15,948	57,562	19,958	77,520
Gains on lease modifications	18,689	-	18,689	5,628	-	5,628
Impairment losses on non-financial assets	(2,797)	-	(2,797)	(8,793)	-	(8,793)
Net loss on financial assets measured at fair value through profit or loss	(100,122)	-	(100,122)	(3,335,345)	-	(3,335,345)
Liability provisions and others	7,708	(8)	7,700	(67,590)	(16,559)	(84,149)
	<u>\$ (271,152)</u>	<u>813</u>	<u>(270,339)</u>	<u>(3,259,569)</u>	<u>(312)</u>	<u>(3,259,881)</u>

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(iv) Finance costs

The details of finance costs were as follows:

	For the three months ended March 31					
	2023			2022		
	Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
Interest expenses	\$ 1,086,823	15,524	1,102,347	247,826	4,567	252,393
Financial expense- bank fees and factoring fees, etc.	3,858	-	3,858	3,797	-	3,797
	\$ 1,090,681	15,524	1,106,205	251,623	4,567	256,190

(aa) Financial instruments

(i) Credit risk

1) Credit risk exposure

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

2) Concentration of credit risk

As of March 31, 2023, December 31, 2022 and March 31, 2022, the accounts receivable from the Group's top three customers were amounted to \$120,341,209 thousand, \$131,973,672 thousand and \$128,779,409 thousand, representing 73%, 69% and 72% of accounts receivable, respectively, which exposes the Group to credit risk.

3) Credit risk of accounts receivable

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

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

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

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The loss allowance provision for the three months ended March 31, 2023 and 2022 was determined as follows:

	Other receivables
Balance on January 1, 2023	\$ 16,299
Impairment loss recognized	49
Effect of movement in exchange rates	77
Balance on March 31, 2023	<u>\$ 16,425</u>
Balance on January 1, 2022	\$ 16,438
Reversal of impairment loss recognized	(393)
Effect of movement in exchange rates	621
Balance on March 31, 2022	<u>\$ 16,666</u>

(ii) Liquidity risk

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

	Carrying amount	Contractual cash flows	Within 1 year	1-2 years	More than 2 years
March 31, 2023					
Non-derivative financial liabilities					
Secured bank loans	\$ 260,715	260,715	7,061	7,872	245,782
Unsecured bank loans	124,253,690	124,301,430	109,476,727	3,833,083	10,991,620
Unsecured ordinary corporate bonds	30,378,841	30,400,000	-	8,000,000	22,400,000
Non-interest bearing liabilities	215,630,094	215,630,094	210,349,768	5,280,326	-
Lease liabilities	2,532,798	2,532,798	1,103,638	762,953	666,207
	<u>\$ 373,056,138</u>	<u>373,125,037</u>	<u>320,937,194</u>	<u>17,884,234</u>	<u>34,303,609</u>
December 31, 2022					
Non-derivative financial liabilities					
Secured bank loans	\$ 272,216	272,216	6,655	7,872	257,689
Unsecured bank loans	96,316,133	96,451,788	82,371,617	3,729,565	10,350,606
Unsecured ordinary corporate bonds	34,876,992	34,900,000	4,500,000	8,000,000	22,400,000
Non-interest bearing liabilities	240,715,180	240,715,180	235,385,475	5,329,705	-
Lease liabilities	2,888,601	2,888,601	1,366,074	853,722	668,805
	<u>\$ 375,069,122</u>	<u>375,227,785</u>	<u>323,629,821</u>	<u>17,920,864</u>	<u>33,677,100</u>

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	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>More than 2 years</u>
March 31, 2022					
Non-derivative financial liabilities					
Secured bank loans	\$ 54,067	54,067	729	2,561	50,777
Unsecured bank loans	103,844,636	103,890,824	92,412,618	2,737,128	8,741,078
Other unsecured loans	2,290,000	2,290,000	2,290,000	-	-
Unsecured ordinary corporate bonds	36,871,444	36,900,000	6,500,000	-	30,400,000
Non-interest bearing liabilities	275,795,986	275,795,986	273,428,657	2,367,329	-
Lease liabilities	<u>3,460,522</u>	<u>3,460,522</u>	<u>1,377,460</u>	<u>995,206</u>	<u>1,087,856</u>
	<u>\$ 422,316,655</u>	<u>422,391,399</u>	<u>376,009,464</u>	<u>6,102,224</u>	<u>40,279,711</u>

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

(iii) Market risk

1) Exposure to foreign currency risk

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

(Unit: Foreign currency / NTD in Thousands)

	<u>March 31, 2023</u>			<u>March 31, 2022</u>		
	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>NTD</u>	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>NTD</u>
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 13,405,956	30.4515	408,231,469	13,675,640	28.6250	391,465,195
USD:CNY	43,501	6.8717	1,324,672	45,897	6.3482	1,313,801
CNY:USD	4,733,246	0.1455	20,975,078	6,034,543	0.1575	27,210,673
<u>Non-monetary items</u>						
CNY:USD	6,160,548	0.1455	27,308,458	5,389,896	0.1575	24,303,380
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	13,240,284	30.4515	403,186,508	14,115,300	28.6250	404,050,463
USD:CNY	18,839	6.8717	573,676	57,730	6.3482	1,652,520
CNY:USD	4,000,138	0.1455	17,726,356	3,515,760	0.1575	15,853,097
<u>December 31, 2022</u>						
	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>NTD</u>			
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 17,243,548	30.7175	529,678,686			
USD:CNY	71,105	6.9646	2,184,168			
CNY:USD	5,242,415	0.1436	23,121,770			
USD:INR	379,710	82.7605	11,663,742			

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

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, loans and other payables that are denominated in foreign currency. 1% appreciation (depreciation) of the major foreign currency against the Group's functional currency as of March 31, 2023 and 2022 would have increased (decreased) the before-tax net income for the three months ended March 31, 2023 and 2022 by \$100,513 thousand and (\$1,645) thousand, respectively. The analysis is performed on the same basis for both periods.

3) Foreign exchange gains or losses on monetary items

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the three months ended March 31, 2023 and 2022, foreign exchange gain (loss) (including realized and unrealized portions) amounted to (\$209,757) thousand and \$85,258 thousand, respectively.

4) Interest rate analysis

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

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

If the interest rate increases/decreases by 1%, the Group's net income will decrease /increase by \$37,641 thousand and \$35,826 thousand for the three months ended March 31, 2023 and 2022, respectively, assuming all other variable factors remain constant. This is mainly due to the Group's variable rate borrowing and cash advances for accounts receivable factoring.

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5) Other market price risk

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

<u>Equity price on reporting date</u>	For the three months ended March 31			
	2023		2022	
	Comprehensive Income (Loss) (net of tax)	Net Income (Loss) (before tax)	Comprehensive Income (Loss) (net of tax)	Net Income (Loss) (before tax)
Increase 3%	\$ 43,168	222,869	38,882	239,687
Decrease 3%	\$ (43,168)	(222,869)	(38,882)	(239,687)

(iv) Fair value of financial instruments

1) Fair value hierarchy

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

	March 31, 2023				
	<u>Book Value</u>	<u>Fair Value</u>			<u>Total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Financial assets at fair value through profit or loss					
Financial assets mandatorily measured at fair value through profit or loss	\$ 11,895,689	10,167,474	-	1,728,215	11,895,689
Financial assets at fair value through other comprehensive income					
Stock of listed companies	\$ 669,464	669,464	-	-	669,464
Stock of unlisted companies	166,017	-	-	166,017	166,017
Stock of overseas listed companies	214,773	214,773	-	-	214,773
Stock of overseas unlisted companies	388,691	-	-	388,691	388,691
Subtotal	\$ 1,438,945	884,237	-	554,708	1,438,945

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		March 31, 2023			
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets at amortized cost					
Cash and cash equivalents	\$ 121,658,063	-	-	-	-
Notes and accounts receivable	164,786,578	-	-	-	-
Other receivables	1,623,558	-	-	-	-
Other financial assets	<u>17,835,309</u>	-	-	-	-
Subtotal	<u>\$305,903,508</u>	-	-	-	-
Financial liabilities at amortized cost					
Bank loans	\$ 124,514,405	-	-	-	-
Non-interest bearing liabilities	215,630,094	-	-	-	-
Lease liabilities	2,532,798	-	-	-	-
Unsecured ordinary corporate bonds	<u>30,378,841</u>	-	-	-	-
Subtotal	<u>\$373,056,138</u>	-	-	-	-
		December 31, 2022			
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Financial assets mandatorily measured at fair value through profit or loss	\$ <u>11,195,278</u>	<u>9,610,705</u>	-	<u>1,584,573</u>	<u>11,195,278</u>
Financial assets at fair value through other comprehensive income					
Stock of listed companies	\$ 672,778	672,778	-	-	672,778
Stock of unlisted companies	161,247	-	-	161,247	161,247
Stock of overseas listed companies	201,334	201,334	-	-	201,334
Stock of overseas unlisted companies	<u>368,287</u>	-	-	<u>368,287</u>	<u>368,287</u>
Subtotal	<u>\$ 1,403,646</u>	<u>874,112</u>	-	<u>529,534</u>	<u>1,403,646</u>
Financial assets at amortized cost					
Cash and cash equivalents	\$ 84,577,382	-	-	-	-
Notes and accounts receivable	190,247,179	-	-	-	-
Other receivables	1,329,144	-	-	-	-
Other financial assets	<u>12,387,354</u>	-	-	-	-
Subtotal	<u>\$288,541,059</u>	-	-	-	-
Financial liabilities at amortized cost					
Bank loans	\$ 96,588,349	-	-	-	-
Non-interest bearing liabilities	240,715,180	-	-	-	-
Lease liabilities	2,888,601	-	-	-	-
Unsecured ordinary corporate bonds	<u>34,876,992</u>	-	-	-	-
Subtotal	<u>\$375,069,122</u>	-	-	-	-

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	March 31, 2022				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Financial assets mandatorily measured at fair value through profit or loss	\$ 10,433,410	9,496,255	-	937,155	10,433,410
Financial assets at fair value through other comprehensive income					
Stock of listed companies	\$ 863,344	863,344	-	-	863,344
Stock of unlisted companies	149,357	-	-	149,357	149,357
Stock of overseas listed companies	237,147	237,147	-	-	237,147
Stock of overseas unlisted companies	46,224	-	-	46,224	46,224
Private fund	166,357	-	-	166,357	166,357
Subtotal	\$ 1,462,429	1,100,491	-	361,938	1,462,429
Financial assets at amortized cost					
Cash and cash equivalents	\$121,109,907	-	-	-	-
Notes and accounts receivable	178,052,201	-	-	-	-
Other receivables	10,428,347	-	-	-	-
Other financial assets	19,353,664	-	-	-	-
Subtotal	\$328,944,119	-	-	-	-
Financial liabilities at amortized cost					
Bank loans	\$103,898,703	-	-	-	-
Other loans	2,290,000	-	-	-	-
Non-interest bearing liabilities	275,795,986	-	-	-	-
Lease liabilities	3,460,522	-	-	-	-
Unsecured ordinary corporate bonds	36,871,444	-	-	-	-
Subtotal	\$422,316,655	-	-	-	-

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

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

a) Financial assets and financial liabilities measured at amortized cost

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

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PEGATRON CORPORATION AND SUBSIDIARIES
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3) Valuation techniques for financial instruments measured at fair value:

a) Non-derivative financial instruments

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

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

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

b) Derivative financial instruments

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

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

4) Transfers between Level 1 and Level 2

There have been no transfers from each level for the three months ended March 31, 2023 and 2022.

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Notes to the Consolidated Financial Statements

5) Reconciliation of Level 3 fair values

	<u>Fair value through profit or loss</u>	<u>Fair value through other comprehensive income</u>		<u>Total</u>
	<u>Non-derivative mandatorily measured at fair value through profit or loss</u>	<u>Unquoted equity instruments</u>	<u>Unquoted debt instruments</u>	
Opening balance, January 1, 2023	\$ 1,584,573	529,534	-	2,114,107
Total gains and losses recognized:				
In profit or loss	48,092	-	-	48,092
Purchased	96,363	28,533	-	124,896
Impact of exchange rate	(813)	(3,359)	-	(4,172)
Ending Balance, March 31, 2023	<u>\$ 1,728,215</u>	<u>554,708</u>	<u>-</u>	<u>2,282,923</u>
Opening balance, January 1, 2022	\$ 715,758	194,010	41,784	951,552
Total gains and losses recognized:				
In profit or loss	37,617	-	-	37,617
In other comprehensive income	-	1,571	-	1,571
Purchased	183,780	-	124,573	308,353
Ending Balance, March 31, 2022	<u>\$ 937,155</u>	<u>195,581</u>	<u>166,357</u>	<u>1,299,093</u>

For the three months ended March 31, 2023 and 2022, total gains and losses that were included in “other gains and losses” and “unrealized gains from financial assets at fair value through other comprehensive income” were as follows:

	<u>For the three months ended March 31</u>	
	<u>2023</u>	<u>2022</u>
Total gains and losses recognized:		
In profit or loss, and presented in “other gains and losses”	<u>\$ 48,092</u>	<u>37,617</u>
In other comprehensive income, and presented in “unrealized gains from financial assets at fair value through other comprehensive income”	<u>\$ -</u>	<u>1,571</u>

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

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

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

Quantified information of significant unobservable inputs were as follows:

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

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

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

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PEGATRON CORPORATION AND SUBSIDIARIES
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	Inputs	Fluctuation in inputs	Profit or loss		Other comprehensive income	
			Favorable	Unfavorable	Favorable	Unfavorable
March 31, 2023						
Financial assets at fair value through profit or loss						
Equity investments without an active market	Multiplier of price-to-book ratio	1%	4,689	(4,689)	-	-
Equity investments without an active market	Market illiquidity discount	1%	4,689	(4,689)	-	-
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	Multiplier of price-to-book ratio	1%	-	-	5,547	(5,547)
Equity investments without an active market	Market illiquidity discount	1%	-	-	5,547	(5,547)
December 31, 2022						
Financial assets at fair value through profit or loss						
Equity investments without an active market	Multiplier of price-to-book ratio	1%	4,697	(4,697)	-	-
Equity investments without an active market	Market illiquidity discount	1%	4,697	(4,697)	-	-
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	Multiplier of price-to-book ratio	1%	-	-	5,295	(5,295)
Equity investments without an active market	Market illiquidity discount	1%	-	-	5,295	(5,295)
March 31, 2022						
Financial assets at fair value through profit or loss						
Equity investments without an active market	Multiplier of price-to-book ratio	1%	4,321	(4,321)	-	-
Equity investments without an active market	Market illiquidity discount	1%	4,321	(4,321)	-	-
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	Multiplier of price-to-book ratio	1%	-	-	1,956	(1,956)
Equity investments without an active market	Market illiquidity discount	1%	-	-	1,956	(1,956)

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

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Notes to the Consolidated Financial Statements

(v) Offsetting of financial assets and financial liabilities

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

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

March 31, 2023						
Financial assets that are offset which have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial assets (a)	Gross amounts of financial liabilities offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)		Net amounts (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral instruments	
Accounts Receivable and Payable	\$ 15,187,923	12,515,732	2,672,191	-	-	2,672,191
Other financial asset and short-term loan	\$ 129,846,159	129,846,159	-	-	-	-

March 31, 2023						
Financial liabilities that are offset which have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial liabilities (a)	Gross amounts of financial assets offset in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)		Net amounts (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral instruments	
Accounts Receivable and Payable	\$ 12,515,732	12,515,732	-	-	-	-
Other financial asset and short-term loan	\$ 129,846,159	129,846,159	-	-	-	-

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

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

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Notes to the Consolidated Financial Statements

March 31, 2022						
Financial assets that are offset which have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial assets (a)	Gross amounts of financial liabilities offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)		Net amounts (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral instruments	
Accounts Receivable and Payable	\$ 16,856,261	15,659,909	1,196,352	-	-	1,196,352
Other financial asset and short-term loan	\$ 8,301,200	8,301,200	-	-	-	-

March 31, 2022						
Financial liabilities that are offset which have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial liabilities (a)	Gross amounts of financial assets offset in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)		Net amounts (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral instruments	
Accounts Receivable and Payable	\$ 15,659,909	15,659,909	-	-	-	-
Other financial asset and short-term loan	\$ 8,301,200	8,301,200	-	-	-	-

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

(ab) Financial risk management

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

(ac) Capital management

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

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(ad) Financing activities not affecting current cash flow

For the three months ended March 31, 2023 and 2022, reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2023	Cash flows	Non-cash changes		March 31, 2023
			Foreign exchange movement	Other	
Long-term loans	\$ 16,998,898	1,229,290	(8,778)	(4,126)	18,215,284
Short-term loans	79,589,451	26,709,670	-	-	106,299,121
Bonds payable	34,876,992	(4,500,000)	-	1,849	30,378,841
Lease liabilities	2,888,601	(331,373)	16,241	(40,671)	2,532,798
Non-controlling interests	32,079,698	14,456	(26,987)	(2,175,206)	29,891,961
Total liabilities from financing activities	<u>\$ 166,433,640</u>	<u>23,122,043</u>	<u>(19,524)</u>	<u>(2,218,154)</u>	<u>187,318,005</u>

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

(7) Related-party transactions

(a) Names and relationship with related parties

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

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

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(b) Significant transactions with related parties

(i) Sale of Goods to Related Parties

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

	Sales	
	For the three months ended March 31	
	2023	2022
Other related parties	\$ 44,996	41,260

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

(ii) Purchase of Goods from Related Parties

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

	Purchases	
	For the three months ended March 31	
	2023	2022
Associates	\$ 66,592	157,678

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

(iii) Receivables from Related Parties

The receivables from related parties were as follows:

Account	Relationship	March 31, 2023	December 31, 2022	March 31, 2022
Accounts receivable	Other related party	\$ 14,925	14,341	15,213
Other receivables	Associates	4,596	144,336	337,013
		\$ 19,521	158,677	352,226

(iv) Payables to Related Parties

The payables to related parties were as follows:

Account	Relationship	March 31, 2023	December 31, 2022	March 31, 2022
Accounts payable	Associates	\$ 66,473	83,609	161,450
Other payables	Associates	-	491	-
Accrued expenses	Associates	38,346	6,134	896
		\$ 104,819	90,234	162,346

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Notes to the Consolidated Financial Statements

(v) Loans to Related Parties

The loans to related parties were as follows:

	<u>December 31,</u> <u>2022</u>	<u>March 31,</u> <u>2022</u>
Associates - RI SHAN	\$ -	8,555,898
Range of interest rate	<u>1.00%</u>	<u>0.92%~1.00%</u>
Interest income	\$ <u>50,328</u>	<u>20,916</u>

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

(c) Key management personnel compensation

	<u>For the three months ended</u> <u>March 31</u>	
	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 103,308	111,830
Post-employment benefits	1,131	1,013
Share-based payments	<u>21,022</u>	<u>38,317</u>
	\$ <u>125,461</u>	<u>151,160</u>

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

(8) Assets pledged as security

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

<u>Assets pledged</u> <u>as security</u>	<u>Liabilities secured</u> <u>by pledge</u>	<u>March 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>March 31,</u> <u>2022</u>
Other financial asset-restricted deposit	Post-release duty deposits, customs duty, lease deposits, travel agency guarantee, etc.	\$ 124,388	136,674	121,327
Property, plant and equipment	Bank loans	320,437	321,504	41,059
Other financial asset-guarantee deposits	Customs duty guarantee, litigation guarantee, rental deposits, and deposits for performance guarantee	52,122	39,954	41,453
		\$ <u>496,947</u>	<u>498,132</u>	<u>203,839</u>

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Notes to the Consolidated Financial Statements

(9) Commitments and contingencies

(a) Significant commitments and contingencies

(i) Unused standby letters of credit

	<u>March 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>March 31,</u> <u>2022</u>
EUR	\$ -	-	813
JPY	9,904,453	8,726,739	5,432,318
USD	12,937	10,244	11,246

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

	<u>March 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>March 31,</u> <u>2022</u>
NTD	<u>\$ 10,729</u>	<u>14,190</u>	<u>10,490</u>

(iii) As of March 31, 2023, December 31, 2022 and March 31, 2022, the significant contracts for purchase of properties by the Group amounted to \$29,019,743 thousand, \$28,224,912 thousand and \$15,725,923 thousand, of which \$10,813,901 thousand, \$12,644,022 thousand and \$15,586,509 thousand, respectively, were unpaid.

(iv) As of March 31, 2023, December 31, 2022 and March 31, 2022, the Group provided endorsement guarantee for bank loans, including Group entities, amounting to \$2,469,066 thousand, \$2,490,634 thousand and \$2,433,125 thousand, respectively.

(v) As of March 31, 2023, December 31, 2022 and March 31, 2022, the Group issued a tariff guarantee of \$769,594 thousand, \$876,349 thousand and \$761,032 thousand, respectively, to the bank for the purpose of importing goods.

(10) Losses due to major disasters: None.

(11) Subsequent events: None.

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(12) Others

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

By item	For the three months ended March 31					
	2023			2022		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Employee benefits						
Salary	\$ 9,433,528	3,933,951	13,367,479	11,714,416	3,780,287	15,494,703
Labor and health insurance	1,008,882	305,074	1,313,956	1,268,033	278,106	1,546,139
Pension	970,122	230,612	1,200,734	1,048,294	201,398	1,249,692
Others	396,367	219,148	615,515	422,545	208,555	631,100
Depreciation	3,113,955	551,494	3,665,449	2,956,896	489,204	3,446,100
Amortization	11,402	27,134	38,536	10,688	16,344	27,032

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

	For the three months ended March 31	
	2023	2022
Depreciation in investment property	\$ <u>771</u>	<u>771</u>

- (b) Discontinued operations

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

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

	For the three months ended March 31	
	2023	2022
Results from discontinued operations:		
Operating revenue	\$ (416)	463,778
Cost of sales	-	(523,834)
Gross loss from operations	(416)	(60,056)
Operating expenses	(66,036)	(56,001)
Operating loss	(66,452)	(116,057)

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	For the three months ended March 31	
	2023	2022
Non-operating income and expense		
Interest income	697	98
Other income	12,326	3,988
Other gains and losses	813	(312)
Finance costs	(15,524)	(4,567)
Total non-operating income and expenses	(1,688)	(793)
Loss before tax	(68,140)	(116,850)
Tax expenses	-	-
Loss of discontinued operations	\$ (68,140)	(116,850)
Cash flows from discontinued operations:		
Net cash from (used in) operating activities	\$ 6,890	(246,134)
Net cash (used in) from investing activities	(45)	2,773
Net cash (used in) from financing activities	(128,675)	338,597
Net cash inflow (outflow)	(114,230)	64,637

(13) Other disclosures

(a) Information on significant transactions:

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

No.	Item	Table
1	Loans to other parties	Table 1
2	Guarantees and endorsements for other parties	Table 2
3	Securities held as of March 31, 2023 (excluding investment in subsidiaries, associates and joint ventures)	Table 3
4	Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$100 million or 20% of the capital stock	Table 4
5	Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock	Table 5
6	Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock	None
7	Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock	Table 6
8	Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock	Table 7
9	Trading in derivative instruments	None
10	Information on investees	Table 8
11	Information on investment in Mainland China	Table 9
12	Business relationships and significant intercompany transactions	Table 10

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Information on investees:

Please refer to Table 8 for the information on investees for the three months ended March 31, 2023.

(c) Information on investment in Mainland China:

- (i) Please refer to Table 9 for names of investee, main businesses and products, total amount of capital surplus, method of investment, investment flows, net income (losses) of the investee, percentage of ownership, investment gains and losses, the book value of the investment, investment gains and losses have been repatriated, and the upper limit on investment.
- (ii) Significant direct or indirect transactions with investee companies in Mainland China through the third area, the prices, terms of receipt (payment), unrealized gains and losses, and other relevant information that help to understand the impact of the investment in Mainland China on the financial statements: Please refer to the "Information on Significant Transactions" for details of significant direct or indirect transactions between the Group and the investee companies in Mainland China for the three months ended March 31, 2023 (eliminated at the time of the preparation of the consolidated financial statements).

(d) Major shareholders:

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

(14) Segment information

Please refer to Note 6(x) for the information on revenue for the three months ended March 31, 2023 and 2022. The Group's operating segment information and reconciliation were as follows:

	DMS	Strategic Investment Group	Discontinued Operations	Adjustment and Eliminations	Total
For the three months ended March 31, 2023					
Reportable segment profit or loss	\$ <u>3,688,892</u>	<u>712,292</u>	<u>(68,140)</u>	<u>(284,426)</u>	<u>4,048,618</u>
For the three months ended March 31, 2022					
Reportable segment profit or loss	\$ <u>1,617,311</u>	<u>3,934,462</u>	<u>(116,850)</u>	<u>(1,658,888)</u>	<u>3,776,035</u>
Reportable segment assets					
March 31, 2023	\$ <u>562,212,903</u>	<u>145,405,825</u>	<u>815,555</u>	<u>(83,142,725)</u>	<u>625,291,558</u>
December 31, 2022	\$ <u>572,454,496</u>	<u>146,748,061</u>	<u>1,008,099</u>	<u>(83,987,869)</u>	<u>636,222,787</u>
March 31, 2022	\$ <u>574,845,344</u>	<u>137,632,890</u>	<u>2,147,784</u>	<u>(71,574,063)</u>	<u>643,051,955</u>