

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

**PEGATRON CORPORATION**

**Parent Company Only Financial Statements**

**With Independent Auditors' Report  
For the Years Ended December 31, 2019 and 2018**

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

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## Independent Auditors' Report

To the Board of Directors of Pegatron Corporation:

### Opinion

We have audited the non-consolidated financial statements of Pegatron Corporation (“the Company”), which comprise the non-consolidated statement of financial position as of December 31, 2019 and 2018, and the non-consolidated statement of comprehensive income, non-consolidated statement of changes in equity and non-consolidated statement of cash flows for the years then ended, and notes to the non-consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to Other Matter paragraph), the accompanying financial statements present fairly, in all material respects, the non-consolidated financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### Basis for Opinion

We conducted our audit in accordance with the “Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants” and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Non-Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in the Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained, inclusive of the reports from other auditors, is sufficient and appropriate to provide a basis of our opinion.

### Key Audit Matters

Based on our professional judgment, key audit matters pertain to the most important matters in the audit of non-consolidated financial statements for the year ended December 31, 2019 of Pegatron Corporation. Those matters have been addressed in our audit opinion on the said non-consolidated financial statements and during the formation of our audit opinion. However, we do not express an opinion on these matters individually. The key audit matters that, in our professional judgment, should be communicated are as follows:

#### 1. Revenue recognition

The accounting principles on the recognition of revenue and the related sales returns and allowances are discussed in Note 4(m) of the notes to non-consolidated financial statements.

(a) Key audit matters:

The timing for the recognition of revenue and the transfer of control is relatively complex because the transaction terms for each client differ so that warehouses are established overseas according to clients' needs. These factors expose the Company to material risk of untimely recording of revenue.

Therefore, the test of sales and sales returns and allowances recognition was one of the key audit matters in the audit of non-consolidated financial reports for the years ended December 31, 2019 and 2018 of Pegatron Corporation.

(b) Auditing procedures performed:

- Review external documents with records on ledger to confirm whether or not the sales transaction really exists, valid and legitimate.
- Randomly select material sales contracts and review the transaction term in order to evaluate the propriety of the timing for the recognition of revenue.
- Conduct cut-off test for sales and sales returns and allowances on the periods before and after balance sheets date.

2. Inventory valuation

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

(a) Key audit matters:

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

(b) Auditing procedures performed:

- Analyze the amount of obsolete inventory and inventory market price decline between 2019 and 2018 and understand reasons of the difference. Discuss and resolve those differences with management.
- Obtain an inventory aging analysis and randomly select items to verify the correctness for age of inventory.
- Obtain last selling price for finished goods and replacement cost for raw material, and recalculate net realizable value with selling expense rate to check whether or not the method of inventory measurement adopted by the Company is reasonable.

**Other Matter**

We did not audit the financial statements of certain equity-accounted investees. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for certain equity-accounted investees, are based solely on the reports of the other auditors. The amount of long-term investments in these investee companies represented 1.90% and 2.24% of the related total assets as of December 31, 2019 and 2018, respectively, and the related investment gain represented (2.25)% and 2.09% of profit before tax for the years ended December 31, 2019 and 2018, respectively.

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

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

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

Those charged with governance are responsible for overseeing Pegatron Corporation's financial reporting process.

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

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

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. Also, we:

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

5. Evaluate the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on Pegatron Corporation. We are responsible for the direction, supervision and performance of the audit.

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

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

For those matters that we have communicated with those charged with governance, we have considered those matters to be key audit matters as they were the most significant to the audit of the financial statements for the year ended December 31, 2019. We have included these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interests of such communication.

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

KPMG

Taipei, Taiwan (Republic of China)  
March 26, 2020

#### **Notes to Readers**

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

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## PEGATRON CORPORATION

## Non-Consolidated Balance Sheets

December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2019		December 31, 2018	
		Amount	%	Amount	%
<b>Current assets:</b>					
1100	Cash and cash equivalents (Note 6(a))	\$ 35,040,374	5	18,535,500	3
1170	Notes and accounts receivable, net (Notes 6(d) and 6(u))	187,491,683	26	177,248,274	25
1180	Accounts receivable due from related parties, net (Notes 6(d) and 7)	321,644,303	44	313,983,330	45
1200	Other receivables, net (Notes 6(e) and 7)	240,938	-	118,063	-
130X	Inventories (Note 6(f))	31,244,098	4	49,765,612	7
1476	Other current financial assets (Notes 6(k) and 8)	828,075	-	41,670	-
1479	Other current assets (Note 6(k))	<u>385,443</u>	<u>-</u>	<u>452,584</u>	<u>-</u>
		<u>576,874,914</u>	<u>79</u>	<u>560,145,033</u>	<u>80</u>
<b>Non-current assets:</b>					
1510	Non-current financial assets at fair value through profit or loss (Note 6(b))	484,756	-	340,320	-
1520	Non-current financial assets at fair value through other comprehensive income (Note 6(c))	551,703	-	477,148	-
1550	Investments accounted for using equity method (Note 6(g))	138,654,566	20	129,941,116	19
1600	Property, plant and equipment (Note 6(h))	8,123,507	1	7,384,642	1
1755	Right-of-use assets (Note 6(i))	138,486	-	-	-
1780	Intangible assets (Note 6(j))	143,655	-	293,045	-
1840	Deferred tax assets (Note 6(q))	677,775	-	706,630	-
1980	Other non-current financial assets (Notes 6(k) and 8)	27,708	-	22,722	-
1990	Other non-current assets (Note 6(k))	<u>29,975</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>148,832,131</u>	<u>21</u>	<u>139,165,623</u>	<u>20</u>
<b>Total assets</b>		<b>\$ <u>725,707,045</u></b>	<b><u>100</u></b>	<b><u>699,310,656</u></b>	<b><u>100</u></b>

See accompanying notes to financial statements.

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## PEGATRON CORPORATION

## Non-Consolidated Balance Sheets (CONT'D)

December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2019		December 31, 2018		
	Amount	%	Amount	%	
<b>Liabilities and Equity</b>					
<b>Current liabilities:</b>					
2100	Short-term loans (Note 6(l))	\$ 38,674,200	5	59,433,525	9
2130	Current contract liabilities (Note 6(u))	671,460	-	609,002	-
2150	Notes and accounts payable	193,609,774	27	199,651,449	29
2180	Accounts payable to related parties (Note 7)	275,709,758	38	244,035,178	35
2219	Other payables (Note 7)	15,046,652	2	14,225,184	2
2230	Current tax liabilities	1,756,116	-	687,951	-
2281	Current lease liabilities (Note 6(n))	57,034	-	-	-
2321	Bonds payable, current portion (Note 6(m))	3,000,000	-	-	-
2399	Other current liabilities (Note 7)	18,885,318	3	15,566,177	2
		<u>547,410,312</u>	<u>75</u>	<u>534,208,466</u>	<u>77</u>
<b>Non-Current liabilities:</b>					
2530	Bonds payable (Note 6(m))	20,480,339	3	14,986,762	2
2570	Deferred tax liabilities (Note 6(q))	-	-	35,426	-
2580	Non-current lease liabilities (Note 6(n))	82,012	-	-	-
2670	Other non-current liabilities (Note 7)	69,320	-	51,164	-
		<u>20,631,671</u>	<u>3</u>	<u>15,073,352</u>	<u>2</u>
	<b>Total liabilities</b>	<u>568,041,983</u>	<u>78</u>	<u>549,281,818</u>	<u>79</u>
<b>Equity (Notes 6(r) and 6(s)):</b>					
3100	Share capital	26,110,919	4	26,123,773	4
<b>Capital surplus:</b>					
3210	Capital surplus, premium on capital stock	76,645,504	10	75,696,958	10
3280	Capital surplus, others	4,406,597	1	4,979,372	1
		<u>81,052,101</u>	<u>11</u>	<u>80,676,330</u>	<u>11</u>
<b>Retained earnings:</b>					
3310	Legal reserve	11,774,310	2	10,662,823	2
3320	Special reserve	7,868,877	1	8,815,213	1
3350	Unappropriated retained earnings	42,156,192	6	32,149,237	4
		<u>61,799,379</u>	<u>9</u>	<u>51,627,273</u>	<u>7</u>
<b>Other equity interest:</b>					
3410	Exchange differences on translation of foreign financial statements	(10,982,396)	(2)	(7,482,556)	(1)
3420	Unrealized losses on financial assets measured at fair value through other comprehensive income	(303,654)	-	(386,322)	-
3491	Deferred compensation cost arising from issuance of restricted stock (Note 6(t))	(8,287)	-	(524,686)	-
		<u>(11,294,337)</u>	<u>(2)</u>	<u>(8,393,564)</u>	<u>(1)</u>
3500	Treasury stock	(3,000)	-	(4,974)	-
	<b>Total equity</b>	<u>157,665,062</u>	<u>22</u>	<u>150,028,838</u>	<u>21</u>
	<b>Total liabilities and equity</b>	<u>\$ 725,707,045</u>	<u>100</u>	<u>699,310,656</u>	<u>100</u>

See accompanying notes to financial statements.



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

## PEGATRON CORPORATION

## Non-Consolidated Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018

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

		For the years ended December 31			
		2019		2018	
		Amount	%	Amount	%
4110	Operating revenue (Notes 6(u) and 7)	\$ 1,266,262,359	100	1,237,004,302	100
4170	Less: Sales returns and allowances	1,429,474	-	2,671,004	-
	<b>Operating revenue, net</b>	<u>1,264,832,885</u>	<u>100</u>	<u>1,234,333,298</u>	<u>100</u>
5000	Cost of sales (Notes 6(f), 6(o), 6(s), 6(v) and 7)	1,240,714,073	98	1,216,545,408	99
5900	Gross profit from operations	24,118,812	2	17,787,890	1
5920	Add: Realized loss (profit) on from sales	11,723	-	(2,453)	-
5950	Gross profit from operations	<u>24,130,535</u>	<u>2</u>	<u>17,785,437</u>	<u>1</u>
6000	<b>Operating expenses (Notes 6(n), 6(o), 6(p), 6(s), 6(v) and 7):</b>				
6100	Selling expenses	2,086,169	-	2,177,669	-
6200	General and administrative expenses	2,126,375	-	2,266,231	-
6300	Research and development expenses	8,202,644	1	8,177,714	1
6300	<b>Total operating expenses</b>	<u>12,415,188</u>	<u>1</u>	<u>12,621,614</u>	<u>1</u>
	<b>Net operating income</b>	<u>11,715,347</u>	<u>1</u>	<u>5,163,823</u>	<u>-</u>
	<b>Non-operating income and expenses:</b>				
7010	Other income (Notes 6(x) and 7)	1,047,776	-	1,052,471	-
7020	Other gains and losses (Note 6(x))	(851,471)	-	536,602	-
7050	Finance costs (Notes 6(d), 6(m), 6(n) and 6(x))	(1,733,019)	-	(1,642,423)	-
7070	Share of profit (loss) of associates and joint ventures accounted for using equity method, net (Note 6(g))	11,333,095	1	6,634,627	1
7590	Miscellaneous disbursements (Note 6(g))	(8,282)	-	(2,071)	-
	<b>Total non-operating income and expenses</b>	<u>9,788,099</u>	<u>1</u>	<u>6,579,206</u>	<u>1</u>
	<b>Profit (loss) from continuing operations before tax</b>	<u>21,503,446</u>	<u>2</u>	<u>11,743,029</u>	<u>1</u>
7950	Less: Income tax expenses (Note 6(q))	2,185,705	-	628,163	-
	<b>Profit (loss)</b>	<u>19,317,741</u>	<u>2</u>	<u>11,114,866</u>	<u>1</u>
8300	<b>Other comprehensive income:</b>				
8310	<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>				
8311	Gains (losses) on remeasurements of defined benefit plans	(4,156)	-	5,036	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	74,555	-	(182,244)	-
8330	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	5,102	-	(45,496)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
		<u>75,501</u>	<u>-</u>	<u>(222,704)</u>	<u>-</u>
8360	<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>				
8380	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	(3,499,840)	-	2,204,595	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	Components of other comprehensive income that will be reclassified to profit or loss	<u>(3,499,840)</u>	<u>-</u>	<u>2,204,595</u>	<u>-</u>
8300	<b>Other comprehensive income, net</b>	<u>(3,424,339)</u>	<u>-</u>	<u>1,981,891</u>	<u>-</u>
8500	<b>Total comprehensive income for the year</b>	<u>\$ 15,893,402</u>	<u>2</u>	<u>13,096,757</u>	<u>1</u>
	<b>Earnings per share, net of tax (Note 6(t))</b>				
9750	Basic earnings per share	\$ 7.40		4.25	
9850	Diluted earnings per share	\$ 7.32		4.22	

See accompanying notes to financial statements.

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PEGATRON CORPORATION

**Non-Consolidated Statements of Changes in Equity**  
**For the years ended December 31, 2019 and 2018**  
**(Expressed in Thousands of New Taiwan Dollars)**

	Retained earnings				Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income			Total other equity interest		Total equity	
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Deferred compensation cost		Treasury stock
<b>Balance at January 1, 2018</b>	\$ 26,140,906	79,897,751	9,194,524	3,368,986	37,412,958	49,976,468	(9,698,374)	883,161	(10,037,445)	(1,942)	145,975,738
Effects of retrospective application	-	-	-	-	1,031,638	1,031,638	11,223	(883,161)	-	-	(1,348)
Equity at beginning of period after adjustments	26,140,906	79,897,751	9,194,524	3,368,986	38,444,596	51,008,106	(9,687,151)	-	(1,222,232)	(1,942)	145,974,390
Profit for the year	-	-	-	-	11,114,866	11,114,866	-	-	-	-	11,114,866
Other comprehensive income for the year	-	-	-	-	2,570	2,570	2,204,595	(225,274)	-	-	1,981,891
Total comprehensive income for the year	-	-	-	-	11,117,436	11,117,436	2,204,595	(225,274)	-	-	13,096,757
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	1,468,299	-	(1,468,299)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	5,446,227	(5,446,227)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(10,454,652)	(10,454,652)	-	-	-	-	(10,454,652)
Changes in ownership interests in subsidiaries	-	183,992	-	-	-	-	-	-	-	-	183,992
Expiration of restricted shares of stock issued to employees	(17,133)	20,165	-	-	(43,617)	(43,617)	-	-	-	(3,032)	(43,617)
Compensation cost arising from restricted shares of stock	-	574,422	-	-	-	-	-	-	697,546	-	1,271,968
Balance at December 31, 2018	26,123,773	80,676,330	10,662,823	8,815,213	32,149,237	51,627,273	(7,482,556)	(386,322)	(524,686)	(4,974)	150,028,838
Profit for the year	-	-	-	-	19,317,741	19,317,741	-	-	-	-	19,317,741
Other comprehensive income for the year	-	-	-	-	(7,167)	(7,167)	(3,499,840)	79,232	-	-	(3,427,775)
Total comprehensive income	-	-	-	-	19,310,574	19,310,574	(3,499,840)	79,232	-	-	15,889,966
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	1,111,487	-	(1,111,487)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	(946,336)	946,336	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(9,141,580)	(9,141,580)	-	-	-	-	(9,141,580)
Changes in ownership interests in subsidiaries	-	504,846	-	-	-	-	-	-	-	-	504,846
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(3,436)	(3,436)	-	3,436	-	-	-
Expiration of restricted shares of stock issued to employees	(12,854)	143,453	-	-	6,548	6,548	-	-	-	1,974	139,121
Compensation cost arising from restricted shares of stock	-	(272,528)	-	-	-	-	-	-	516,399	-	243,871
Balance at December 31, 2019	\$ 26,110,919	81,052,101	11,774,310	7,868,877	42,156,192	61,799,379	(10,982,396)	(303,654)	(8,287)	(3,000)	157,665,062

See accompanying notes to financial statements.

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PEGATRON CORPORATION

Non-Consolidated Statements of Cash Flows  
For the years ended December 31, 2019 and 2018  
(Expressed in Thousands of New Taiwan Dollars)

	For the years ended December 31	
	2019	2018
<b>Cash flows used in operating activities:</b>		
Profit before tax	\$ 21,503,446	11,743,029
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation expense	761,683	541,412
Amortization expense	176,795	181,072
Expected credit (gain) loss (Reversal of provision for bad debt expense)	(35,412)	47,364
Net loss on financial assets and liabilities at fair value through profit or loss	27,180	1,895
Interest expense	1,723,283	1,631,036
Interest income	(371,457)	(364,268)
Dividend income	(22,595)	(26,508)
Compensation cost arising from employee stock options	300,495	1,182,963
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	(11,333,095)	(6,634,627)
Gain on disposal of property, plant and equipment	(45)	(8)
Reversal of impairment loss on non-financial assets	-	(32)
Realized (loss) gain profit from sales	(11,723)	2,453
Amortization of issuance costs on bonds payable	3,077	2,286
Gain (loss) on foreign currency exchange	(607,525)	178,875
Other loss	(38)	-
Increase (decrease) in other current liabilities	(92,683)	39,598
Decrease in other current assets	24,081	4,981
<b>Total adjustments to reconcile profit (loss)</b>	<b>(9,457,979)</b>	<b>(3,211,508)</b>
<b>Changes in operating assets and liabilities:</b>		
<b>Changes in operating assets:</b>		
Increase in financial assets at fair value through profit or loss	(171,616)	(342,215)
Increase in notes and accounts receivable	(17,868,970)	(171,289,982)
Increase in other receivables	(74,537)	(15,324)
Decrease (increase) in inventories	18,521,514	(14,504,893)
Decrease (increase) in other current assets	(39,504)	(198,904)
Increase in other financial assets	(786,405)	(54)
Increase in other non-current assets	-	(350,718)
<b>Total changes in operating assets</b>	<b>(419,518)</b>	<b>(186,702,090)</b>
<b>Changes in operating liabilities:</b>		
Increase (decrease) in contract liabilities	62,458	(29,616)
Increase in accounts and notes payable	25,632,905	139,647,968
Increase (decrease) in other payables	330,933	(599,487)
Increase in other current liabilities	3,411,824	1,407,278
Increase in other non-current liabilities	14,001	5,215
<b>Total changes in operating liabilities</b>	<b>29,452,121</b>	<b>140,431,358</b>
<b>Total changes in operating assets and liabilities</b>	<b>29,032,603</b>	<b>(46,270,732)</b>
<b>Total adjustments</b>	<b>19,574,624</b>	<b>(49,482,240)</b>
Cash outflow generated from operations	41,078,070	(37,739,211)
Interest received	323,119	373,815
Dividends received	1,018,137	1,724,902
Interest paid	(1,772,381)	(1,488,264)
Income taxes paid	(743,147)	(664,036)
<b>Net cash flows used in operating activities</b>	<b>39,903,798</b>	<b>(37,792,794)</b>

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

**PEGATRON CORPORATION****Non-Consolidated Statements of Cash Flows (CONT'D)****For the years ended December 31, 2019 and 2018****(Expressed in Thousands of New Taiwan Dollars)**

	<b>For the year ended December 31</b>	
	<b>2019</b>	<b>2018</b>
<b>Cash flows used in investing activities:</b>		
Acquisition of investments accounted for using equity method	(1,357,502)	(473,364)
Acquisition of property, plant and equipment	(977,181)	(2,862,341)
Proceeds from disposal of property, plant and equipment	1,632	1,151
Acquisition of intangible assets	(27,087)	(157,156)
(Increase) decrease in other financial assets	(4,986)	10,627
Increase in prepayments on purchase of equipment	(29,975)	-
<b>Net cash flows used in investing activities</b>	<b>(2,395,099)</b>	<b>(3,481,083)</b>
<b>Cash flows from financing activities:</b>		
Increase in short-term loans	(20,262,050)	37,363,500
Proceeds from issuing bonds	8,490,500	7,992,000
Repayments of lease liabilities	(79,815)	-
Cash dividends paid	(9,141,580)	(10,454,652)
Redemption of restricted stock	(10,880)	(20,165)
<b>Net cash flows from (used in) financing activities</b>	<b>(21,003,825)</b>	<b>34,880,683</b>
<b>Net decrease in cash and cash equivalents</b>	<b>16,504,874</b>	<b>(6,393,194)</b>
<b>Cash and cash equivalents, beginning of the year</b>	<b>18,535,500</b>	<b>24,928,694</b>
<b>Cash and cash equivalents, end of the year</b>	<b>\$ 35,040,374</b>	<b>18,535,500</b>

See accompanying notes to financial statements.

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

**PEGATRON CORPORATION**

**Notes to the Non-Consolidated Financial Statements**

**For the years ended December 31, 2019 and 2018**

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

**(1) Company history**

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

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

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

The accompanying non-consolidated financial statements were authorized for issue by the Board of Directors on March 26, 2020.

**(3) Application of new standards, amendments and interpretations:**

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019.

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
IFRS 16 “Leases”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
Amendments to IFRS 9 “Prepayment features with negative compensation”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019
Amendments to IAS 28 “Long-term interests in associates and joint ventures”	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its financial statements. The extent and impact of signification changes are as follows:

(Continued)

**PEGATRON CORPORATION**  
**Notes to the Non-Consolidated Financial Statements**

(i) IFRS 16 “Leases”

IFRS 16 replaces the existing leases guidance, including IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, SIC-15 “Operating Leases – Incentives” and SIC-27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”.

The Company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings on January 1, 2019. The details of the changes in accounting policies are disclosed below :

1) Definition of a lease

Previously, the Company determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Company assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 4(m).

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

2) As a lessee

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

- Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company’s incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The Company applied this approach to all leases.

In addition, the Company used the following practical expedients when applying IFRS 16 to leases.

- a) Applied a single discount rate to a portfolio of leases with similar characteristics.
- b) Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.

(Continued)

**PEGATRON CORPORATION**  
**Notes to the Non-Consolidated Financial Statements**

- c) Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.
  - d) Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
  - e) Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.
- Leases previously classified as finance leases

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at January 1, 2019 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

3) As a lessor

The Company is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease. The Company accounted for its leases in accordance with IFRS 16 from the date of initial application.

4) Impacts on financial statements

On transition to IFRS 16, the Company recognised additional \$148,029 thousands of both right-of-use assets and lease liabilities. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 1.40%.

The explanation of differences between operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and lease liabilities recognized in the statement of financial position at the date of initial application disclosed as follows:

	<b>January 1, 2019</b>
Operating lease commitment at December 31, 2018 as disclosed in the Company's financial statements	\$ 153,204
Recognition exemption for:	
short-term leases	(6,844)
Residual value guarantees	4,360
	<b>\$ 150,720</b>
Discounted using the incremental borrowing rate at January 1, 2019	<b>\$ 148,029</b>

(Continued)

**PEGATRON CORPORATION**  
**Notes to the Non-Consolidated Financial Statements**

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020 in accordance with Ruling No. 1080323028 issued by the FSC on July 29, 2019:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS 9, IAS39, and IFRS7 “Interest Rate Benchmark Reform”	January 1, 2020
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020

The Company assesses that the adoption of the abovementioned standards would not have any material impact on its financial statements.

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

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC :

<u>New, Revised or Amended Standards and Interpretations</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”	Effective date to be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

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

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

The following significant accounting policies have been applied consistently to all periods presented in the non-consolidated financial statements unless otherwise specified.

- (a) Statement of compliance

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

(Continued)



**PEGATRON CORPORATION**  
**Notes to the Non-Consolidated Financial Statements**

(b) Basis of preparation

(i) Basis of measurement

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

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

(ii) Functional and presentation currency

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

(c) Foreign currency

(i) Foreign currency transaction

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

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

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

(Continued)

**PEGATRON CORPORATION**  
**Notes to the Non-Consolidated Financial Statements**

(ii) Foreign operations

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

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

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

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

An asset is classified as current when :

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

All other assets are classified as non-current.

A liability is classified as current when :

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

All other liabilities are classified as non-current.

(Continued)

**PEGATRON CORPORATION**  
**Notes to the Non-Consolidated Financial Statements**

(e) Cash and cash equivalents

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

Time deposits are accounted under cash and cash equivalents if they are accord with the definition aforementioned, and are held for the purpose of meeting short-term cash commitment rather than for investment or other purpose.

(f) Financial assets

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

(i) Financial assets

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

1) Financial assets measured at amortized cost

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

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

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

(Continued)

**PEGATRON CORPORATION**  
**Notes to the Non-Consolidated Financial Statements**

2) Fair value through other comprehensive income (FVOCI)

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

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

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

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

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

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

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

3) Fair value through profit or loss (FVTPL)

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

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

(Continued)

**PEGATRON CORPORATION**  
**Notes to the Non-Consolidated Financial Statements**

4) Business model assessment

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

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

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

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

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

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

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

- contingent events that would change the amount or timing of cash flows ;
- terms that may adjust the contractual coupon rate, including variable rate features ;
- prepayment and extension features ; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features)

(Continued)

**PEGATRON CORPORATION**  
**Notes to the Non-Consolidated Financial Statements**

6) Impairment of financial assets

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

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

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

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

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

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

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

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

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

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

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

(Continued)

**PEGATRON CORPORATION**  
**Notes to the Non-Consolidated Financial Statements**

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

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

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

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Company has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

7) Derecognition of financial assets

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

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

(Continued)

**PEGATRON CORPORATION**  
**Notes to the Non-Consolidated Financial Statements**

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

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

3) Treasury shares

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

4) Financial liabilities

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

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

5) Derecognition of financial liabilities

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

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

(Continued)



**PEGATRON CORPORATION**  
**Notes to the Non-Consolidated Financial Statements**

6) Offsetting of financial assets and liabilities

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

7) Financial guarantee contract

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

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of: (a) the amount of the loss allowance determined in accordance with IFRS 9; and (b) the amount recognized initially less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies set out below.

(g) Inventories

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

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

(h) Subsidiaries

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

The changes in ownership of the subsidiaries are recognized as equity transaction.

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**PEGATRON CORPORATION**  
**Notes to the Non-Consolidated Financial Statements**

(i) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses. The cost of certain items of property, plant and equipment on January 1, 2012, the Group's date of transition to the Standards, was determined with reference to its fair value at that date.

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

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

(ii) Subsequent cost

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

(iii) Depreciation

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

Land is not depreciated.

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

Buildings	3-50 years
Machine	0-7 years
Instrument equipment	0-5 years
Miscellaneous equipment	0-10 years

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

(j) Leases

Applicable from January 1, 2019

(i) Identifying a lease

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

(Continued)

**PEGATRON CORPORATION**  
**Notes to the Non-Consolidated Financial Statements**

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified ; and
- 2) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use ; and
- 3) the customer has the right to direct the use of the asset throughout the period of use only if either :
  - the customer has the right to direct how and for what purpose the asset is used throughout the period of use ; or
  - the relevant decisions about how and for what purpose the asset is used are predetermined and :
    - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions ; or
    - the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

(ii) As a lessee

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

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

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

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

- fixed payments ;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date ;
- amounts expected to be payable under a residual value guarantee ; and

(Continued)

**PEGATRON CORPORATION**  
**Notes to the Non-Consolidated Financial Statements**

- payments for purchase or termination options that are reasonably certain to be exercised.

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

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

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

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

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

(iii) As a lessor

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

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

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

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**PEGATRON CORPORATION**  
**Notes to the Non-Consolidated Financial Statements**

Applicable before January 1, 2019

(i) Lessee

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

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

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

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

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

At inception of an arrangement, the Company evaluates whether such an arrangement is or contains a lease, which involves the fulfillment of the arrangement is dependent on the use of a specific asset or assets and contains a right to transfer the asset. At inception or on reassessment of the arrangement, if an arrangement contains a lease, that lease is classified as a finance lease or an operating lease.

The Company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payment reliably, then an asset and a liability are recognized at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognized using the Company's incremental borrowing rate.

If the Company concludes for an operating lease that it is impracticable to separate the payment reliably, then treat all payments under the arrangement as lease payments, and disclose the situation accordingly.

(ii) Lessor

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

(Continued)

**PEGATRON CORPORATION**  
**Notes to the Non-Consolidated Financial Statements**

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

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

(k) Intangible assets

(i) Recognition and measurement

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

(ii) Subsequent expenditure

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

(iii) Amortization

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

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

Computer software cost      0-5 years

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

(l) Impairment of non-financial assets

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

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

(Continued)

**PEGATRON CORPORATION**  
**Notes to the Non-Consolidated Financial Statements**

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

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

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

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

(m) Revenue from contracts with customers

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

(i) Sale of good

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

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

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

(ii) Services

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

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**PEGATRON CORPORATION**  
**Notes to the Non-Consolidated Financial Statements**

(iii) Financing components

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

(n) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

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

(iii) Short-term employee benefits

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

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**PEGATRON CORPORATION**  
**Notes to the Non-Consolidated Financial Statements**

(o) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

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

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

(p) Income Taxes

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

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

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

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

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

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

- (i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and

(Continued)

**PEGATRON CORPORATION**  
**Notes to the Non-Consolidated Financial Statements**

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

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

(q) Business combination

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

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

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

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

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

(Continued)

**PEGATRON CORPORATION**  
**Notes to the Non-Consolidated Financial Statements**

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

(r) Earnings per share

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

(s) Operating segments

Please refer to the consolidated financial report of Pegatron Corporation for the years ended December 31, 2019 and 2018 for operating segments information.

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

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

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

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

- Please refer to the consolidated financial statement for the years ended December 31, 2019 and 2018 for judgment regarding control of subsidiaries.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

- Valuation of inventories

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

(Continued)

**PEGATRON CORPORATION**  
**Notes to the Non-Consolidated Financial Statements**

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

## (a) Cash and cash equivalents

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Cash on hand	\$ 150	150
Cash in banks	4,924,444	7,360,108
Time deposits	25,717,580	6,939,442
Cash equivalent-repurchase bonds	<u>4,398,200</u>	<u>4,235,800</u>
	<u><b>\$ 35,040,374</b></u>	<u><b>18,535,500</b></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(k) and 8 for details.
- (ii) Please refer to Note 6(x) for the fair value sensitivity analysis and interest rate risk of the financial assets and liabilities of the Company.

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Non-current mandatorily measured at fair value through profit or loss :		
Non-derivative financial assets		
Shares of stock of listed companies	\$ 225,050	217,000
Beneficiary certificates	<u>259,706</u>	<u>123,320</u>
Total	<u><b>\$ 484,756</b></u>	<u><b>340,320</b></u>

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

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Equity instruments at fair value through other comprehensive income :		
Shares of stock of listed companies	\$ 551,703	477,148
Shares of stock of unlisted companies	<u>-</u>	<u>-</u>
Total	<u><b>\$ 551,703</b></u>	<u><b>477,148</b></u>

(Continued)

**PEGATRON CORPORATION**  
**Notes to the Non-Consolidated Financial Statements**

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

The Company holds these equity instruments, which are not held for trading at designated fair value through other comprehensive income, for longterm strategic purposes.

For the year ended December 31, 2019 and 2018, the Company has recognized the dividend income of \$16,568 and \$26,508, respectively, from equity instruments designated at fair value through other comprehensive income. Please refer to Note 6(w).

No strategic investments were disposed for the year ended December 31, 2019 and 2018, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

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

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

(d) Notes and accounts receivable, net

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

	<b>December 31,</b> <b>2019</b>	<b>December 31,</b> <b>2018</b>
Notes receivables from operating activities	\$ -	14
Accounts receivables-measured at amortized cost	181,520,899	163,450,388
Accounts receivables-fair value through other comprehensive income	7,495,000	15,357,500
Accounts receivables-related parties	321,644,303	313,983,330
Less : Allowance for impairment	<u>1,524,216</u>	<u>1,559,628</u>
	<b><u>\$ 509,135,986</u></b>	<b><u>491,231,604</u></b>

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

(ii) Credit loss

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

(Continued)

**PEGATRON CORPORATION**  
**Notes to the Non-Consolidated Financial Statements**

The loss allowance provision was determined as follows :

	<b>December 31, 2019</b>		
	<b>Gross carrying amount</b>	<b>Expected loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 451,799,637	0%~0.001%	(1,885)
Overdue 0 to 30 days	55,293,013	0%~1%	(18,427)
Overdue 31 to 120 days	2,062,988	0%~50%	(900)
Overdue 121 to 365 days	3,111	0%~100%	(1,551)
Over 365 days past due	<u>1,501,453</u>	100%	<u>(1,501,453)</u>
	<b><u>\$ 510,660,202</u></b>		<b><u>(1,524,216)</u></b>
	<b>December 31, 2018</b>		
	<b>Gross carrying amount</b>	<b>Expected loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 480,793,799	0%~0.001%	(1,792)
Overdue 0 to 30 days	10,366,522	0%~1%	(16,071)
Overdue 31 to 120 days	92,648	0%~50%	(3,502)
Overdue 121 to 365 days	-	50%~100%	-
Over 365 days past due	<u>1,538,263</u>	100%	<u>(1,538,263)</u>
	<b><u>\$ 492,791,232</u></b>		<b><u>(1,559,628)</u></b>

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

	<b>For the years ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Balance on January 1	\$ 1,559,628	1,512,264
Impairment losses recognized	-	47,364
Impairment losses reversed	<u>(35,412)</u>	-
Balance on December 31	<b><u>\$ 1,524,216</u></b>	<b><u>1,559,628</u></b>

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

The aforesaid financial assets were not pledged as collateral.

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

(Continued)

**PEGATRON CORPORATION**  
**Notes to the Non-Consolidated Financial Statements**

(iv) Accounts receivable factoring

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

As of December 31, 2019 and 2018, the relevant information on accounts receivables factored by the Company, but unsettled, were as follows :

December 31, 2019							
Purchaser	Amount Derecognized	Factoring Line (thousands)	Amount Advanced (thousands)		Collateral	Range of Interest Rate	Significant Factoring Terms
			Unpaid	Paid			
ANZ (Note)	\$ <u>7,495,000</u>	USD <u>1,200,000</u>	USD <u>950,000</u>	USD <u>250,000</u>	None	2.03%~ 2.93%	The accounts receivable factoring is without recourse but the seller still bears the risks except for eligible obligor's insolvency.

  

December 31, 2018							
Purchaser	Amount Derecognized	Factoring Line (thousands)	Amount Advanced (thousands)		Collateral	Range of Interest Rate	Significant Factoring Terms
			Unpaid	Paid			
ANZ (Note)	\$ <u>4,668,680</u>	USD <u>1,200,000</u>	USD <u>1,048,000</u>	USD <u>152,000</u>	None	1.99%~ 2.89%	The accounts receivable factoring is without recourse but the seller still bears the risks except for eligible obligor's insolvency.

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

For the years ended December 31, 2019 and 2018, the Company recognized a fee and interest on bank advance payment of \$68,962 and \$156,295, respectively, from the factoring of accounts receivable, which was accounted under finance costs in the statement of comprehensive income.

(e) Other receivables

	December 31, 2019	December 31, 2018
Other receivables	\$ 240,938	118,063
Less : Allowance for impairment	-	-
	<u>\$ 240,938</u>	<u>118,063</u>

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

(Continued)

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## (f) Inventories

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Merchandise	\$ 29,596,926	49,921,122
Finished goods	259,013	99,070
Work in process	319,155	148,129
Raw materials	<u>1,687,643</u>	<u>769,575</u>
Subtotal	31,862,737	50,937,896
Less: Allowance for inventory market decline and obsolescence	<u>618,639</u>	<u>1,172,284</u>
Total	<u><b>\$ 31,244,098</b></u>	<u><b>49,765,612</b></u>

For the years ended December 31, 2019 and 2018, the components of cost of goods sold were as follows :

	<b>For the years ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Cost of goods sold	\$ 1,241,225,348	1,216,378,764
Provision on (reversal of) inventory market price decline	(553,645)	112,569
Loss on disposal of inventory	42,370	37,123
Unallocated manufacturing overhead	<u>-</u>	<u>16,952</u>
	<u><b>\$ 1,240,714,073</b></u>	<u><b>1,216,545,408</b></u>

For the years ended December 31, 2019, the Company recognized a gain from the reversal of allowance for inventory valuation loss resulting from destocking. Such gain was deducted from cost of goods sold. For the year ended December 31, 2018, the Company recognized a inventory valuation loss because of the decreasing value from the carrying amount to the net realized value, and converted the amount to cost of goods sold.

As of December 31, 2019 and 2018, the aforesaid inventories were not pledged as collateral.

## (g) Investments accounted for using equity method

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Subsidiary	<u><b>\$ 138,654,566</b></u>	<u><b>129,941,116</b></u>

## (i) Subsidiaries

Please refer to the consolidated financial statement for the years ended December 31, 2019 and 2018.

(Continued)



**PEGATRON CORPORATION**  
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- (ii) For the years ended December 31, 2019, the Company had participated in the capital increase of PEGETRON SERVICE AUSTRALIA PTY. LTD. and PT. PEGATRON TECHNOLOGY INDONESIA with the amounts of USD3,500 thousand (approximately NTD108,133 thousand) and USD39,999 thousand (approximately NTD1,249,369 thousand), respectively. For the year ended December 31, 2018, the Company had participated in the capital increase of CASETEK HOLDINGS LIMITED (CAYMAN) and PEGETRON SERVICE AUSTRALIA PTY. LTD. with the amounts of NTD442,409 thousand and USD1,000 thousand (approximately NTD30,955 thousand), respectively.
- (iii) For the years ended December 31, 2019 and 2018, the Company received cash dividend of \$995,542 and \$1,698,394, respectively, from its investee companies accounted for under equity method.
- (iv) As of December 31, 2019 and 2018, the investments in aforesaid equity-accounted investees were not pledged as collateral.
- (h) Property, plant and equipment

The movements in the cost, depreciation, and impairment of the property, plant and equipment of the Company for the years ended December 31, 2019 and 2018 were as follows :

	Land	Buildings	Machinery and equipment	Instrument equipment	Other facilities	Construction in progress and equipment under test	Total
<b>Cost or deemed cost:</b>							
Balance on January 1, 2019	\$ 4,377,733	3,025,754	64,684	282,249	827,797	108,723	8,686,940
Additions	-	40,611	276,243	214,928	551,842	239,444	1,323,068
Disposals and obsolescence	-	(37,878)	(11,383)	(106,820)	(507,601)	-	(663,682)
Reclassifications	-	45,070	-	-	138,079	(84,495)	98,654
Balance on December 31, 2019	<u>\$ 4,377,733</u>	<u>3,073,557</u>	<u>329,544</u>	<u>390,357</u>	<u>1,010,117</u>	<u>263,672</u>	<u>9,444,980</u>
Balance on January 1, 2018	\$ 2,358,521	2,133,678	41,785	279,305	464,030	562,132	5,839,451
Additions	2,019,212	357,697	44,937	70,462	176,016	180,981	2,849,305
Disposals and obsolescence	-	(14,546)	(22,038)	(67,608)	(252,572)	-	(356,764)
Reclassifications	-	548,925	-	90	440,323	(634,390)	354,948
Balance on December 31, 2018	<u>\$ 4,377,733</u>	<u>3,025,754</u>	<u>64,684</u>	<u>282,249</u>	<u>827,797</u>	<u>108,723</u>	<u>8,686,940</u>
<b>Depreciation and impairment loss :</b>							
Balance on January 1, 2019	\$ -	809,020	14,305	150,197	328,776	-	1,302,298
Depreciation for the year	-	98,002	39,772	101,095	442,401	-	681,270
Disposals and obsolescence	-	(37,878)	(11,384)	(106,819)	(506,014)	-	(662,095)
Balance on December 31, 2019	<u>\$ -</u>	<u>869,144</u>	<u>42,693</u>	<u>144,473</u>	<u>265,163</u>	<u>-</u>	<u>1,321,473</u>
Balance on January 1, 2018	\$ -	757,847	28,461	127,905	202,326	-	1,116,539
Depreciation for the year	-	65,720	7,882	89,900	377,910	-	541,412
(Reversal of) impairment loss	-	-	-	-	(32)	-	(32)
Disposals and obsolescence	-	(14,547)	(22,038)	(67,608)	(251,428)	-	(355,621)
Balance on December 31, 2018	<u>\$ -</u>	<u>809,020</u>	<u>14,305</u>	<u>150,197</u>	<u>328,776</u>	<u>-</u>	<u>1,302,298</u>

(Continued)

**PEGATRON CORPORATION**  
**Notes to the Non-Consolidated Financial Statements**

Carrying amounts :	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Instrument equipment</u>	<u>Other facilities</u>	<u>Construction in progress and equipment under test</u>	<u>Total</u>
Balance on December 31, 2019	\$ 4,377,733	2,204,413	286,851	245,884	744,954	263,672	8,123,507
Balance on January 1, 2018	\$ 2,358,521	1,375,831	13,324	151,400	261,704	562,132	4,722,912
Balance on December 31, 2018	\$ 4,377,733	2,216,734	50,379	132,052	499,021	108,723	7,384,642

(i) Impairment loss and subsequent reversal

During the year 2018, the Company assessed the carrying amount and the recoverable amount of property, plant and equipment, and \$32 of the initially recognized impairment has been reversed (under non-operating income and expenses). Please refer to Note 6(w) for details.

(ii) Please refer to Note 6(w) for gain or loss on disposal of property, plant and equipment.

(iii) As of December 31, 2019 and 2018, the property, plant and equipment were not pledged as collateral.

(i) Right-of-use assets

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

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<b>Cost:</b>			
Balance on January 1, 2019	\$ -	-	-
Effects of retrospective application	6,553	141,476	148,029
Additions	11,139	74,928	86,067
Reductions	-	(19,860)	(19,860)
Balance on December 31, 2019	\$ <u>17,692</u>	<u>196,544</u>	<u>214,236</u>
<b>Accumulated depreciation:</b>			
Balance on January 1, 2019	\$ -	-	-
Effects of retrospective application	-	-	-
Depreciation for the period	5,582	74,831	80,413
Reductions	-	(4,663)	(4,663)
Balance on December 31, 2019	\$ <u>5,582</u>	<u>70,168</u>	<u>75,750</u>
<b>Carrying amounts:</b>			
Balance on December 31, 2019	\$ <u>12,110</u>	<u>126,376</u>	<u>138,486</u>

For the years ended December 31, 2018, the Company leased offices, warehouses, and parking lots under an operating lease, please refer to Note 6(o).

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**PEGATRON CORPORATION**  
**Notes to the Non-Consolidated Financial Statements**

(j) Intangible assets

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

**Costs:**

Balance on January 1, 2019	\$ 548,404
Additions	27,087
Disposals	(145,020)
Reclassifications	<u>318</u>
Balance on December 31, 2019	<u>\$ 430,789</u>
Balance on January 1, 2018	\$ 464,692
Additions	157,156
Disposals	<u>(73,444)</u>
Balance on December 31, 2018	<u>\$ 548,404</u>

**Amortization and Impairment Loss:**

Balance on January 1, 2019	\$ 255,359
Amortization for the year	176,795
Disposals	<u>(145,020)</u>
Balance on December 31, 2019	<u>\$ 287,134</u>
Balance on January 1, 2018	\$ 147,731
Amortization for the year	181,072
Disposals	<u>(73,444)</u>
Balance on December 31, 2018	<u>\$ 255,359</u>

**Carrying amounts:**

Balance on December 31, 2019	<u>\$ 143,655</u>
Balance on January 1, 2018	<u>\$ 316,961</u>
Balance on December 31, 2018	<u>\$ 293,045</u>

- (i) The amortization of intangible assets and impairment losses are respectively included in the statement of comprehensive income. Please refer to Note 12 for details.
- (ii) As of December 31, 2019 and 2018, the intangible assets were not pledged as collateral.

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**PEGATRON CORPORATION**  
**Notes to the Non-Consolidated Financial Statements**

## (k) Other financial assets and other assets

Other financial assets and other assets were as follows :

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Other financial assets-current	\$ 828,075	41,670
Other financial assets-noncurrent	27,708	22,722
Other current assets	385,443	452,584
Other noncurrent assets	<u>29,975</u>	<u>-</u>
	<u><u>\$ 1,271,201</u></u>	<u><u>516,976</u></u>

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

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

(iii) Other noncurrent assets consisted of prepayments for equipment.

## (l) Short-term loans

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Unsecured bank loans	<u>\$ 38,674,200</u>	<u>59,433,525</u>
Interest rate	<u>0.6%~4.70%</u>	<u>0.51%~5.11%</u>

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

## (m) Bonds payable

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Ordinary corporate bonds issued	\$ 23,500,000	15,000,000
Unamortized discount on bonds payable	(19,661)	(13,238)
Bonds payable, end of the year	23,480,339	14,986,762
Less: current portion	<u>(3,000,000)</u>	<u>-</u>
	<u><u>\$ 20,480,339</u></u>	<u><u>14,986,762</u></u>

	<u>For the years ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Interest expense	<u>\$ 190,068</u>	<u>146,821</u>

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**Notes to the Non-Consolidated Financial Statements**

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

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

<u>Item</u>	<u>2<sup>nd</sup> unsecured ordinary bonds issued in 2017</u>
1.Issuing amount	The Bonds are issued at \$8,000,000, which comprise Tranche A, Tranche B and Tranche C. The issuing amounts of Tranche A, Tranche B and Tranche C are \$1,000,000, \$4,500,000 and \$2,500,000, respectively.
2.Par value	Each unit is valued at \$1,000.
3.Offering price	The Bonds are issued by par value at the issuance date.
4.Issuance period	Each of Tranche A, Tranche B and Tranche C has 3-year term, 5-year term and 7-year term, respectively. The issuance period of Tranche A commences from January 10, 2018 and matures on January 10, 2021. The issuance period of Tranche B commences from January 10, 2018 and matures on January 10, 2023. The issuance period of Tranche C commences from January 10, 2018 and matures on January 10, 2025.

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**PEGATRON CORPORATION**  
**Notes to the Non-Consolidated Financial Statements**

<u>Item</u>	<u>2<sup>nd</sup> unsecured ordinary bonds issued in 2017</u>
5.Coupon rate	Tranche A, B and C bear annual coupon rates of 0.78%, 0.92% and 1.08%, respectively.
6.Repayment	Tranche A, Tranche B and Tranche C are repayable on maturity.
7.Interest payment	Interests are payable annually at coupon rate from the issuance date. The payment of each bond is rounded to the nearest dollar. If the repayment date and interest payment date are bank closing days, principal and interest shall be paid without extra interest on the next business day. If bondholders receive principal and interest past due the repayment date and interest payment date, there will no calculation of extra interest.
8.Guarantee	The Bonds are unsecured ordinary corporate bonds.

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

<u>Item</u>	<u>2<sup>nd</sup> unsecured ordinary bonds issued in 2019</u>
1.Issuing amount	The Bonds are issued at \$8,500,000, which comprise Tranche A, and Tranche B. The issuing amounts of Tranche A and Tranche B are \$6,000,000 and \$2,500,000, respectively.
2.Par value	Each unit is valued at \$1,000.
3.Offering price	The Bonds are issued by par value at the issuance date.
4.Issuance period	Each of Tranche A and Tranche B has 5year term and 7year term, respectively. The issuance period of Tranche A commences from June 13, 2019 and matures on June 13, 2024. The issuance period of Tranche B commences from June 13, 2019 and matures on June 13, 2026.
5.Coupon rate	Tranche A, and B bear annual coupon rates of 0.85% and 0.95%, respectively.
6.Repayment	Tranche A, and Tranche B are repayable on maturity.
7.Interest payment	Interests are payable annually at coupon rate from the issuance date. The payment of each bond is rounded to the nearest dollar. If the repayment date and interest payment date are bank closing days, principal and interest shall be paid without extra interest on the next business day. If bondholders receive principal and interest past due the repayment date and interest payment date, there will no calculation of extra interest.
8.Guarantee	The Bonds are unsecured ordinary corporate bonds.

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**PEGATRON CORPORATION**  
**Notes to the Non-Consolidated Financial Statements**

## (n) Lease liabilities

The Company's lease liabilities were as follows :

	<b>December 31, 2019</b>
Current	\$ <b>57,034</b>
Non-current	\$ <b>82,012</b>

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

The amounts recognized in profit or loss were as follows :

	<b>For the years ended December 31 2019</b>
Interest on lease liabilities	\$ <b>1,698</b>
Expenses relating to short-term leases	\$ <b>7,948</b>

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

	<b>For the years ended December 31 2019</b>
Total cash outflow for leases	\$ <b>89,461</b>

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

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

## (o) Operating leases

## (i) Lessee

As of December 31, 2018, the Company's lease commitments were as follows:

	<b>December 31, 2018</b>
Less than one year	\$ <b>84,781</b>
Between one and five years	<b>68,423</b>
	\$ <b>153,204</b>

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**PEGATRON CORPORATION**  
**Notes to the Non-Consolidated Financial Statements**

The Company leases a number of office, warehouse, and parking lots under operating leases. The leases typically run for a period of 1 to 5 years, with an option to renew the lease after that date.

For the year ended December 31, 2018, expenses recognized in profit or losses in respect of operating leases were as follows:

	<b>For the years ended December 31 2018</b>
Cost of sales	\$ 51,801
Operating expenses	101,146
	<b>\$ 152,947</b>

(p) Employee benefits

(i) Defined benefit plans

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

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Present value of defined benefit obligations	\$ 39,144	32,800
Fair value of plan assets	(11,760)	(10,827)
Net defined benefit liabilities	<b>\$ 27,384</b>	<b>21,973</b>

The Company's employee benefit liabilities were as follows :

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Short-term employee benefits	\$ 160,121	136,953
Cash-settled share-based payment liabilities	94,337	187,933
Total employee benefit liabilities	<b>\$ 254,458</b>	<b>324,886</b>

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

1) Composition of plan assets

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

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As of December 31, 2019, the Company's contributions to the pension funds which amounted to \$11,760 were deposited with Bank of Taiwan. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movements in the present value of the defined benefit obligations for the years ended December 31, 2019 and 2018 were as follows :

	<u>For the years ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Defined benefit obligation, January 1	\$ 32,800	34,614
Current service costs and interest	1,860	2,987
Re-measurement of the net defined benefit liability		
– Actuarial losses arose from changes in demographic assumptions	1,391	(1,754)
– Actuarial gains arose from changes in financial assumption	4,057	1,366
– Experience adjustment	(964)	(4,413)
Defined benefit obligation, December 31	<u>\$ 39,144</u>	<u>32,800</u>

3) Movements in the fair value of plan assets

The movements in the fair value of the defined benefit plan assets for the years ended December 31, 2019 and 2018 were as follows :

	<u>For the years ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Fair value of plan assets, January 1	\$ 10,827	9,984
Interests revenue	154	160
Re-measurement of the net defined benefit liability		
– Experience adjustment	328	235
Benefits paid by the plan	451	448
Fair value of plan assets, December 31	<u>\$ 11,760</u>	<u>10,827</u>

4) Expenses recognized in profit or loss

The Company's pension expenses recognized in profit or loss for the years ended December 31, 2019 and 2018 were as follows :

	<u>For the years ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Current service cost	\$ 1,394	2,434
Net interest on net defined benefit liability	312	393
	<u>\$ 1,706</u>	<u>2,827</u>
Operating expense	<u>\$ 1,706</u>	<u>2,827</u>

(Continued)

**PEGATRON CORPORATION**  
**Notes to the Non-Consolidated Financial Statements**

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

The Company's net defined benefit liability recognized in other comprehensive income for the years ended December 31, 2019 and 2018 were as follows :

	<b>For the years ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Cumulative amount, January 1	\$ 12,834	7,798
Recognized during the year	(4,156)	5,036
Cumulative amount, December 31	<b><u>\$ 8,678</u></b>	<b><u>12,834</u></b>

- 6) Actuarial assumptions

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

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Discount rate	0.92 %	1.42 %
Future salary increase rate	3.00 %	3.00 %

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date is \$451.

The weighted-average duration of the defined benefit plans is 23 years.

- 7) Sensitivity Analysis

As of December 31, 2019 and 2018, the changes in the principal actuarial assumptions will impact on the present value of defined benefit obligation as follows :

	<b>Impact on the present value of defined benefit obligation</b>	
	<b>Increase by 0.50%</b>	<b>Decrease by 0.50%</b>
December 31, 2019		
Discount rate	(4,190)	4,750
Future salary increase rate	4,624	(4,129)
December 31, 2018		
Discount rate	(3,554)	4,030
Future salary increase rate	3,944	(3,519)

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**PEGATRON CORPORATION**  
**Notes to the Non-Consolidated Financial Statements**

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

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

(ii) Defined contribution plans

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

The cost of the pension contributions to the Labor Insurance Bureau for the years ended December 31, 2019 and 2018 amounted to \$320,783 and \$316,281, respectively.

(q) Income Tax

(i) The components of income tax expense for the years ended December 31, 2019 and 2018 were as follows :

	<b>For the years ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Current income tax expense		
Current period incurred	\$ 2,042,940	472,062
Prior years income tax adjustment	7,219	265,151
10% surtax on undistributed earnings	142,117	-
Deferred tax expense		
The origination and reversal of temporary differences	(6,571)	(9,847)
Adjustment in tax rate	-	(99,203)
Income tax expense	<b>\$ 2,185,705</b>	<b>628,163</b>

(ii) The amounts of income tax recognized directly in equity for the years ended December 31, 2019 and 2018 were as follows :

	<b>For the years ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Profit before income tax	\$ 21,503,446	11,743,029
Income tax on pre-tax financial income calculated at the domestic rates applicable to profits in the country concerned	4,300,689	2,348,606
Adjustment in tax rate	-	(99,203)
Permanent differences	(17,260)	573,690
Changes in unrecognized temporary differences	(2,247,060)	(2,460,081)
Prior years income tax adjustment	7,219	265,151
10% surtax on undistributed earnings	142,117	-
Income tax expense	<b>\$ 2,185,705</b>	<b>628,163</b>

(Continued)

**PEGATRON CORPORATION**  
**Notes to the Non-Consolidated Financial Statements**

(iii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

As of December 31, 2019 and 2018, the temporary differences associated with investments in subsidiaries were not recognized as deferred income tax liabilities as the Company has the ability to control the reversal of these temporary differences which are not expected to reverse in the foreseeable future.

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
The aggregate temporary differences associated with investments in subsidiaries	\$ <u>55,849,448</u>	<u>44,614,150</u>
Unrecognized deferred tax liabilities	\$ <u>11,169,890</u>	<u>8,922,830</u>

2) Recognized deferred tax assets and liabilities

The movements in deferred tax assets and liabilities for the years ended December 31, 2019 and 2018 were as follows :

	<u>Gain on foreign investments</u>	<u>Others</u>	<u>Total</u>
<b>Deferred tax liabilities:</b>			
Balance on January 1, 2019	\$ -	35,426	35,426
Recognized in (profit)	<u>-</u>	<u>(35,426)</u>	<u>(35,426)</u>
Balance on December 31, 2019	<u>\$ -</u>	<u>-</u>	<u>-</u>
Balance on January 1, 2018	\$ -	-	-
Recognized in loss	<u>-</u>	<u>35,426</u>	<u>35,426</u>
Balance on December 31, 2018	<u>\$ -</u>	<u>35,426</u>	<u>35,426</u>
	<u>Gain or loss on valuation of inventory</u>	<u>Others</u>	<u>Total</u>
<b>Deferred tax assets:</b>			
Balance on January 1, 2019	\$ 234,457	472,173	706,630
Recognized in (loss) of profit	<u>(110,729)</u>	<u>81,874</u>	<u>(28,855)</u>
Balance on December 31, 2019	<u>\$ 123,728</u>	<u>554,047</u>	<u>677,775</u>
Balance on January 1, 2018	\$ 180,151	382,003	562,154
Recognized in profit	<u>54,306</u>	<u>90,170</u>	<u>144,476</u>
Balance on December 31, 2018	<u>\$ 234,457</u>	<u>472,173</u>	<u>706,630</u>

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**PEGATRON CORPORATION**  
**Notes to the Non-Consolidated Financial Statements**

(iv) Status of approval of income tax

The Company's income tax returns through 2016 have been assessed and approved by the Tax Authority.

(r) Share capital and other interests

(i) Ordinary shares

Reconciliation of shares outstanding for 2019 and 2018 was as follows :

(In thousands of shares)	<b>Ordinary Shares</b>	
	<b>2019</b>	<b>2018</b>
Beginning balance on January 1	2,612,377	2,614,090
Retirement of restricted shares of stock	(1,285)	(1,713)
Ending balance on December 31	<b><u>2,611,092</u></b>	<b><u>2,612,377</u></b>

For the years ended December 31, 2019 and 2018, the Company had retired 1,285 and 1,713 thousand shares, respectively, of restricted stock to employees. The authorized capital of the Company consisted of both 3,000,000 thousand shares, with par value of \$10 per share, and its outstanding capital were consisted of 2,611,092 and 2,612,377 thousand common shares of stock, as of December 31, 2019 and 2018, respectively. All share proceeds from outstanding capital have been collected.

As of December 31, 2019 and 2018, the restricted Company shares of stock issued to employees have expired, of which 300 and 497 thousand shares, respectively, have not been retired.

(ii) Global depositary receipts

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

The Company may issue new GDRs with no more than 60,819,020 of the Company's common shares and deliver them to ASUSTeK GDR holders pursuant to the "Guidelines for Offering and Issuing by Issuer of Overseas Securities". As of December 31, 2019 and 2018, the Company has listed, in total, 790 and 1,594 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 3,949 and 7,971 thousand shares of stock, respectively. Major terms and conditions for GDRs were as follows :

1) Voting Rights

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

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**PEGATRON CORPORATION**  
**Notes to the Non-Consolidated Financial Statements**

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

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

(iii) Capital surplus

The components of the capital surplus were as follows :

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
From issuance of share capital	\$ 65,571,841	64,623,295
From conversion of convertible bonds	11,073,663	11,073,663
From treasury stock transactions	23,614	23,614
Difference between consideration and carrying amount of subsidiaries acquired or disposed	2,432,387	2,383,056
Changes in ownership interest in subsidiaries	1,215,540	760,025
Employee stock options	1,304	1,304
Restricted stock to employees	323,835	1,401,456
Other	409,917	409,917
	<b><u>\$ 81,052,101</u></b>	<b><u>80,676,330</u></b>

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

(iv) Retained earnings

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

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

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

(Continued)

**PEGATRON CORPORATION**  
**Notes to the Non-Consolidated Financial Statements**

1) Legal reserve

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

2) Special reserve

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings Distribution

Earnings distribution for 2018 and 2017 was decided by the resolution adopted, at the general meeting of shareholders held on June 21, 2019 and June 20, 2018, respectively. The relevant dividend distributions to shareholders were as follows :

	<b>For the years ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Common stock dividends per share (dollars)		
– Cash	<b>\$ 3.50</b>	<b>4.00</b>

(v) Other equity interest (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	Available -for-sale investments	Deferred compensation arising from issuance of restricted stock	Total
Balance on January 1, 2019	\$ (7,482,556)	(386,322)	-	(524,686)	(8,393,564)
Exchange differences on subsidiaries accounted for using equity method	(3,499,840)	-	-	-	(3,499,840)
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	74,555	-	-	74,555
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	3,436	-	-	3,436
Unrealized losses on subsidiaries accounted for using equity method from financial assets measured at fair value through other comprehensive income	-	4,677	-	-	4,677
Deferred compensation cost arising from issuance of restricted stock	-	-	-	516,399	516,399
Balance on December 31, 2019	<b>\$ (10,982,396)</b>	<b>(303,654)</b>	<b>-</b>	<b>(8,287)</b>	<b>(11,294,337)</b>

(Continued)

**PEGATRON CORPORATION**  
**Notes to the Non-Consolidated Financial Statements**

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Available -for-sale investments	Deferred compensation arising from issuance of restricted stock	Total
Balance on January 1, 2018	\$ (9,698,374)	-	883,161	(1,222,232)	(10,037,445)
Effects of retrospective application	<u>11,223</u>	<u>(161,048)</u>	<u>(883,161)</u>	-	<u>(1,032,986)</u>
Balance on January 1, 2018 after adjustments	(9,687,151)	(161,048)	-	(1,222,232)	(11,070,431)
Exchange differences on subsidiaries accounted for using equity method	2,204,595	-	-	-	2,204,595
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	(182,244)	-	-	(182,244)
Unrealized losses on subsidiaries accounted for using equity method from financial assets measured at fair value through other comprehensive income	-	(43,030)	-	-	(43,030)
Deferred compensation cost arising from issuance of restricted stock	-	-	-	697,546	697,546
Balance on December 31, 2018	<u>\$ (7,482,556)</u>	<u>(386,322)</u>	<u>-</u>	<u>(524,686)</u>	<u>(8,393,564)</u>

(s) Share-based payment

Information on share-based payment transactions as of December 31, 2019 and 2018 were as follows:

	<u>Equity-settled share-based payment</u>	
	<u>Restricted stock to employee</u>	
	<u>Issued in 2016</u>	<u>Issued in 2014</u>
Thousand units granted	40,000	40,000
Contractual life	3 years	3 years
Vesting period	Note A	Note A
Actual turnover rate of employees	7.39% - 0.73%	8.33%
Estimated future turnover rate for each or the three years of employees	10.21%	-

Note A : Employees are entitled to receive 20%, 40%, and 40% of the restricted stock in the first, second and third year, respectively, of their service.

On June 18, 2014, the shareholders approved a resolution passed during their meeting to award 40,000 thousand new restricted shares of stock to those full-time employees who meet certain requirement of the Company. The restricted stock has been registered with and approved by the Securities and Futures Bureau of the Financial Supervisory Commission, R.O.C. On May 7, 2015, the Board of Directors issued 39,678 thousand restricted shares with fair value of NT\$91.9 each at grant date.

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

On June 21, 2016, the shareholders approved a resolution passed during their meeting to award 40,000 thousand new restricted shares of stock to those full-time employees who meet certain requirement of the Company. The restricted stock has been declared effective by the Securities and Futures Bureau of the Financial Supervisory Commission, R.O.C. On May 9, 2017, the Board of Directors approved to issue 38,191 thousand shares of restricted shares of stock with fair value of NT\$89.7 each at grant date. The record date for the capital increase through issuance of restricted shares of stock was July 11, 2017. The actual issuance number for the capital increase was 37,808 thousand shares. On July 27, 2017, the registration procedures were completed. On September 15, 2017, Board of Directors of the Company approved to issue secondary new restricted shares of stock totaling 2,192 thousand shares with fair value of \$88.5 each at grant date. The record date for the capital increase through issuance of restricted shares of stock was October 19, 2017. The actual issuance number for the capital increase was 2,192 thousand shares, and the registration procedures were completed.

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

(i) Determining the fair value of equity instruments granted

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

	<b>Equity-settled share-based payment</b>		
	<b>Restricted stock to employee</b>		
	<b>Issued in 2016</b>	<b>Issued in 2016</b>	<b>Issued in 2014</b>
	09/15/2017	05/09/2017	05/07/2015
Fair value at grant date			
Stock price at grant date	\$ 88.50	89.70	91.90
Exercise price	10.00	10.00	10.00
Expected life of the option	3 years	3 years	3 years
Current market price	88.50	89.70	91.90
Expected volatility	22.46%	33.31%	33.37%
Expected dividend yield	-%	-%	-%
Risk-free interest rate	(Note A)	(Note B)	(Note C)

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**Notes to the Non-Consolidated Financial Statements**

Note A : The risk-free interest rate is 0.13% for the period between three and six month.

Note B : The risk-free interest rate is 0.16% for the period between six and nine month.

Note C : The risk-free interest rate is 0.7992% for the 3rd year.

(ii) Restricted stock to employee

For the years ended December 31, 2019 and 2018, 1,088 and 2,017 thousand shares of the restricted shares of stock issued to employees have expired, which were converted to capital surplus of \$10,880 and \$20,165, respectively. As of December 31, 2019 and 2018, the Company has deferred compensation cost arising from issuance of restricted stock of \$8,287 and \$524,686, respectively.

For the years ended December 31, 2019 and 2018, the Company reversed and recognized salary cost of \$6,548 and \$43,617 from the distribution of cash dividends to estimated non-vesting restricted shares of stock distributed to employees from prior period earnings. Such salary cost was credited/debited to retained earnings.

(iii) Expenses recognized in profit or loss

The Company incurred expenses of share-based arrangements for the years ended December 31, 2019 and 2018 as follows :

	<u>For the years ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Expenses resulting from the issuance of restricted stock to employees	\$ <u>300,495</u>	<u>1,182,963</u>

(t) Earnings per share

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

	<u>For the years ended December 31</u>	
	<u>2019</u>	<u>2018</u>
<b>Basic earnings per share</b>		
Profit attributable to ordinary shareholders	\$ <u>19,317,741</u>	<u>11,114,866</u>
Weighted-average number of ordinary shares	<u>2,611,330</u>	<u>2,612,769</u>
	\$ <u>7.40</u>	<u>4.25</u>
<b>Diluted earnings per share</b>		
Profit attributable to ordinary shareholders (diluted)	\$ <u>19,317,741</u>	<u>11,114,866</u>
Weighted-average number of ordinary shares	<u>2,611,330</u>	<u>2,612,769</u>
Effect of potentially dilutive ordinary shares		
Employee stock bonus	<u>27,226</u>	<u>20,580</u>
Weighted-average number of ordinary shares (diluted)	<u>2,638,556</u>	<u>2,633,349</u>
	\$ <u>7.32</u>	<u>4.22</u>

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**Notes to the Non-Consolidated Financial Statements**

## (u) Revenue from contracts with customers

## (i) Disaggregation of revenue

	<b>For the years ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Primary geographical markets		
Europe	\$ 546,492,308	539,191,013
U.S.A.	443,159,372	440,529,466
Taiwan	121,270,205	102,927,767
China	23,045,520	19,571,350
Japan	63,241,132	71,375,381
Other countries	<u>67,624,348</u>	<u>60,738,321</u>
	<b><u>\$ 1,264,832,885</u></b>	<b><u>1,234,333,298</u></b>

## (ii) Contract balances

	<b>December 31, 2019</b>	<b>December 31, 2018</b>	<b>January 1, 2018</b>
Notes receivable	\$ -	14	-
Accounts receivable	189,015,899	178,807,888	131,243,680
Less: Allowance for impairment	<u>(1,524,216)</u>	<u>1,559,628</u>	<u>(1,510,916)</u>
Total	<b><u>\$ 187,491,683</u></b>	<b><u>177,248,274</u></b>	<b><u>129,732,764</u></b>
Contract liabilities	<b><u>\$ 671,460</u></b>	<b><u>609,002</u></b>	<b><u>638,618</u></b>

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

The amount of revenue recognized for the year ended December 31, 2019 and 2018 that was included in the contract liability balance at the beginning of the period was \$295,806 and \$446,340, respectively.

The major change in the balance of contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received. There were no other significant changes for the year ended December 31, 2019 and 2018.

## (v) Remuneration of employees and directors

Based on the amended Company's Articles of Incorporation, remuneration of employees and directors are appropriated at the rate of at least 7% and no more than 0.7% of profit before tax, respectively. Prior years' accumulated deficit is first offset before any appropriation of profit. Employees of subsidiaries may also be entitled to the employee remuneration of the Company, which can be settled in the form of cash or stock.

(Continued)

**PEGATRON CORPORATION**  
**Notes to the Non-Consolidated Financial Statements**

For the years ended December 31, 2019 and 2018, remuneration of employees of \$1,639,000 and \$896,000, respectively, and remuneration of directors of \$163,000 and \$89,000, respectively, were estimated on the basis of the Company's net profit before tax, excluding the remuneration of employees and directors of each period, multiplied by the percentage of remuneration of employees and directors as specified in the Company's Articles of Incorporation. Such amounts were recognized as operating cost or operating expense for the years ended December 31, 2019 and 2018. 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 number of shares to be distributed were calculated based on the closing price of the Company's ordinary shares, one day prior to Board of Directors meeting. There was no difference between the amounts approved in Board of Directors meeting and recognized for the years ended December 31, 2019 and 2018. For further information, please refer to Market Observation Post System.

(w) Non-operating income and expenses

(i) Other income

	<b>For the years ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Interest income	\$ 371,457	364,268
Rental income	124,604	116,790
Technical service income	390,185	334,166
Other income	161,530	237,247
	<u>\$ 1,047,776</u>	<u>1,052,471</u>

(ii) Other gains and losses

	<b>For the years ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Reversal of expected credit loss	\$ 35,412	-
Gains on disposal of property, plant and equipment	45	8
Foreign exchange (losses) gains	(859,786)	538,457
Gain on lease modifications	38	-
Net losses on evaluation of financial assets measured at fair value through profit or loss	(27,180)	(1,895)
Reversal of impairment loss on property, plant and equipment	-	32
	<u>\$ (851,471)</u>	<u>536,602</u>

(iii) Finance costs

	<b>For the years ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Interest expenses	\$ 1,723,283	1,631,036
Finance expense—bank fees	9,736	11,387
	<u>\$ 1,733,019</u>	<u>1,642,423</u>

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**PEGATRON CORPORATION**  
**Notes to the Non-Consolidated Financial Statements**

## (x) Financial instruments

## (i) Credit risk

## 1) Exposure to credit risk

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

## 2) Credit risk concentrations

As of December 31, 2019 and 2018, the accounts receivable from the Company's top three customers amounted to \$393,102,840 and \$366,583,720, representing 77% and 75% of accounts receivable, respectively, which exposes the Company to credit risk.

## 3) Accounts receivable of credit risk

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

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

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

## (ii) Liquidity risk

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>More than 2 years</u>
<b>December 31, 2019</b>					
Non-derivative financial liabilities					
Unsecured bank loans	\$ 38,674,200	38,674,200	38,674,200	-	-
Unsecured ordinary corporate bond	23,500,000	23,500,000	3,000,000	1,000,000	19,500,000
Non-interest bearing liabilities	484,408,121	484,408,121	484,408,121	-	-
Lease liabilities	139,046	139,046	57,034	40,315	41,697
	<u>\$ 546,721,367</u>	<u>546,721,367</u>	<u>526,139,355</u>	<u>1,040,315</u>	<u>19,541,697</u>
<b>December 31, 2018</b>					
Non-derivative financial liabilities					
Unsecured bank loans	\$ 59,433,525	59,433,525	59,433,525	-	-
Issuance of unsecured ordinary corporate bonds	15,000,000	15,000,000	-	3,000,000	12,000,000
Non-interest bearing liabilities	457,941,002	457,941,002	457,941,002	-	-
	<u>\$ 532,374,527</u>	<u>532,374,527</u>	<u>517,374,527</u>	<u>3,000,000</u>	<u>12,000,000</u>

(Continued)

**PEGATRON CORPORATION**  
**Notes to the Non-Consolidated Financial Statements**

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

(iii) Currency risk

1) Currency risk exposure

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

(Unit: Foreign currency / NTD in Thousands)

	December 31, 2019			December 31, 2018		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$17,754,578	29.980	532,282,248	16,289,400	30.715	500,328,921
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	17,153,161	29.980	514,251,767	16,579,638	30.715	509,243,581

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, loans, accounts payable and other payables that are denominated in foreign currency. A 1% of appreciation of each major foreign currency against the Company's functional currency as of December 31, 2019 and 2018 would have increased or decreased the before-tax net income by \$180,305 and \$89,147, respectively. The analysis is performed on the same basis for both periods.

3) Gains or losses on monetary item

As the Company deals in diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the years ended December 31, 2019 and 2018, the foreign exchange losses, including both realized and unrealized, amounted to \$859,786 and \$538,457, respectively.

(iv) Interest rate analysis

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

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

(Continued)

**PEGATRON CORPORATION**  
**Notes to the Non-Consolidated Financial Statements**

If the interest rate increases / decreases by 1%, the Company's net income will decrease /increase by \$167,888 and \$135,637 for the years ended December 31, 2019 and 2018, respectively, assuming all other variable factors remain constantly. This is mainly due to the Company's variable rate borrowing and cash advances for accounts receivable factoring.

(v) Other market price risk

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

	For the years ended December 31			
	2019		2018	
	Comprehensive Income (Loss) (net of tax)	Net Income (Loss) (net of tax)	Comprehensive Income (Loss) (net of tax)	Net Income (Loss) (net of tax)
Increase 3%	\$ 16,551	6,752	14,314	6,510
Decrease 3%	\$ (16,551)	(6,752)	(14,314)	(6,510)

(vi) Fair value of financial instruments

1) Categories of financial instruments and fair value hierarchy

The Company measured its financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income (available-for-sale financial assets) on a recurring basis. The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follows : however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required :

	December 31, 2019				
	Book Value	Fair Value			Total
	Level 1	Level 2	Level 3		
<b>Financial assets at fair value through profit or loss</b>					
Financial assets mandatorily measured at fair value through profit or loss	\$ 484,756	225,050	-	259,706	484,756
<b>Financial assets at fair value through other comprehensive income</b>					
Receivables-Financial assets at fair value through other comprehensive income	\$ 7,495,000	7,495,000	-	-	7,495,000
Stock of listed companies	551,703	551,703	-	-	551,703
Subtotal	8,046,703	8,046,703	-	-	8,046,703

(Continued)

**PEGATRON CORPORATION**  
**Notes to the Non-Consolidated Financial Statements**

		December 31, 2019				
		Fair Value				
	Book Value	Level 1	Level 2	Level 3	Total	
<b>Financial assets at amortized cost</b>						
Cash and cash equivalents	\$ 35,040,374	-	-	-	-	
Notes and accounts receivable	501,640,986	-	-	-	-	
Other receivables	240,938	-	-	-	-	
Other financial assets	855,783	-	-	-	-	
Subtotal	<u>537,778,081</u>	-	-	-	-	
<b>Financial liabilities at amortized cost</b>						
Bank loans	\$ 38,674,200	-	-	-	-	
Non-interest bearing liabilities	484,408,121	-	-	-	-	
Lease liabilities	139,046	-	-	-	-	
Unsecured ordinary corporate bond	23,480,339	-	-	-	-	
Subtotal	<u>546,701,706</u>	-	-	-	-	
		December 31, 2018				
		Fair Value				
	Book Value	Level 1	Level 2	Level 3	Total	
<b>Financial assets at fair value through profit or loss</b>						
Financial assets mandatorily measured at fair value through profit or loss	\$ 340,320	217,000	-	123,320	340,320	
<b>Financial assets at fair value through other comprehensive income</b>						
Receivables-Financial assets at fair value through other comprehensive income	\$ 15,357,500	15,357,500	-	-	15,357,500	
Stock of listed companies	477,148	477,148	-	-	477,148	
Financial assets carried at cost	-	-	-	-	-	
Subtotal	<u>15,834,648</u>	<u>15,834,648</u>	-	-	<u>15,834,648</u>	
<b>Financial assets at amortized cost</b>						
Cash and cash equivalents	\$ 18,535,500	-	-	-	-	
Notes and accounts receivable	475,874,104	-	-	-	-	
Other receivables	118,063	-	-	-	-	
Other financial assets	64,392	-	-	-	-	
Subtotal	<u>494,592,059</u>	-	-	-	-	
<b>Financial liabilities at amortized cost</b>						
Bank loans	\$ 59,433,525	-	-	-	-	
Non-interest bearing liabilities	457,941,002	-	-	-	-	
Unsecured ordinary corporate bond	14,986,762	-	-	-	-	
Subtotal	<u>532,361,289</u>	-	-	-	-	

(Continued)



**PEGATRON CORPORATION**  
**Notes to the Non-Consolidated Financial Statements**

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

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

a) Financial assets and liabilities measured at amortized cost

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

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.

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

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

b) Derivative financial instruments

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

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

4) Transfers between Level 1 and Level 2

There have been no transfers from each level for the years ended December 31, 2019 and 2018.

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**PEGATRON CORPORATION**  
**Notes to the Non-Consolidated Financial Statements**

5) Reconciliation of Level 3 fair values

	<b>Non derivative mandatorily measured at fair value through profit or loss</b>
Opening balance, January 1, 2019	\$ 123,320
Total gains and losses recognized:	
In profit or loss	(35,230)
Purchased	<u>171,616</u>
Ending Balance, December 31, 2019	<u><u>\$ 259,706</u></u>
Opening balance, January 1, 2018	\$ -
Total gains and losses recognized:	
In profit or loss	(8,895)
Purchased	<u>132,215</u>
Ending Balance, December 31, 2018	<u><u>\$ 123,320</u></u>

For the years ended December 31, 2019 and 2018, total gains and losses that were included in “other gains and losses” were as follows:

	<b>For the years ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Total gains and losses recognized:		
In profit or loss, and including “other gains and losses”	<u><u>\$ (35,230)</u></u>	<u><u>(8,895)</u></u>

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

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

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

(Continued)

**PEGATRON CORPORATION**  
**Notes to the Non-Consolidated Financial Statements**

Quantified information of significant unobservable inputs was as follows :

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Fair value through profit or loss-private fund	Net Asset Value Method	Net Asset Value	Not applicable

(vii) Offsetting of financial assets and financial liabilities

The Company has financial assets and liabilities which are subject to the guidance concerning financial instrument transactions under paragraph 42 of IAS 32 as endorsed by the Financial Supervisory Commission. These financial assets and liabilities are presented on a net basis in balance sheet.

The following table presents the recognized financial instruments that are subject to offsetting agreement or contract and have legally enforceable right to set off :

December 31, 2019						
Financial assets subject to offsetting agreement or contract and have legally enforceable right to set off.						
	Gross Assets (a)	Gross Liabilities Offset (b)	Net amounts presented (c)=(a)-(b)	Amounts not offset(d)		
				Financial Instruments (Note)	Cash collected as pledge	Net amounts (e)=(c)-(d)
Accounts Receivable and Payable	\$ 58,655,071	52,072,003	6,583,068	-	-	6,583,068
December 31, 2019						
Financial liabilities subject to offsetting agreement or contract and have legally enforceable right to set off.						
	Gross Liabilities (a)	Gross Assets Offset (b)	Net amounts presented (c)=(a)-(b)	Amounts not offset(d)		
				Financial Instruments (Note)	Cash collected as pledge	Net amounts (e)=(c)-(d)
Accounts Receivable and Payable	\$ 52,072,003	52,072,003	-	-	-	-
December 31, 2018						
Financial assets subject to offsetting agreement or contract and have legally enforceable right to set off.						
	Gross Assets (a)	Gross Liabilities Offset (b)	Net amounts presented (c)=(a)-(b)	Amounts not offset(d)		
				Financial Instruments (Note)	Cash collected as pledge	Net amounts (e)=(c)-(d)
Accounts Receivable and Payable	\$ 89,871,072	76,858,784	13,012,288	-	-	13,012,288
December 31, 2018						
Financial liabilities subject to offsetting agreement or contract and have legally enforceable right to set off.						
	Gross Liabilities (a)	Gross Assets Offset (b)	Net amounts presented (c)=(a)-(b)	Amounts not offset(d)		
				Financial Instruments (Note)	Cash collected as pledge	Net amounts (e)=(c)-(d)
Accounts Receivable and Payable	\$ 76,858,784	76,858,784	-	-	-	-

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

(Continued)

**PEGATRON CORPORATION**  
**Notes to the Non-Consolidated Financial Statements**

(y) Financial risk management

(i) Overview

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

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

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

(ii) Risk management framework

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

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

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

(iii) Credit risk

Credit risk means the potential loss of the Company if the counterparty involved in that transaction defaults. The primary potential credit risk is from financial instruments like cash, equity securities, and accounts receivable. Also, the Company deposits cash in different financial institutions. The Company manages credit risk exposure related to each financial institution and believes that there is no significant concentration of credit risk on cash and equity securities.

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

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**PEGATRON CORPORATION**  
**Notes to the Non-Consolidated Financial Statements**

1) Accounts receivables and other receivables

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

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

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

2) Investment

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

3) Guarantee

The Company's policies were prepared in accordance with Guidelines for Lending of Capital, Endorsements and Guarantees by Public Companies. As of December 31, 2019, please refer to Note 13 and table 2 for the Company's endorsement and gaurantees.

(iv) Liquidity risk

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

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

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**PEGATRON CORPORATION**  
**Notes to the Non-Consolidated Financial Statements**

(v) Market risk

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

1) Currency risk

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

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

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

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

2) Interest rate risk

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

3) Price floating risk on equity instruments

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

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

(Continued)

**PEGATRON CORPORATION**  
**Notes to the Non-Consolidated Financial Statements**

(z) Capital management

The Board's policy is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares, paid-in capital, retained earnings and non-controlling interests of the Company. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

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

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Total liabilities	\$ 568,041,983	549,281,818
Less: cash and cash equivalents	<u>(35,040,374)</u>	<u>(18,535,500)</u>
Net debt	533,001,609	530,746,318
Total capital (Note)	<u>157,665,062</u>	<u>150,028,838</u>
Adjusted capital	<u>\$ 690,666,671</u>	<u>680,775,156</u>
Debt to equity ratio	<u>77.17%</u>	<u>77.96%</u>

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

The Company's approach to the capital management for the year ended December 31, 2019 was no change.

(aa) Financing activities not affecting current cash flow

The Company's financing activities which did not affect the current cash flow in the year ended December 31, 2019 and 2018, were as follows :

Reconciliation of liabilities arising from financing activities were as follows :

	<u>January 1, 2019</u>	<u>Cash flows</u>	<u>Non-cash changes</u>		<u>December 31, 2019</u>
			<u>Foreign exchange movement</u>	<u>Other</u>	
Short-term loans	\$ 59,433,525	(20,262,050)	(497,275)	-	38,674,200
Bonds payable	14,986,762	8,490,500	-	3,077	23,480,339
Lease liabilities	148,029	(79,815)	-	70,832	139,046
Other payables-related parties	4,607,250	-	(110,250)	-	4,497,000
Other payables-restricted employee stock	<u>187,933</u>	<u>(10,880)</u>	<u>-</u>	<u>(82,716)</u>	<u>94,337</u>
Total liabilities from financing activities	<u>\$ 79,363,499</u>	<u>(11,862,245)</u>	<u>(607,525)</u>	<u>(8,807)</u>	<u>66,884,922</u>

(Continued)

**PEGATRON CORPORATION**  
**Notes to the Non-Consolidated Financial Statements**

	January 1, 2018	Cash flows	Non-cash changes		December 31, 2018
			Foreign exchange movement	Other	
Short-term loans	\$ 22,034,400	37,363,500	35,625	-	59,433,525
Bonds payable	6,992,476	7,992,000	-	2,286	14,986,762
Other payables-related parties	4,464,000	-	143,250	-	4,607,250
Other payables-restricted employee stock	<u>252,461</u>	<u>(20,165)</u>	<u>-</u>	<u>(44,363)</u>	<u>187,933</u>
Total liabilities from financing activities	<u>\$ 33,743,337</u>	<u>45,335,335</u>	<u>178,875</u>	<u>(42,077)</u>	<u>79,215,470</u>

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

(a) Names and relationship with related parties

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

Name of related party	Relationship with the Company	Notes
CASETEK COMPUTER (SUZHOU) CO., LTD.	The Company's subsidiary	
KAEDAR ELECTRONICS (KUNSHAN) CO., LTD.	The Company's subsidiary	
CORE-TEK (SHANGHAI) LIMITED	The Company's subsidiary	
KAI-CHUAN ELECTRONICS (CHONGQING) CO., LTD.	The Company's subsidiary	
AZURE WAVE TECHNOLOGIES, INC.	The Company's subsidiary	
EZWAVE TECHNOLOGIES, INC.	The Company's subsidiary	
AZURE LIGHTING TECHNOLOGIES, INC.	The Company's subsidiary	
AZURE WAVE TECHNOLOGIES (SHANGHAI) INC.	The Company's subsidiary	
AZURE LIGHTING TECHNOLOGIES, INC. (YANGZHOU)	The Company's subsidiary	
AIGALE CORPORATION (SHANGHAI)	The Company's subsidiary	
AMA PRECISION INC.	The Company's subsidiary	
TOPTEK PRECISION INDUSTRY (SUZHOU) CO., LTD.	The Company's subsidiary	Note 2
POWTEK (SHANGHAI) LTD.	The Company's subsidiary	
PIOTEK COMPUTER (SUZHOU) CO., LTD.	The Company's subsidiary	
PEGAGLOBE (KUNSHAN) CO., LTD.	The Company's subsidiary	
DIGITEK (CHONGQING) LTD.	The Company's subsidiary	
CHONGQING ZUANSHUO TRADING CO., LTD.	The Company's subsidiary	
MAINTEK COMPUTER (SUZHOU) CO., LTD.	The Company's subsidiary	
PROTEK (SHANGHAI) LTD.	The Company's subsidiary	
COTEK ELECTRONICS (SUZHOU) CO., LTD.	The Company's subsidiary	
RUNTOP (SHANGHAI) CO., LTD.	The Company's subsidiary	
ASUSPOWER INVESTMENT CO., LTD.	The Company's subsidiary	
ASUS INVESTMENT CO., LTD.	The Company's subsidiary	
ASUSTEK INVESTMENT CO., LTD.	The Company's subsidiary	
ASROCK INCORPORATION	The Company's subsidiary	
ASRock Rack Incorporation	The Company's subsidiary	
ASRock Industrial Computer Corporation	The Company's subsidiary	
Soaring Asia Limited	The Company's subsidiary	
KINSUS INTERCONNECT TECHNOLOGY CORP.	The Company's subsidiary	
KINSUS INVESTMENT CO., LTD.	The Company's subsidiary	
PEGAVISION CORPORATION	The Company's subsidiary	
FUYANG TECHNOLOGY CORPORATION	The Company's subsidiary	

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**PEGATRON CORPORATION**  
**Notes to the Non-Consolidated Financial Statements**

Name of related party	Relationship with the Company	Notes
FUYANG ELECTRONICS (SUZHOU) CO., LTD.	The Company's subsidiary	
PEGAVISION (SHANGHAI) LIMITED	The Company's subsidiary	
GEMVISION TECHNOLOGY (ZHEJIANG) LIMITED	The Company's subsidiary	
KINSUS INTERCONNECT TECHNOLOGY (SUZHOU) CORP.	The Company's subsidiary	
KINSUS TRADING (SUZHOU) CORP.	The Company's subsidiary	
STARLINK ELECTRONICS CORPORATION	The Company's subsidiary	
RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	The Company's subsidiary	
RI-PRO PRECISION MODEL (SHANGHAI) CO., LTD.	The Company's subsidiary	
RI-MING (SHANGHAI) CO., LTD.	The Company's subsidiary	
SHENG-RUI ELECTRONIC TECHNOLOGY (SHANGHAI) LIMITED	The Company's subsidiary	
RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	The Company's subsidiary	
RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	The Company's subsidiary	
RI KAI COMPUTER ACCESSORY CO., LTD.	The Company's subsidiary	
RIH KUAN METAL CORPORATION	The Company's subsidiary	
KAI HE COMPUTER ACCESSORY (SUZHOU) CO., LTD.	The Company's subsidiary	
ASFLY TRAVEL SERVICE LIMITED	The Company's subsidiary	
PEGA INTERNATIONAL LIMITED	The Company's subsidiary	
Lumens Digital Optics Inc. (Lumens Optics)	The Company's subsidiary	
Lumens (Suzhou) Digital Image Inc.	The Company's subsidiary	
HUA-YUAN INVESTMENT LIMITED	The Company's subsidiary	
HONGJIE (SUZHOU) PACKING LIMITED	Other related party	Note 1
AMA Holdings Limited	The Company's subsidiary	
APEX SUN LIMITED	The Company's subsidiary	Note 3
APLUS PRECISION LIMITED	The Company's subsidiary	
ASIAROCK TECHNOLOGY LIMITED	The Company's subsidiary	
ASLINK PRECISION CO., LTD.	The Company's subsidiary	
ASRock America, Inc.	The Company's subsidiary	
ASROCK EUROPE B.V.	The Company's subsidiary	
ASUSPOWER CORPORATION	The Company's subsidiary	
Azurewave Technologies (USA) Inc.	The Company's subsidiary	
Azwave Holding (Samoa) Inc.	The Company's subsidiary	
Calrock Holdings, LLC.	The Company's subsidiary	
CASETEK HOLDINGS LIMITED (CAYMAN)	The Company's subsidiary	
CASETEK HOLDINGS LIMITED	The Company's subsidiary	
COTEK HOLDINGS LIMITED	The Company's subsidiary	
DIGITEK GLOBAL HOLDINGS LIMITED	The Company's subsidiary	
First place International Limited	The Company's subsidiary	
FUYANG FLEX HOLDING LTD.	The Company's subsidiary	
GRAND UPRIGHT TECHNOLOGY LIMITED	The Company's subsidiary	
GREEN PACKING LIMITED	Other related party	Note 1
KAEDAR HOLDINGS LIMITED	The Company's subsidiary	
KAEDAR TRADING LTD.	The Company's subsidiary	
KINSUS CORP. (USA)	The Company's subsidiary	
KINSUS HOLDING (CAYMAN) LIMITED	The Company's subsidiary	
KINSUS HOLDING (SAMOA) LIMITED	The Company's subsidiary	
Leader Insight Holdings Limited	The Company's subsidiary	
Lumens Digit Image Inc.	The Company's subsidiary	
Lumens Integration Inc.	The Company's subsidiary	
MAGNIFICENT BRIGHTNESS LIMITED	The Company's subsidiary	

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**PEGATRON CORPORATION**  
**Notes to the Non-Consolidated Financial Statements**

<u>Name of related party</u>	<u>Relationship with the Company</u>	<u>Notes</u>
MEGA MERIT LIMITED	The Company's subsidiary	
PEGATRON Czech s.r.o.	The Company's subsidiary	
PEGATRON HOLDING LTD.	The Company's subsidiary	
PEGATRON HOLLAND HOLDING B.V.	The Company's subsidiary	
PEGATRON JAPAN INC.	The Company's subsidiary	
PEGATRON LOGISTIC SERVICE INC.	The Company's subsidiary	
PEGATRON Mexico, S.A. de C.V.	The Company's subsidiary	
PEGATRON SERVICE AUSTRALIA PTY. LTD.	The Company's subsidiary	
PEGATRON SERVICE KOREA LLC	The Company's subsidiary	
Pegatron Service Singapore Pte. Ltd.	The Company's subsidiary	
PEGATRON SERVICOS DE INFORMATICA LTDA.	The Company's subsidiary	
PEGATRON TECHNOLOGY SERVICE INC.	The Company's subsidiary	
PEGATRON USA, Inc.	The Company's subsidiary	
PEGAVISION HOLDINGS CORPORATION	The Company's subsidiary	
PEGAVISION JAPAN Inc.	The Company's subsidiary	
PIOTEK HOLDING LIMITED	The Company's subsidiary	
PIOTEK HOLDINGS LTD. (CAYMAN)	The Company's subsidiary	
PIOTEK(H.K.) TRADING LIMITED	The Company's subsidiary	
POWTEK HOLDINGS LIMITED	The Company's subsidiary	
PROTEK GLOBAL HOLDINGS LTD.	The Company's subsidiary	
PT. PEGATRON TECHNOLOGH INDONESIA	The Company's subsidiary	
RIH LI INTERNATIONAL LIMITED	The Company's subsidiary	
RITENG USA INC	The Company's subsidiary	
SLITEK HOLDINGS LIMITED	The Company's subsidiary	
TOP QUARK LIMITED	The Company's subsidiary	
UNIHAN HOLIDNG LTD.	The Company's subsidiary	
UNITED NEW LIMITED	The Company's subsidiary	

Note 1: On June 29, 2018, the Company disposed commons stocks, so that the Company lost its significant influence. Consequently, HONGJIE (SUZHOU) PACKING LIMITED and GREEN PACKING LIMITED were not related parties of the Company from that date on.

Note 2: It was liquidated in December 2019.

Note 3: It was written off in December 2019.

(b) Significant Transactions with related parties

(i) Sale of Goods to Related Parties

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

	<u>Sales</u>		<u>Receivables from related parties</u>	
	<u>For the years ended December 31</u>		<u>December 31,</u>	<u>December 31,</u>
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Subsidiaries	<u>\$ 5,288,801</u>	<u>6,203,760</u>	<u>321,644,303</u>	<u>313,983,330</u>

(Continued)

**PEGATRON CORPORATION**  
**Notes to the Non-Consolidated Financial Statements**

Prices charged for sales transactions with associates were not significantly different from those of non-related parties. The average sales term for notes and accounts receivables pertaining to such sales transactions ranged from one to three months. Receivables from related parties were not secured with collaterals, and did not require provisions for credit losses based on the result of management's evaluation.

(ii) Purchase of Goods from Related Parties

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

	<b>Purchases</b>		<b>Payables to Related Parties</b>	
	<b>For the years ended December 31</b>		<b>December 31,</b>	<b>December 31,</b>
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Subsidiaries	<u>\$ 130,872,357</u>	<u>81,819,369</u>	<u>275,709,758</u>	<u>244,035,178</u>

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

(iii) Warranty repair expense paid to Related Parties

	<b>For the years ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Subsidiaries	<u>\$ 47,215</u>	<u>54,956</u>

(iv) Other income and losses from Related Parties

	<b>For the years ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Subsidiaries	<u>\$ 26,424</u>	<u>38,608</u>

(v) Rental revenue

For the years ended December 31, 2019 and 2018, the Company incurred subsidiaries transactions of \$108,971 and \$108,518, respectively, which were accounted for as rental revenue. Lease terms with associates were not significantly different from those of non-related parties.

(vi) Other related party transactions recorded as expenses

For the years ended December 31, 2019 and 2018, the Company incurred subsidiaries transactions recorded as expenses such as rental expense, royalty payment, storage expense, and professional service fee, etc, aggregating to \$748,767 and \$853,313, respectively.

(Continued)

**PEGATRON CORPORATION**  
**Notes to the Non-Consolidated Financial Statements**

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

For the years ended December 31, 2019 and 2018, molds and equipment purchased from subsidiaries are amounted to \$411,037 and \$62,399, respectively.

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Other receivables		
Subsidiaries	\$ <u>12,441</u>	<u>22,281</u>
Other payables		
Subsidiaries	\$ <u>511,503</u>	<u>670,235</u>
Other current liabilities		
Subsidiaries	\$ <u>3,945</u>	<u>30,731</u>
Other non-current liabilities		
Subsidiaries	\$ <u>10,438</u>	<u>10,570</u>

(ix) Borrowings from related parties

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Subsidiaries	\$ <u>4,497,000</u>	<u>4,607,250</u>
Interest rate	<u>0%~1.9727%</u>	<u>1.3041%~1.9727%</u>
Interest expense	\$ <u>47,396</u>	<u>74,801</u>

(x) As of December 31, 2019, please refer to Note 13 for endorsements and guarantees for related party.

(c) Key management personnel compensation

	<u>For the years ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Short-term employee benefits	\$ 181,316	152,577
Post-employment benefits	2,367	2,142
Share-based payments	49,049	239,826
	\$ <u>232,732</u>	<u>394,545</u>

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

(Continued)

**PEGATRON CORPORATION**  
**Notes to the Non-Consolidated Financial Statements**

**(8) Pledged assets:**

As of December 31, 2019 and 2018, pledged assets were as follows:

<u>Asset</u>	<u>Purpose of pledge</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Other financial asset-restricted deposits	Deposits for customs duties	\$ 108,075	41,670
Other financial asset-refundable deposits	Deposits for performance guarantee	27,708	22,722
		<u>\$ 135,783</u>	<u>64,392</u>

**(9) Significant commitments and contingencies:**

(a) Significant commitments and contingencies were as follows :

(i) Unused standby letters of credit

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
EUR	\$ -	2,273

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
NTD	\$ 34,263	60,780

(b) Significant contingent liability :

In May 2017, QUALCOMM INCORPORATED filed a lawsuit against the Company for royalty payment under the license agreement in the U.S. District Court for the Southern District of California. In July 2017, the Company counterclaimed and the lawsuit has still been in cognizance. In April 2019, the Company has already compromised and both parties have revoked the lawsuit. It is not expected to have a material effect on the Company's operation.

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

**(11) Subsequent events: None**

(Continued)

**PEGATRON CORPORATION**  
**Notes to the Non-Consolidated Financial Statements**

**(12) Other:**

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

By function By item	For the years ended December 31					
	2019			2018		
	Operating Cost	Operating expense	Total	Operating Cost	Operating expense	Total
Employee benefit						
Salary	\$ 1,376,392	7,854,272	9,230,664	1,353,305	8,046,671	9,399,976
Health and labor insurance	117,348	497,207	614,555	95,583	491,155	586,738
Pension	51,245	271,244	322,489	46,310	272,798	319,108
Remuneration of directors	-	163,000	163,000	-	89,000	89,000
Others	204,196	657,191	861,387	136,810	590,091	726,901
Depreciation	404,510	357,173	761,683	230,651	310,761	541,412
Amortization	113,548	63,247	176,795	104,955	76,117	181,072

For the years ended December 31, 2019 and 2018, the information on the number of employees and employee benefit expense of the Company is as follows :

	<u>2019</u>	<u>2018</u>
Number of employees	<u>7,365</u>	<u>7,159</u>
Number of directors (non-employee)	<u>8</u>	<u>7</u>
Average employee benefit expense	<u>\$ 1,499</u>	<u>1,543</u>
Average employee salary expense	<u>\$ 1,255</u>	<u>1,314</u>
Percentage of average employee salary expense	<u>(4.49)%</u>	

(Continued)

**PEGATRON CORPORATION**  
**Notes to the Non-Consolidated Financial Statements**

**(13) Other disclosures:**

(a) Information on significant transactions:

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

No.	Item	Table
1	Loans to other parties	Table 1
2	Guarantees and endorsements for other parties	Table 2
3	Securities held as of December 31, 2019 (excluding investment in subsidiaries, associates and joint ventures)	Table 3
4	Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock	Table 4
5	Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock	Table 5
6	Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock	None
7	Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock	Table 6
8	Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock	Table 7
9	Trading in derivative instruments	None

(b) Information on investees:

Please refer to Table 8 for the information on investees for the year ended December 31, 2019.

(c) Information on investment in mainland China:

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

**(14) Segment information:**

Please refer to the consolidated financial statements for the year ended December 31, 2019.

## Notes to the Parent Company Only Financial Statements

Table 1 : Loans to other parties  
December 31, 2019

No. (Note 1)	Creditor	Borrower	General ledger Account (Note 2)	Is a related party	Maximum outstanding balance during the year ended December 31, 2019	Balance at December 31, 2019	Actual amount drawn during the year	Interest rate	Nature of loan (Note 3)	Amount of transactions with the borrower (Note 4)	Reason for short-term financing (Note 5)	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 6)	Expressed in thousands of RMB
													Item	Value		
1	MAINTHEK COMPUTER (SUZHOU) CO., LTD.	COTEK ELECTRONICS (SUZHOU) CO., LTD.	Other Receivables	Y	3,897,400	1,499,000	1,499,000	2.50%	2	-	Fund accommodation	-	-	-	13,536,930	27,073,861
2	ASUSPOWER CORPORATION	PEGATRON CORPORATION	Other Receivables	Y	210,050	4,497,000	4,497,000	0.00%	2	-	Fund accommodation	-	-	-	7,262,854	14,525,708
3	STARLINK ELECTRONICS CORPORATION	FIUYANG TECHNOLOGY CORPORATION	Other Receivables	Y	160,000	-	210,050	0.00%	2	-	Fund accommodation	-	-	-	7,262,854	14,525,708
4	Aowave Holding (Suzhou) Inc.	AGALIE CORPORATION (SHANGHAI)	Other Receivables	Y	29,980	29,980	22,485	0.66%	2	-	Fund accommodation	-	-	-	190,118	190,118
5	RH I.I. International Limited	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	Long-Term Accounts Receivable	Y	8,694,200	8,694,200	8,694,600	1.00%	2	-	Cash flow adequacy	-	-	-	470,429	470,429
6	RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	Long-Term Accounts Receivable	Y	1,719,000	1,719,000	1,719,000	1.00%	2	-	Business operation	-	-	-	8,867,754	8,867,754
7	RI-PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	Short-Term Accounts Receivable	Y	4,297,500	1,074,375	1,074,375	1.00%	2	-	Business operation	-	-	-	8,867,754	8,867,754
8	RI-PRO PRECISION MODEL (SHANGHAI) CO., LTD.	RI-PRO PRECISION MODEL (SHANGHAI) CO., LTD.	Short-Term Accounts Receivable	Y	300,825	214,875	214,875	1.00%	2	-	Business operation	-	-	-	5,085,163	5,085,163
9	RI-PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	SHENG-RUI ELECTRONIC TECHNOLOGY (SHANGHAI) LIMITED	Long-Term Accounts Receivable	Y	429,750	257,850	257,850	1.00%	2	-	Business operation	-	-	-	5,085,163	5,085,163
10	RI SHAN COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	Long-Term Accounts Receivable	Y	2,578,500	2,578,500	2,578,500	1.00%	2	-	Business operation	-	-	-	5,085,163	5,085,163
11	ASIA ROCK TECHNOLOGY LIMITED (KUNSHAN) CO., LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	Long-Term Accounts Receivable	Y	214,875	214,875	214,875	1.00%	2	-	Business operation	-	-	-	465,845	465,845
12	ASIA ROCK TECHNOLOGY LIMITED (KUNSHAN) CO., LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	Long-Term Accounts Receivable	Y	644,625	644,625	300,825	1.00%	2	-	Business operation	-	-	-	9,744,792	9,744,792
13	KAEDAR ELECTRONICS (SUZHOU) CO., LTD.	FIUYANG ELECTRONICS (SUZHOU) CO., LTD.	Other Receivables	Y	107,870	-	-	2.50%	2	-	Fund accommodation	-	-	-	3,802,238	3,802,238
14	KAEDAR ELECTRONICS (SUZHOU) CO., LTD.	FIUYANG ELECTRONICS (SUZHOU) CO., LTD.	Other Receivables	Y	343,800	-	-	3.00%	2	-	Fund accommodation	-	-	-	442,955	442,955

Note 1 : The number column is organized as follows:

(1) the number of the issuer;

(2) the number of the borrower;

(3) the nature of accounts (including affiliated enterprises and related parties), shareholder transactions, advance payments, temporary payments, etc., are loans, the amount will be disclosed in the table.

Note 2 : If the nature of accounts is related to the issuer, the amount will be disclosed in the table.

Note 3 : Reference for the Nature of loan column

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

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

Note 4 : Fill in business contact (nature of loan conforms to situation 1)

Note 5 : Fill in the reasons and the use of the fund if nature of loan conforms to situation 2.

Note 6 : Calculation for the ceiling on total loans granted

Ceiling on total loans granted

According to our/our/MAINTHEK COMPUTER (SUZHOU) CO., LTD.) policy for loans granted, the ceiling on total loans granted to all parties is 100% of our/our/MAINTHEK COMPUTER (SUZHOU) CO., LTD.) net assets.

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

While granting loans to the Company, Taiwan subsidiaries and subsidiaries which are not wholly-owned by the Company are as follows: ceiling on total loans granted to which is 40% of our/ASUSPOWER CORPORATION net assets.

According to our/STARLINK ELECTRONICS CORPORATION policy for loans granted, the ceiling on total loans granted to all parties is 40% of our/STARLINK ELECTRONICS CORPORATION net assets.

According to our/STARLINK ELECTRONICS CORPORATION policy for loans granted, the ceiling on total loans granted to all parties is 40% of our/STARLINK ELECTRONICS CORPORATION net assets.

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According to our/STARLINK ELECTRONICS CORPORATION policy for loans granted, the ceiling on total loans granted to all parties is 40% of our/STARLINK ELECTRONICS CORPORATION net assets.

According to our/STARLINK ELECTRONICS CORPORATION policy for loans granted, the ceiling on total loans granted to all parties is 40% of our/STARLINK ELECTRONICS CORPORATION net assets.



## Notes to the Parent Company Only Financial Statements

According to our STARLINK ELECTRONICS CORPORATION policy for loans granted, the ceiling on total loans granted to a single party is 40% of our STARLINK ELECTRONICS CORPORATION net assets.

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

According to our RUI LI International Limited policy for loans granted, except for foreign subsidiaries whose voting shares are directly or indirectly wholly-owned by the Company and CASETEK HOLDINGS LIMITED (CAYMAN), when there is a short-term financing need, the ceiling on total loans granted to which is 100% of our RUI LI International Limited net assets.

According to our RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD. policy for loans granted, except for foreign subsidiaries whose voting shares are directly or indirectly wholly-owned by the Company and CASETEK HOLDINGS LIMITED (CAYMAN), when there is a short-term financing need, the ceiling on total loans granted to which is 100% of our RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD. net assets.

According to our RUI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD. policy for loans granted, except for foreign subsidiaries whose voting shares are directly or indirectly wholly-owned by the Company and CASETEK HOLDINGS LIMITED (CAYMAN), when there is a short-term financing need, the ceiling on total loans granted to which is 100% of our RUI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD. net assets.

According to our RUI PEI COMPUTER ACCESSORY (SUZHOU) CO., LTD. policy for loans granted, except for foreign subsidiaries whose voting shares are directly or indirectly wholly-owned by the Company and CASETEK HOLDINGS LIMITED (CAYMAN), when there is a short-term financing need, the ceiling on total loans granted to which is 100% of our RUI PEI COMPUTER ACCESSORY (SUZHOU) CO., LTD. net assets.

According to our RUI PEI COMPUTER ACCESSORY (SUZHOU) CO., LTD. policy for loans granted, except for foreign subsidiaries whose voting shares are directly or indirectly wholly-owned by the Company and CASETEK HOLDINGS LIMITED (CAYMAN), when there is a short-term financing need, the ceiling on total loans granted to which is 100% of our RUI PEI COMPUTER ACCESSORY (SUZHOU) CO., LTD. net assets.

While granting loans to the Company, its parent subsidiaries and subsidiaries which are not wholly-owned by the Company are as follows: ceiling on total loans granted to a single party is 50% of our KARDAR ELECTRONICS (KUNSHAN) CO., LTD.'s net assets.

While granting loans to the Company, its parent subsidiaries and subsidiaries which are not wholly-owned by the Company are as follows: ceiling on total loans granted to a single party is 50% of our KARDAR ELECTRONICS (KUNSHAN) CO., LTD.'s net assets.

Note 7: If the amounts were based on foreign currencies, please refer to the spot exchange rate on the financial statement date. (exchange rate on December 31, 2019 was USD/NTD: 29.98; CNY/NTD: 4.2975 ;AUD/NTD: 21.0050)

## Notes to the Parent Company Only Financial Statements

Table 2: Guarantees and endorsements for other parties  
December 31, 2019

No. (Note 1)	Endorser/ Guarantor	Party being endorsed/ guaranteed	Relationship (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2019	Outstanding endorsement/ guarantee amount at December 31, 2019 (Note 4)	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsement/ guarantee provided (Note 5)	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Expressed in thousands of NTD
											Y	N	Y
0	PEGATRON CORPORATION	PIOTEK COMPUTER (SUZHOU) CO., LTD.	(6)	31,533,012	440,706	440,706	55,088	-	0.28%	78,832,531	Y	N	Y
1	KINSUS INTERCONNECT TECHNOLOGY CORP.	PIOTEK COMPUTER (SUZHOU) CO., LTD.	(6)	5,113,404	458,694	458,694	57,337	-	1.79%	12,783,511	Y	N	Y
2	AZURE WAVE TECHNOLOGIES, INC.	AZURE LIGHTING TECHNOLOGIES, INC.	(2)	802,960	509,660	359,760	-	-	22.40%	802,960	Y	N	Y

Note 1 : The number column is organized as follow:

(1) Number 0 represents the issuer.

(2) Subsidiaries are numbered in order from number 1.

Note 2 : Relationship with the endorser / guarantor:

(1) Having business relationship.

(2) The endorser / guarantor parent company directly and indirectly holds more than 50% of voting shares of the endorsed / guaranteed subsidiary.

(3) The endorser / guarantor subsidiary which directly and indirectly be held more than 50% voting shares by the endorsed / guaranteed parent company.

(4) The endorser / guarantor company and the endorsed / guaranteed party both be held more than 90% by the parent company.

(5) Company that is mutually protected under contractual requirements based on the needs of the contractor.

(6) Company that is endorsed by its shareholders in accordance with its shareholding ratio because of the joint investment relationship.

(7) Performance guarantees for pre-sale contracts under the Consumer Protection Act.

Note 3 : Ceiling on total endorsements / guarantees

According to PEGATRON CORPORATION's policy of endorsements and guarantees, the total endorsements and guarantees of the Company to others should not exceed 50% of the Company's net assets.

According to KINSUS INTERCONNECT TECHNOLOGY CORP.'s policy of endorsements and guarantees, the total endorsements and guarantees of the Company to others should not exceed 50% of the Company's net assets.

According to AZURE WAVE TECHNOLOGIES, INC.'s policy of endorsements and guarantees, the total endorsements and guarantees of the Company to others should not exceed 50% of the Company's net assets.

Ceiling on endorsements/ guarantees provided for a single party

According to PEGATRON CORPORATION's policy of endorsements and guarantees, the total endorsements and guarantees of the Company to others should not exceed 20% of the Company's net assets.

According to KINSUS INTERCONNECT TECHNOLOGY CORP.'s policy of endorsements and guarantees, the total endorsements and guarantees of the Company to others should not exceed 20% of the Company's net assets.

According to AZURE WAVE TECHNOLOGIES, INC.'s policy of endorsements and guarantees, the total endorsements and guarantees of the Company to others should not exceed 50% of the Company's net assets.

Note 4 : If the amounts were based on foreign currencies, please refer to the spot exchange rate on the financial statement date. (exchange rate on December 31, 2019 is USD/NTD: 29.98; CNY/NTD: 4.2975)

Note 5 : The amount is approved by the Board of Directors.

## Notes to the Parent Company Only Financial Statements

Table 3 Securities held as of December 31, 2019 (excluding investment in subsidiaries, associates and joint ventures)  
December 31, 2019

Securities held by	Marketable securities		Relationship (Note 2)	General ledger account	As of December 31, 2019				Footnote
	Category	Item			Number of shares	Book value	Ownership	Fair value	
PEGATRON CORPORATION	Stock	ABILITY ENTERPRISE CO., LTD.	-	financial asset measured at fair value through other comprehensive income- Non current	33,135,300	551,703	11.73%	551,703	11.73%
"	Stock	Fubon Financial Holding Co., Ltd. Preferred Shares B	-	financial asset measured at fair value through profit or loss-Non current	3,500,000	225,050	0.28%	225,050	0.28%
"	Fund	China Renewable Energy Fund, LP(CREF)	-	financial asset measured at fair value through profit or loss-Non current	-	259,706	13.46%	259,706	13.46%
PROTEK (SHANGHAI) LTD.	Stock	LUXSHARE ICT CO., LTD.	-	financial asset measured at fair value through profit or loss-Current	22,135,035	3,471,939	0.41%	3,471,939	0.79%
ASUSPOWER INVESTMENT CO., LTD.	Stock	SPORTON INTERNATIONAL INC.	-	financial asset measured at fair value through profit or loss-Current	265,300	56,509	0.29%	56,509	0.31%
"	Stock	Topoint Technology Co., Ltd.	-	financial asset measured at fair value through other comprehensive income- Non current	1,171,891	26,426	0.82%	26,426	1.22%
"	Stock	ABILITY ENTERPRISE CO., LTD.	-	financial asset measured at fair value through other comprehensive income- Non current	6,495	108	- %	108	- %
"	Stock	ZOWIE Technology Corporation	-	financial asset measured at fair value through other comprehensive income- Non current	90,973	-	0.54%	-	0.54%
"	Stock	Syntronix CO., LTD.	-	financial asset measured at fair value through other comprehensive income- Non current	6,778	-	0.02%	-	0.02%
"	Stock	FRESCO LOGIC INC.	-	financial asset measured at fair value through other comprehensive income- Non current	2,000,000	39,135	8.18%	39,135	8.18%
"	Stock	Valens Semiconductor Ltd.	-	financial asset measured at fair value through profit or loss-Non current	4,667,570	71,510	4.18%	71,510	4.18%
"	Stock	MedicusTek International Inc.	-	financial asset measured at fair value through other comprehensive income- Non current	1,136,363	-	1.65%	-	1.65%
ASUS INVESTMENT CO., LTD.	Stock	SPEED TECH CORPORATION	-	financial asset measured at fair value through profit or loss-Current	8,000,000	637,200	4.72%	637,200	4.77%
"	Stock	Lightel Technologies Inc.	-	financial asset measured at fair value through other comprehensive income- Non current	2,000,000	59,410	7.66%	59,410	7.66%

## Notes to the Parent Company Only Financial Statements

Marketable securities				As of December 31, 2019				Expressed in thousands of NTD	
Securities held by	Category	Item	Relationship (Note 2)	General ledger account	Number of shares	Book value	Ownership	Fair value	Maximum Ownership
KINSUS INTERCONNECT TECHNOLOGY CORP.	Fund	Taishin Ta-Chong Money Market Fund	-	financial asset measured at fair value through profit or loss-Current	18,812,748	268,292	-	268,292	-
"	Fund	FSITC Money Market	-	financial asset measured at fair value through profit or loss-Current	1,168,258	209,235	- <td style="text-align: center;">209,235</td> <td style="text-align: center;">- </td>	209,235	-
"	Fund	Mega Diamond Money Market Fund	-	financial asset measured at fair value through profit or loss-Current	21,355,432	268,888	- <td style="text-align: center;">268,888</td> <td style="text-align: center;">- </td>	268,888	-
KINSUS INTERCONNECT TECHNOLOGY CORP.	Fund	Jhi Sun Money Market	-	financial asset measured at fair value through profit or loss-Current	17,776,549	264,473	- <td style="text-align: center;">264,473</td> <td style="text-align: center;">- </td>	264,473	-
KINSUS INVESTMENT CO., LTD.	Fund	Taishin Ta-Chong Money Market Fund	-	financial asset measured at fair value through profit or loss-Current	829,070	11,824	- <td style="text-align: center;">11,824</td> <td style="text-align: center;">- </td>	11,824	-
"	Stock	Ethos Original Co., Ltd.	-	financial asset measured at fair value through other comprehensive income-Non current	5,000,000	50,000	7.49%	50,000	7.49%
PEGAVISION CORPORATION	Fund	Yuanta Wan Tai Money Market	-	financial asset measured at fair value through profit or loss-Current	11,778,166	179,058	0.00%	179,058	0.00%
"	Fund	Yuanta De-Li Money Market Fund	-	financial asset measured at fair value through profit or loss-Current	8,372,796	137,062	0.00%	137,062	0.00%
Lumens Digital Optics Inc. (Lumens Optics)	Fund	Fuh Hwa Money Market	-	financial asset measured at fair value through profit or loss-Current	69,719,779	1,010,309	- <td style="text-align: center;">1,010,309</td> <td style="text-align: center;">- </td>	1,010,309	-
"	Fund	The RSIT Enhanced Money Market	-	financial asset measured at fair value through profit or loss-Current	7,344,735	88,229	- <td style="text-align: center;">88,229</td> <td style="text-align: center;">- </td>	88,229	-
HUA-YUAN INVESTMENT LIMITED	Stock	Nuvoton Technology Corporation	-	financial asset measured at fair value through other comprehensive income-Non current	174,738	8,170	0.06%	8,170	0.22%
"	Stock	Chicony Power Technology Co. Ltd.	-	financial asset measured at fair value through profit or loss-Current	611,644	38,411	0.16%	38,411	0.19%
"	Stock	Ethos Original Co., Ltd.	-	financial asset measured at fair value through other comprehensive income-Non current	5,000,000	50,000	7.49%	50,000	7.49%
"	Stock	Fusheng Precision CO., LTD.	-	financial asset measured at fair value through profit or loss-Current	800,000	143,600	0.61%	143,600	0.61%
"	Stock	NewSmarr Technology Co., Ltd.	-	financial asset measured at fair value through profit or loss-Current	500,000	16,500	4.05%	16,500	4.05%
RIH KUAN METAL CORPORATION	Stock	Ethos Original Co., Ltd.	-	financial asset measured at fair value through other comprehensive income-Non current	5,000,000	50,000	7.49%	50,000	7.49%
RI KAI COMPUTER ACCESSORY CO., LTD.	Stock	JIANG SU KAI JIE CO., LTD.	-	financial asset measured at fair value through other comprehensive income-Non current	-	23,206	10.00%	23,206	10.00%

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities within the scope of IFRS 9 'Financial instruments : recognition and measurement'.

Note 2: If the issuer of the security isn't a related party, the cell is blank.

Note 3: The account balance for securities measured at fair value has deducted accumulated impairment.

## Notes to the Parent Company Only Financial Statements

Table 4: Individual securities acquired or disposed of with accumulated amount exceeding the lower of TWD300 million or 20% of the capital stock December 31, 2019

Investor	Category	Item	Relationship with the investor	Balance as at January 1, 2019		Addition		Disposal		Gain (loss) on disposal	Balance as of December 31, 2019	
				Number of shares	Amount	Number of shares	Amount	Number of shares	Amount		Number of shares	Amount
PEGATRON CORPORATION	Stock	FT PEGATRON TECHNOLOGY INDONESIA	Counterparty	-	-	35,999	1,249,369 (Note 4)	-	-	-	35,999	1,127,261
CASBEEK HOLDINGS LIMITED(CAYMAN)	Stock	RIH LI International Limited	Equity investments under equity method	-	35,893,223	20,000,000	599,601 (Note 4)	-	-	-	735,499,000 (Note 3)	35,549,325
RIH LI International Limited	Capital	RI KAI COMPUTER ACCESSORY CO., LTD.	Equity investments under equity method	-	1,896,606	-	1,187,722 (Note 4)	-	-	-	-	4,443,336
PROTEK (SHANGHAI) LTD.	Stock	LDXSHARE ICT CO., LTD.	Financial asset measured at fair value through profit or loss	-	4,085,574	37,442,972	2,463,488 (Note 4)	2,905,815	1,668,547	1,668,547	22,155,035	3,471,939
PEGAYVISION CORPORATION	Fund	Yuanta Wan Tai Money Market	Financial asset measured at fair value through profit or loss- Current	-	-	28,565,798	434,000 (Note 4)	255,046	63	63	11,778,166	179,058

Note 1 : If the securities is invested in foreign currency, the amount in the table has been transferred to NTD. (The exchange rate as of December 31, 2019: USD/NTD: 29.98, CNY/NTD: 4.2975)

Note 2 : The investment profit or loss related to the investee is measured by equity method.

Note 3 : The amount is exchange gains or losses.

Note 4 : Which is investment added this year.

Note 5 : Which is adjustments related to financial assets based on the fair value method.

Note 6 : Which is additional paid-in capital of the investee.

Note 7 : Which is unrealized loss arising from upstream transactions.

Notes to the Parent Company Only Financial Statements

Table 4 Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock December 31, 2019

Purchaser/seller	Counterparty	Reimburse p with the counterparty	Transaction		Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)			
			Purchases (sales)	Amount	Percentage of total	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)
PEGATRON CORPORATION	ASAROCK TECHNOLOGY LIMITED	Note 2	Purchase	1,190,718	0.01%	Open Account 90 days	-	-	21,632	(0.00%)
PEGATRON CORPORATION	ASAROCK TECHNOLOGY LIMITED	Note 2	Sale	(1,750,427)	(0.14%)	Open Account 90 days	-	-	162,288	0.03%
PEGATRON CORPORATION	ASAROCK Tech. Information	Note 2	Purchase	105,009	0.01%	90 days on delivery	-	-	(1,175)	(0.01%)
PEGATRON CORPORATION	PEGATRON (Czech s.r.o.)	Note 2	Purchase	(2,581,971)	(0.20%)	120 days on delivery	-	-	83,423	0.04%
PEGATRON CORPORATION	PEGATRON (Czech s.r.o.)	Note 2	Sale	89,864,441	7.18%	Open Account 60 days	-	-	(69,559,452)	(10.65%)
PEGATRON CORPORATION	MAINTEK COMPUTER (SUZHOU) CO., LTD.	Note 2	Purchase	32,753,457	2.68%	Open Account 60 days	-	-	(679,813)	(0.14%)
PEGATRON CORPORATION	MAINTEK (CHONGQING) LTD.	Note 2	Sale	(2,691,279)	(0.22%)	Open Account 60 days	-	-	16,210,328	7.09%
PEGATRON CORPORATION	DIGITEK (CHONGQING) LTD.	Note 2	Purchase	3,813,332	0.31%	Open Account 60 days	-	-	(32,541,457)	(6.93%)
PEGATRON CORPORATION	PROTEK (SHANGHAI) LTD.	Note 2	Purchase	190,174	0.02%	Open Account 60 days	-	-	(6,456)	(0.00%)
PEGATRON CORPORATION	PROTEK (SHANGHAI) LTD.	Note 2	Sale	(1,819,622)	(0.15%)	Open Account 60 days	-	-	(185,317,389)	(39.49%)
PEGATRON CORPORATION	PEGATRON TECHNOLOGY SERVICE INC.	Note 2	Purchase	(282,979)	(0.02%)	90 days on delivery	-	-	84,914	0.02%
PEGATRON CORPORATION	CASITEK COMPUTER (SUZHOU) CO., LTD.	Note 2	Purchase	306,891	0.02%	Open Account 60 days	-	-	(51,118)	(0.01%)
PEGATRON CORPORATION	RI SHAN COMPUTER ACCESSORY	Note 2	Purchase	273,273	0.02%	Open Account 60 days	-	-	(32,111)	(0.01%)
PEGATRON CORPORATION	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	Note 2	Purchase	1,470,716	0.12%	Open Account 60 days	-	-	(2,146,286)	(0.46%)
PEGATRON CORPORATION	POWTEK (SHANGHAI) LTD.	Note 2	Sale	(1,68,877)	(0.14%)	120 days on delivery	-	-	153,001	0.03%
PEGATRON CORPORATION	PT. PEGATRON TECHNOLOGY INDONESIA	Note 2	Sale	(146,402)	(0.01%)	120 days on delivery	-	-	8,556,161	1.68%
PEGATRON CORPORATION	PEGATRON CORPORATION	Note 1	Purchase	282,979	78.08%	120 days on delivery	-	-	(84,914)	(0.03%)
PEGATRON (Czech s.r.o.)	PEGATRON CORPORATION	Note 1	Purchase	2,581,971	83.61%	120 days on delivery	-	-	(653,423)	(0.17%)
PROTEK (SHANGHAI) LTD.	PEGATRON CORPORATION	Note 1	Sale	(1,819,622)	(0.33%)	Open Account 60 days	-	-	185,317,389	89.71%
PROTEK (SHANGHAI) LTD.	PEGAGLOBE (KUNSHAN) CO., LTD.	Note 3	Sale	(68,394,303)	(12.37%)	Open Account 90 days	-	-	20,395,772	9.97%
PROTEK (SHANGHAI) LTD.	PEGAGLOBE (KUNSHAN) CO., LTD.	Note 3	Purchase	1,023,513	0.20%	Open Account 60 days	-	-	(119,530)	(0.05%)
PROTEK (SHANGHAI) LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	Note 3	Purchase	657,846	0.13%	Open Account 60 days	-	-	(144,683)	(0.06%)
PROTEK (SHANGHAI) LTD.	KABAR ELECTRONICS (KUNSHAN) CO., LTD.	Note 3	Purchase	144,001	0.03%	Open Account 60 days	-	-	(16,408)	(0.02%)
PEGAGLOBE (KUNSHAN) CO., LTD.	PEGATRON CORPORATION	Note 1	Sale	(89,864,441)	(29.28%)	Open Account 60 days	-	-	49,559,452	95.57%
PEGAGLOBE (KUNSHAN) CO., LTD.	GRAND UPRIGHT TECHNOLOGY LTD.	Note 3	Sale	(14,031,145)	(4.57%)	Open Account 60 days	-	-	433,680	0.83%
PEGAGLOBE (KUNSHAN) CO., LTD.	PROTEK (SHANGHAI) LTD.	Note 3	Sale	(1,023,513)	(0.33%)	Open Account 60 days	-	-	119,530	0.23%
PEGAGLOBE (KUNSHAN) CO., LTD.	PROTEK (SHANGHAI) LTD.	Note 3	Purchase	68,394,303	34.50%	Open Account 90 days	-	-	(20,395,772)	(32.17%)
MAINTEK COMPUTER (SUZHOU) CO., LTD.	COTEK ELECTRONICS (SUZHOU) CO., LTD.	Note 3	Purchase	3,280,314	1.30%	Open Account 60 days	-	-	(58,422)	(0.16%)
MAINTEK COMPUTER (SUZHOU) CO., LTD.	CASITEK COMPUTER (SUZHOU) CO., LTD.	Note 3	Purchase	4,109,445	1.62%	Open Account 60 days	-	-	(465,155)	(1.25%)
MAINTEK COMPUTER (SUZHOU) CO., LTD.	PEGATRON CORPORATION	Note 1	Sale	(32,753,457)	(11.75%)	Open Account 60 days	-	-	679,812	1.30%
MAINTEK COMPUTER (SUZHOU) CO., LTD.	DIGITEK (CHONGQING) LTD.	Note 3	Sale	(1,241,725)	(0.44%)	Open Account 60 days	-	-	1,220,989	2.24%
MAINTEK COMPUTER (SUZHOU) CO., LTD.	PROTEK (SHANGHAI) LTD.	Note 3	Purchase	311,135	0.12%	Open Account 60 days	-	-	(53,164)	(0.14%)
MAINTEK COMPUTER (SUZHOU) CO., LTD.	KABAR ELECTRONICS (KUNSHAN) CO., LTD.	Note 3	Purchase	140,015	0.06%	Open Account 60 days	-	-	(21,659)	(0.06%)
MAINTEK COMPUTER (SUZHOU) CO., LTD.	MAINTEK COMPUTER (SUZHOU) CO., LTD.	Note 3	Sale	(3,280,314)	(1.30%)	Open Account 60 days	-	-	2,146,286	86.45%
MAINTEK COMPUTER (SUZHOU) CO., LTD.	MAINTEK (CHONGQING) LTD.	Note 1	Sale	(1,413,124)	(0.56%)	Open Account 60 days	-	-	71,285	2.91%
MAINTEK COMPUTER (SUZHOU) CO., LTD.	DIGITEK (CHONGQING) LTD.	Note 3	Sale	(317,419)	88.81%	Open Account 60 days	-	-	-	-
MAINTEK COMPUTER (SUZHOU) CO., LTD.	DIGITEK (CHONGQING) LTD.	Note 3	Sale	(532,292)	(80.22%)	Open Account 60 days	-	-	94,045	61.54%
MAINTEK COMPUTER (SUZHOU) CO., LTD.	CHONGQING ZHUANSHUO TRADING CO., LTD.	Note 3	Sale	(317,419)	(0.26%)	Open Account 60 days	-	-	-	-
MAINTEK COMPUTER (SUZHOU) CO., LTD.	KAL-CHUAN ELECTRONICS (CHONGQING) CO., LTD.	Note 3	Purchase	522,292	0.40%	Open Account 60 days	-	-	(9,045)	(0.25%)
DIGITEK (CHONGQING) LTD.	PEGATRON CORPORATION	Note 1	Purchase	269,479	0.21%	Open Account 60 days	-	-	(36,210,328)	(95.85%)
DIGITEK (CHONGQING) LTD.	PEGATRON CORPORATION	Note 1	Sale	(3,815,332)	(2.89%)	Open Account 60 days	-	-	32,541,457	99.89%
DIGITEK (CHONGQING) LTD.	PROTEK (SHANGHAI) LTD.	Note 3	Purchase	227,589	0.17%	Open Account 60 days	-	-	(3,344)	(0.10%)
DIGITEK (CHONGQING) LTD.	MAINTEK COMPUTER (SUZHOU) CO., LTD.	Note 3	Purchase	1,241,732	0.99%	Open Account 60 days	-	-	(1,220,989)	(3.23%)
DIGITEK (CHONGQING) LTD.	COTEK ELECTRONICS (SUZHOU) CO., LTD.	Note 3	Purchase	113,124	0.09%	Open Account 60 days	-	-	(72,285)	(0.19%)
DIGITEK (CHONGQING) LTD.	MAINTEK COMPUTER (SUZHOU) CO., LTD.	Note 3	Sale	(4,109,445)	(66.31%)	Open Account 60 days	-	-	465,155	69.64%
DIGITEK (CHONGQING) LTD.	KABAR ELECTRONICS (KUNSHAN) CO., LTD.	Note 1	Sale	(306,891)	(6.45%)	Open Account 60 days	-	-	51,118	7.95%
DIGITEK (CHONGQING) LTD.	PEGATRON CORPORATION	Note 3	Purchase	398,066	12.98%	Open Account 60 days	-	-	(47,972)	(3.35%)
PROTEK (SHANGHAI) LTD.	PEGATRON CORPORATION	Note 1	Sale	(190,174)	(7.15%)	Open Account 60 days	-	-	6,456	1.00%
PROTEK (SHANGHAI) LTD.	PROTEK (HK) TRADING LIMITED	Note 3	Sale	(342,299)	(12.88%)	Open Account 60 days	-	-	23,834	3.70%
PROTEK (SHANGHAI) LTD.	MAINTEK COMPUTER (SUZHOU) CO., LTD.	Note 3	Sale	(111,125)	(1.75%)	Open Account 60 days	-	-	38,344	5.85%
PROTEK (SHANGHAI) LTD.	MAINTEK (CHONGQING) LTD.	Note 3	Sale	(1,413,124)	(1.56%)	Open Account 60 days	-	-	(33,834)	(100.00%)
PROTEK (SHANGHAI) LTD.	PROTEK COMPUTER (SUZHOU) CO., LTD.	Note 3	Purchase	342,299	100.00%	Open Account 60 days	-	-	19,268	0.82%
PROTEK (SHANGHAI) LTD.	PEGATRON CORPORATION	Note 1	Sale	(597,116)	(10.06%)	Open Account 60 days	-	-	-	-
PROTEK (SHANGHAI) LTD.	KANSUI INTERCONNECT TECHNOLOGY (SUZHOU) CORP.	Note 2	Purchase	2,181,488	28.69%	Open Account 30 days	-	-	(240,392)	(16.29%)
KANSUI INTERCONNECT TECHNOLOGY (SUZHOU) CORP.	KANSUI INTERCONNECT TECHNOLOGY (SUZHOU) CORP.	Note 1	Sale	(2,181,488)	(90.89%)	Open Account 30 days	-	-	240,392	77.63%
KANSUI INTERCONNECT TECHNOLOGY (SUZHOU) CORP.	RI-FENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	Note 3	Purchase	714,283	2.84%	Open Account 30-60 days	-	-	(50,756)	(1.34%)
MEGA MERIT LIMITED	RI-FENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	Note 3	Purchase	4,597,077	18.30%	Open Account 90 days	-	-	(1,471,718)	(38.79%)
MEGA MERIT LIMITED	RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	Note 3	Purchase	10,707,053	42.02%	Open Account 30-60 days	-	-	(1,061,952)	(27.99%)
MEGA MERIT LIMITED	RE-KAI COMPUTER ACCESSORY CO., LTD.	Note 3	Purchase	8,301,976	33.04%	Open Account 30-60 days	-	-	(941,402)	(24.82%)
MEGA MERIT LIMITED	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	Note 3	Purchase	803,619	3.20%	Open Account 30-60 days	-	-	(224,970)	(5.93%)

Notes to the Parent Company Only Financial Statements

Differences in transaction terms compared to third party transactions

Notes/accounts receivable (payable)

Purchase/seller	Counterparty	Relationship with the counterparty	Purchase (sales)	Amount	Percentage of total	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	PEGATRON CORPORATION	Note 1	Purchase	(273,273)	(9.32%)	Open Account 60 days	-	-	32,111	3.88%	
REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	MEGA MERIT LIMITED	Note 3	Sale	(711,110)	(24.41%)	Open Account 30-60 days	-	-	50,756	6.14%	
REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	MEGA MERIT LIMITED	Note 3	Sale	(4,576,659)	(147.99%)	Open Account 90 days	-	-	1,471,718	48.38%	
REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	Note 3	Sale	(1,611,748)	(16.99%)	Open Account 30-60 days	-	-	18,678	0.61%	
REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	Note 3	Sale	(731,891)	(7.67%)	Open Account 30-60 days	-	-	37,715	1.24%	
REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	Note 3	Sale	(2,379,287)	(24.95%)	Open Account 90 days	-	-	1,312,791	46.63%	
REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	Note 3	Sale	(1,661,159)	(17.52%)	Open Account 30-60 days	-	-	1,061,952	91.07%	
REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	Note 3	Purchase	(663,149)	(11.72%)	Open Account 30-60 days	-	-	(18,436)	(1.74%)	
REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	Note 3	Sale	(840,333)	(7.08%)	Open Account 30-60 days	-	-	103,941	8.01%	
REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	Note 3	Sale	(312,211)	(2.63%)	Open Account 30-60 days	-	-	(2,728)	(0.69%)	
REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	Note 3	Purchase	292,503	11.01%	Open Account 30-60 days	-	-	941,402	78.30%	
REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	Note 3	Sale	(8,256,625)	(89.10%)	Open Account 30-60 days	-	-	256,269	21.34%	
REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	Note 3	Sale	(1,002,669)	(10.81%)	Open Account 90 days	-	-	110,236	61.74%	
REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	Note 3	Sale	(798,615)	(59.99%)	Open Account 30-60 days	-	-	48,388	27.09%	
REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	Note 3	Sale	(431,295)	(32.35%)	Open Account 30-60 days	-	-	19,977	1.66%	
REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	Note 3	Sale	(103,191)	(7.75%)	Open Account 60 days	-	-	144,683	20.17%	
REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	Note 3	Sale	(657,846)	(28.61%)	Open Account 60 days	-	-	148,431	20.69%	
REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	Note 3	Sale	(438,020)	(18.62%)	Open Account 60 days	-	-	118,271	16.56%	
REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	Note 3	Sale	(270,571)	(11.77%)	Open Account 30-60 days	-	-	224,970	31.36%	
REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	Note 3	Sale	(815,265)	(35.46%)	Open Account 30-60 days	-	-	(1,312,791)	(83.77%)	
REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	Note 3	Purchase	2,462,033	7.49%	Open Account 90 days	-	-	(256,269)	(14.46%)	
REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	Note 3	Purchase	1,999,255	31.42%	Open Account 90 days	-	-	(1,161,625)	(68.47%)	
REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	Note 3	Purchase	(1,293,232)	34.43%	Open Account 60 days	-	-	(1,341,407)	(89.79%)	
REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	Note 1	Sale	(1,293,232)	66.86%	Open Account 60 days	-	-	(1,063,306)	(58.51%)	
REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	Note 2	Purchase	7,659,478	99.29%	Open Account 60 days	-	-	103,519	10.81%	
REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	ASAROCK TECHNOLOGY LIMITED	Note 2	Sale	(2,432,887)	(26.53%)	Open Account 45 days	-	-	(439,144)	(77.55%)	
REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	ASAROCK AMERICA, INC.	Note 2	Sale	(2,586,680)	(28.20%)	Open Account 60 days	-	-	16,542	(1.37%)	
REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	ASAROCK EUROPE B.V.	Note 2	Sale	1,183,213	97.57%	Open Account 60 days	-	-	21,632	0.86%	
REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	ASAROCK TECHNOLOGY LIMITED	Note 3	Purchase	(126,232)	(10.98%)	Open Account 90 days	-	-	(162,288)	(1.37%)	
REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	ASAROCK EUROPE B.V.	Note 3	Sale	1,750,427	14.33%	Open Account 60 days	-	-	1,341,641	51.20%	
REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	PEGATRON CORPORATION	Note 1	Purchase	(1,190,218)	(9.71%)	Open Account 90 days	-	-	439,144	17.45%	
REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	ASAROCK CORPORATION	Note 1	Sale	(7,659,478)	(62.49%)	Open Account 60 days	-	-	709,548	28.20%	
REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	ASAROCK TECHNOLOGY LIMITED	Note 3	Sale	(1,183,213)	(9.66%)	Open Account 90 days	-	-	(1,063,308)	(100.00%)	
REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	ASAROCK Industrial Computer Corporation	Note 3	Sale	(2,061,046)	(16.82%)	Open Account 90 days	-	-	(193,519)	(100.00%)	
REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	ASAROCK Back Invention	Note 1	Purchase	2,432,887	100.00%	Open Account 45 days	-	-	-	-	
REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	ASAROCK INCORPORATION	Note 1	Purchase	2,586,680	100.00%	Open Account 45 days	-	-	-	-	
REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	ASAROCK INCORPORATION	Note 1	Purchase	(1,660,344)	(21.00%)	Open Account 30-60 days	-	-	71,945	5.00%	
REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	AZURE WAVE TECHNOLOGIES, INC.	Note 1	Sale	(1,660,344)	(21.00%)	Open Account 30-60 days	-	-	-	-	
REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	AZURE WAVE TECHNOLOGIES, INC.	Note 2	Purchase	1,660,344	99.00%	Open Account 30-60 days	-	-	-	-	
REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	AZURE WAVE TECHNOLOGIES (SHANGHAI) INC.	Note 2	Purchase	(1,353,073)	(43.70%)	Open Account 90 days	-	-	146,933	35.37%	
REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	Pogvision Japan Inc.	Note 2	Sale	1,353,073	100.00%	Open Account 90 days	-	-	(146,933)	(100.00%)	
REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	PEGAVISION CORPORATION	Note 2	Purchase	(127,282)	(4.11%)	Open Account 180 days	-	-	124,211	29.90%	
REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	PEGAVISION (SHANGHAI) LIMITED	Note 2	Purchase	(127,282)	(4.11%)	Open Account 180 days	-	-	124,211	(100.00%)	
REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	PEGAVISION CORPORATION	Note 1	Purchase	127,282	100.00%	Open Account 180 days	-	-	(124,211)	(100.00%)	
REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	Geavision Technology (Zhejiang) Limited.	Note 3	Sale	(118,380)	(29.15%)	Open Account 180 days	-	-	66,761	59.43%	
REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	Geavision Technology (Zhejiang) Limited.	Note 3	Purchase	118,380	67.55%	Open Account 180 days	-	-	(66,761)	(66.55%)	
REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	ASAROCK TECHNOLOGY LIMITED	Note 3	Purchase	2,061,046	96.16%	Open Account 90 days	-	-	(709,548)	(94.09%)	
REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	ASAROCK TECHNOLOGY LIMITED	Note 3	Purchase	(105,009)	(4.00%)	Open Account 90 days	-	-	31,575	11.09%	
REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	ASAROCK CORPORATION	Note 3	Sale	(98,006)	(40.34%)	90 days on delivery	-	-	42,972	23.21%	
REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	KAEDAR ELECTRONICS (KUNSHAN) CO., LTD.	Note 3	Sale	(143,015)	(14.50%)	Open Account 60 days	-	-	21,659	11.70%	
REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	MAINTER COMPUTER (SUZHOU) CO., LTD.	Note 3	Sale	(143,015)	(14.50%)	Open Account 60 days	-	-	36,408	19.67%	
REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	PROTEK (SHANGHAI) LTD.	Note 3	Sale	(197,314)	(23.52%)	Open Account 60 days	-	-	38,700	27.80%	
REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	Lumens Integration Inc.	Note 1	Purchase	197,314	97.00%	Open Account 75-90 days	-	-	(38,700)	(67.52%)	
REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	Lumens Digital Optics Inc. (Lumens Optics)	Note 1	Purchase	168,877	83.61%	Open Account 75-90 days	-	-	(155,001)	(99.99%)	
REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	FO WTEK (SHANGHAI) LTD.	Note 1	Purchase	168,877	97.00%	120 days on delivery	-	-	(8,356,161)	(93.42%)	
REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	PEGATRON CORPORATION	Note 1	Purchase	146,462	1.73%	120 days on delivery	-	-	(433,680)	(100.00%)	
REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	PEGATRON CORPORATION	Note 1	Purchase	146,462	1.73%	120 days on delivery	-	-	-	-	
REITING COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	GRAND UPGHIGHT TECHNOLOGY LTD.	Note 3	Purchase	14,031,145	100.00%	Open Account 60 days	-	-	-	-	

Note 1 : Parent company

Note 2 : Subsidiary measured by equity method.

Note 3 : Affiliate

Note 4 : To avoid counting the sales revenue twice, the Company has subtracted the repeated part of purchase and sales.

## Notes to the Parent Company Only Financial Statements

Table 6 Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of capital stock  
December 31, 2019

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2019	Turnover rate	Overdue Receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
PEGATRON CORPORATION	COTEK ELECTRONICS (SUZHOU) CO., LTD.	Subsidiary measured by equity method	2,474,286	2.95 Times	-	-	-	-
"	PROTEK (SHANGHAI) LTD.	Subsidiary measured by equity method	232,022,397	2.39 Times	-	-	20,794,689	-
"	POWTEK (SHANGHAI) LTD.	Subsidiary measured by equity method	155,001	2.16 Times	-	-	-	-
"	PEGAGLOBE (KUNSHAN) CO., LTD.	Subsidiary measured by equity method	41,110,704	2.83 Times	-	-	-	-
"	DIGITEK (CHONGQING) LTD.	Subsidiary measured by equity method	36,210,328	3.92 Times	-	-	-	-
"	PEGATRON Czech s.r.o.	Subsidiary measured by equity method	835,423	3.11 Times	-	-	1,070	-
"	ASIA ROCK TECHNOLOGY LIMITED	Subsidiary measured by equity method	162,288	3.94 Times	-	-	35,783	-
"	PT. PEGATRON TECHNOLOGY INDONESIA	Subsidiary measured by equity method	8,556,161	1.76 Times	-	-	-	-
"	PEGATRON CORPORATION	Subsidiary measured by equity method	4,497,000	N/A (Note 1)	-	-	-	-
ASUSPOWER CORPORATION	PEGATRON CORPORATION	Parent Company	210,050	N/A (Note 1)	-	-	-	-
"	PEGATRON SERVICE AUSTRALIA PTY. LTD.	Affiliate	32,541,457	4.98 Times	-	-	5,042,835	-
"	PEGATRON CORPORATION	Parent Company	2,146,286	4.31 Times	-	-	-	-
"	PEGATRON CORPORATION	Parent Company	49,959,452	4.45 Times	-	-	14,539,230	-
"	PROTEK (SHANGHAI) LTD.	Parent Company	119,520	7.35 Times	-	-	-	-
"	GRAND UPRIGHT TECHNOLOGY LTD.	Affiliate	433,680	7.29 Times	-	-	-	-
"	PEGATRON CORPORATION	Parent Company	185,317,389	3.00 Times	-	-	39,581,161	-
"	PEGAGLOBE (KUNSHAN) CO., LTD.	Affiliate	20,595,772	4.12 Times	-	-	-	-
"	DIGITEK (CHONGQING) LTD.	Affiliate	1,220,589	2.03 Times	-	-	-	-
"	PEGATRON CORPORATION	Parent Company	679,812	15.35 Times	-	-	3,057,155	-
"	COTEK ELECTRONICS (SUZHOU) CO., LTD.	Affiliate	1,499,000	N/A (Note 1)	-	-	-	-
"	PEGATRON CORPORATION	Parent Company	4,822,021	3.06 Times	-	-	1,202,454	-
"	MAINTEK COMPUTER (SUZHOU) CO., LTD.	Affiliate	465,155	7.14 Times	-	-	10,314	-
"	KINSUS INTERCONNECT TECHNOLOGY CORP.	Parent Company	240,392	10.20 Times	-	-	-	-
"	MEGA MERIT LIMITED	Subsidiary measured by equity method	611,502	N/A (Note 1)	-	-	160,753	-
"	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	Subsidiary measured by equity method	8,094,600	N/A (Note 1)	-	-	-	-
"	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	Subsidiary measured by equity method	167,708	N/A (Note 1)	-	-	-	-
"	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	Subsidiary measured by equity method	1,718,993	N/A (Note 1)	-	-	-	-
"	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	Affiliate	1,074,363	N/A (Note 1)	-	-	-	-
"	RI-MING (SHANGHAI) CO., LTD.	Affiliate	300,819	N/A (Note 1)	-	-	-	-
"	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	Affiliate	1,512,791	3.01 Times	-	-	-	-
"	RIH KUAN METAL CORPORATION	Affiliate	1,471,718	2.19 Times	-	-	527,948	-
"	MEGA MERIT LIMITED	Affiliate	214,867	N/A (Note 1)	-	-	-	-
"	RI-PRO PRECISION MODEL (SHANGHAI) CO., LTD.	Affiliate	1,061,952	7.67 Times	-	-	351,066	-
"	MEGA MERIT LIMITED	Affiliate	2,578,490	N/A (Note 1)	-	-	-	-
"	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	Affiliate	257,858	N/A (Note 1)	-	-	-	-
"	SHENG-RUI ELECTRONIC TECHNOLOGY (SHANGHAI) LIMITED	Affiliate	103,941	5.72 Times	-	-	-	-
"	RI-MING (SHANGHAI) CO., LTD.	Affiliate	941,402	5.75 Times	-	-	207,012	-
"	MEGA MERIT LIMITED	Affiliate	256,269	7.50 Times	-	-	-	-
"	RIH KUAN METAL CORPORATION	Affiliate	144,683	3.65 Times	-	-	-	-
"	PROTEK (SHANGHAI) LTD.	Affiliate	148,431	4.18 Times	-	-	71,502	-
"	PEGAGLOBE (KUNSHAN) CO., LTD.	Affiliate	224,970	6.95 Times	-	-	109,577	-
"	MEGA MERIT LIMITED	Affiliate	118,781	4.37 Times	-	-	-	-
"	RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	Affiliate	-	-	-	-	-	-



## Notes to the Parent Company Only Financial Statements

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2019	Turnover rate	Overdue Receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	RI KAI COMPUTER ACCESSORY CO., LTD.	Affiliate	173,344	N/A (Note 1)	-	-	-	-
KAI HE COMPUTER ACCESSORY (SUZHOU) CO., LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	Affiliate	214,867	N/A (Note 1)	-	-	-	-
SHENG-RUI ELECTRONIC TECHNOLOGY (SHANGHAI) LIMITED	R-MING (SHANGHAI) CO., LTD.	Affiliate	110,236	4.18 Times	-	-	1,259	-
ASROCK INCORPORATION	ASROCK AMERICA, INC.	Subsidiary measured by equity method	1,063,308	2.38 Times	-	-	170,005	-
ASAROCK TECHNOLOGY LIMITED	ASROCK EUROPE B.V.	Subsidiary measured by equity method	193,519	14.13 Times	-	-	159,875	-
"	ASROCK INCORPORATION	Parent Company	1,341,641	6.66 Times	-	-	-	-
"	ASRock Rack Incorporation	Affiliate	709,548	2.83 Times	-	-	7,776	-
"	ASRock Industrial Computer Corporation	Affiliate	439,144	3.95 Times	-	-	8,753	-
FUYANG ELECTRONICS (SUZHOU) CO., LTD.	FUYANG TECHNOLOGY CORPORATION	Parent Company	1,161,625	1.25 Times	-	-	-	-
FUYANG TECHNOLOGY CORPORATION	FUYANG ELECTRONICS (SUZHOU) CO., LTD.	Subsidiary measured by equity method	1,195,626	0.76 Times	-	-	-	-
KINSUS INTERCONNECT TECHNOLOGY CORP.	KINSUS INTERCONNECT TECHNOLOGY (SUZHOU) CORP	Subsidiary measured by equity method	235,816	N/A (Note 1)	-	-	-	-
PEGAVISION CORPORATION	PEGAVISION (SHANGHAI) LIMITED	Subsidiary measured by equity method	124,211	0.78 Times	-	-	81,616	-
PEGAVISION CORPORATION	Pegavision Japan Inc.	Subsidiary measured by equity method	146,953	10.70 Times	-	-	59,313	-

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

## Notes to the Parent Company Only Financial Statements

Table 7 Information on investees  
December 31, 2019

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2019		Ownership	Book value	Net profit (loss) of the investee for the year ended December 31, 2019	Investment income (loss) recognised by the Company for the year ended December 31, 2019
				December 31, 2019	December 31, 2018	Number of shares	Percentage				
PEGATRON CORPORATION	ASUSPOWER INVESTMENT CO., LTD.	Taipei	Investment holding	13,033,429	13,033,429	932,844,700	100.00%	15,348,149	440,505	440,505	440,505
	ASUS INVESTMENT CO., LTD.	Taipei	Investment holding	16,184,982	16,184,982	979,254,600	100.00%	15,996,091	179,036	179,036	179,036
	ASUSTEK INVESTMENT CO., LTD.	Taipei	Investment holding	14,593,543	14,593,543	951,278,300	100.00%	14,510,888	(507,717)	(507,717)	(507,717)
	Pegatron Holding Ltd.	Cayman Islands	Investment holding	33,462,716	33,462,716	961,906,463	100.00%	80,513,033	10,406,602	10,406,602	10,406,602
	PEGATRON USA, INC.	CA, USA	Repairing and marketing center in Northern America	16,085	16,085	50,000	100.00%	18,336	39	39	39
	PEGATRON HOLLAND HOLDING B.V.	Nijmegen, NETHERLANDS	Investment holding	1,278,287	1,278,287	-	100.00%	2,826,764	260,660	260,660	260,660
	AMA PRECISION INC.	Taipei	Research and design of computer components	408,394	408,394	33,500,000	100.00%	435,048	20,493	20,493	20,493
	AZURE WAVE TECHNOLOGIES, INC.	New Taipei City	Manufacture of office machine, electrical components, computer and related products. Sale of precision instrument and photographic equipment.	525,750	525,750	35,750,000	23.75%	378,959	(114,386)	(27,136)	(27,136)
	Unihan Holding Ltd.	Cayman Islands	Investment holding	6,659,684	6,659,684	199,110,010	100.00%	6,982,282	632,196	632,196	632,196
	CASITEK HOLDINGS LIMITED(CAYMAN)	Cayman Islands	Investment holding	442,409	442,409	4,808,794	1.14%	383,016	(7,384)	(7,384)	Note 1
PEGATRON SERVICE AUSTRALIA PTY. LTD.	Australia	Investment holding	30,955	30,955	6,000,000	100.00%	134,640	9,883	9,883	9,883	
PT. PEGATRON TECHNOLOGY INDONESIA	Indonesia	Data storage and processing equipment, manufacturing wired and wireless communication equipment, and wholeselling of computer and electronic materials.	1,249,569	-	39,999	100.00%	1,127,361	(63,923)	(63,923)	(73,782)	
ASUSPOWER INVESTMENT CO., LTD.	STARLINK ELECTRONICS CORPORATION	New Taipei City	Manufacture of computer components and industrial plastics.	135,144	135,144	15,000,000	50.00%	237,648	(1,337)	Not required to disclose	Not required to disclose
	KINSUS INTERCONNECT TECHNOLOGY CORP.	Taiyuan	Manufacture of computer components. Sale and manufacture of electronic materials. Enterprise management consulting	727,473	727,473	55,556,221	12.32%	3,142,391	(2,025,035)	Not required to disclose	Not required to disclose
	ASROCK INCORPORATION	Taipei	Manufacture of data processing equipment, storage equipment and wireless communication equipment. Installation and sale of computer and electronic materials.	82,626	82,626	2,791,000	2.31%	141,605	597,842	Not required to disclose	Not required to disclose
	AZURE WAVE TECHNOLOGIES, INC.	New Taipei City	Manufacture of office machine, electrical components, computer and related products. Sale of precision instrument and photographic equipment.	154,000	154,000	7,000,000	4.65%	74,181	(114,386)	Not required to disclose	Not required to disclose
	Lumens Digital Optics Inc. (Lumens Optics)	Hsinchu	Development, manufacture and sale of projector and related product.	508,932	508,932	10,043,490	50.22%	1,067,710	124,623	Not required to disclose	Not required to disclose
	PEGAVISION CORPORATION	Taiyuan	Manufacture of medical equipment	70,721	70,721	5,480,121	7.83%	317,812	475,492	Not required to disclose	Not required to disclose
	ASUSPOWER CORPORATION	Virgin Islands	Investment holding and commercial affairs	3,752,682	3,752,682	109,000,000	31.23%	7,560,631	(282,915)	Not required to disclose	Not required to disclose
	PEGATRON TECHNOLOGY SERVICE INC.	Kanuckey, USA	Repairing and marketing center in Northern America	94,475	94,475	2,800	100.00%	1,150,477	288,520	Not required to disclose	Not required to disclose
	PEGATRON LOGISTIC SERVICE INC.	CA, USA	Transferring and marketing center in Northern America	30	30	1,000	100.00%	11,928	-	Not required to disclose	Not required to disclose
	Huawei Investment Co., Ltd.	Taipei	Investment holding	48,780	48,780	-	48.78%	243,784	139,702	Not required to disclose	Not required to disclose
	PEGA INTERNATIONAL LIMITED	Taipei	Design service and commercial affairs	31,885	31,885	-	100.00%	31,690	(52)	Not required to disclose	Not required to disclose
	PEGATRON JAPAN Inc.	Japan	Repairing and marketing center in Japan	27,287	27,287	-	100.00%	603,637	266,088	Not required to disclose	Not required to disclose
	PEGATRON Mexico, S.A. DE C.V.	Chihuahua, Mexico	Repairing and marketing center in Mexico	231,424	231,424	-	40.51%	135,634	1,116	Not required to disclose	Not required to disclose
	PEGATRON SERVICE SINGAPORE PTE. LTD.	Singapore	Repairing and marketing center in Singapore	23,990	23,990	1,000,000	100.00%	477,277	80,773	Not required to disclose	Not required to disclose
	PT. PEGATRON TECHNOLOGY INDONESIA	Indonesia	Data storage and processing equipment, manufacturing wired and wireless communication equipment, and wholeselling of computer component and electronic components	31	-	1	0.00%	28	(63,923)	Not required to disclose	Not required to disclose
ASUS INVESTMENT CO., LTD.	STARLINK ELECTRONICS CORPORATION	New Taipei City	Manufacture of computer components and industrial plastics.	90,000	90,000	9,000,000	30.00%	142,589	(1,337)	Not required to disclose	Not required to disclose
	KINSUS INTERCONNECT TECHNOLOGY CORP.	Taiyuan	Sale and manufacture of electronic materials.	938,098	938,098	60,128,417	13.33%	3,400,006	(2,025,035)	Not required to disclose	Not required to disclose
	ASROCK INCORPORATION	Taipei	Manufacture of electronic materials. Enterprise management consulting	155,718	155,718	57,217,754	47.43%	2,902,956	597,842	Not required to disclose	Not required to disclose
	Lumens Digital Optics Inc. (Lumens Optics)	Hsinchu	Development, manufacture and sale of projector and related electronic material	7,338	7,338	587,079	2.94%	62,412	124,623	Not required to disclose	Not required to disclose
	ASUSPOWER CORPORATION	Virgin Islands	Investment holding and commercial affairs	3,488,741	3,488,741	103,000,000	29.51%	7,144,227	(282,915)	Not required to disclose	Not required to disclose
	ASEFLY TRAVEL SERVICE LIMITED	Taipei	Travel industry	6,000	6,000	-	100.00%	12,414	(2,729)	Not required to disclose	Not required to disclose

## Notes to the Parent Company Only Financial Statements

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2019		Ownership	Book value	Net profit (loss) of the investee for the year ended December 31, 2019	Investment income (loss) recognised by the Company for the year ended December 31, 2019
				Balance as at December 31, 2018	Balance as at December 31, 2019	Number of shares	84,397				
ASUS INVESTMENT CO., LTD.	HUA-YUAN INVESTMENT LIMITED	Taipei	Investment holding	500,000	500,000	-	100.00%	553,330	84,397	Not required to disclose	
	HUA-YUAN INVESTMENT LIMITED	Chihuahua, Mexico	Investment holding	369,938	369,938	-	59.49%	199,182	1,116	Not required to disclose	
	PEGATRON Mexico, S.A. DE C.V.	Hsinchu	Repairing and marketing center in Mexico	464,711	464,711	32,088,436	17.83%	269,176	(541,059)	Not required to disclose	
	FUYANG TECHNOLOGY CORPORATION	New Taipei City	Manufacture of wire, cable and electronic components. Sale of electronic material	60,000	60,000	6,000,000	20.00%	95,059	(1,337)	Not required to disclose	
	STARLINK ELECTRONICS CORPORATION	New Taipei City	Manufacture of computer components and industrial plastics. Sale and manufacture of electronic materials.	794,252	794,252	58,233,091	12.91%	3,292,879	(2,025,035)	Not required to disclose	
	KINSUS INTERCONNECT TECHNOLOGY CORP.	Taiwan	Manufacture of computer components. Sale and manufacture of electronic materials. Enterprise management consulting.	223,939	223,939	7,453,405	6.18%	378,153	597,842	Not required to disclose	
	ASROCK INCORPORATION	Taipei	Manufacture of thin processing equipment, storage equipment and wire communication equipment. Installation and sale of computer and electronic materials.	98,487	98,487	6,696,930	4.45%	70,990	(114,386)	Not required to disclose	
	AZURE WAVE TECHNOLOGIES, INC.	New Taipei City	Manufacture of office machine, electrical components, computer and related products. Sale of precision instrument and photographic equipment.	5,117	5,117	409,427	2.05%	43,526	124,623	Not required to disclose	
	Lumens Digital Optics Inc. (Lumens Optics)	Hsinchu	Development, manufacture and sale of projector and related product.	64,292	64,292	4,934,434	7.05%	286,166	475,492	Not required to disclose	
	PEGAVISION CORPORATION	Taiwan	Manufacture of medical equipment	4,652,885	4,652,885	137,000,000	39.26%	9,504,655	(282,915)	Not required to disclose	
ASUSPOWER CORPORATION	Virgin Islands	Investment holding and commercial affairs	929,422	929,422	64,176,872	35.65%	538,202	(541,059)	Not required to disclose		
FUYANG TECHNOLOGY CORPORATION	Hsinchu	Manufacture of wire, cable and electronic components. Sale of electronic materials.	44,970	44,970	360,000	100.00%	251,387	46,312	Not required to disclose		
PEGATRON SERVICE SINGAPORE PTE. LTD.	Korea	Repairing and marketing center in Korea	7,806,218	7,806,218	177,961,090	100.00%	26,860,010	1,738,398	Not required to disclose		
Pegatron Holding Ltd.	MAGNIFICENT BRIGHTNESS LIMITED	Virgin Islands	Investment holding and commercial affairs	8,975,968	8,975,968	308,100,000	100.00%	32,718,305	5,697,024	Not required to disclose	
PROTEK GLOBAL HOLDINGS LTD.	Virgin Islands	Investment holding and commercial affairs	5,852,298	5,852,298	199,711,968	100.00%	11,904,139	2,835,111	Not required to disclose		
ASLINK PRECISION CO., LTD.	Cayman Islands	Investment holding and commercial affairs	1,470,474	1,470,474	49,050,000	100.00%	5,469,063	400,148	Not required to disclose		
DIGITEK GLOBAL HOLDINGS LIMITED	Virgin Islands	Investment holding and commercial affairs	2,069,070	2,069,070	81,225,000	100.00%	1,610,644	365,752	Not required to disclose		
COTEK HOLDINGS LIMITED	Virgin Islands	Investment holding and commercial affairs	317,623	317,623	9,550,000	100.00%	162,468	(9,198)	Not required to disclose		
TOP QUARK LIMITED	HongKong	Investment holding	394,102	394,102	8,050,000	100.00%	938,889	17,886	Not required to disclose		
POWTEK HOLDINGS LIMITED	Virgin Islands	Investment holding and commercial affairs	2,766,359	2,766,359	92,000,000	49.00%	446,621	(477,304)	Not required to disclose		
PROTEK HOLDINGS LTD.(CAYMAN)	Cayman Islands	Investment holding	39,760	39,760	1,000	100.00%	383,468	(348)	Not required to disclose		
GRAND UPRIGHT TECHNOLOGY LTD.	Samoa	Investment holding and commercial affairs	1,600,000	1,600,000	160,000,000	100.00%	2,300,446	(33,605)	Not required to disclose		
KINSUS INTERCONNECT TECHNOLOGY CORP.	KINSUS INVESTMENT CO., LTD.	Taiwan	Investment holding	14,990	14,990	500,000	100.00%	53,310	6,215	Not required to disclose	
KINSUS CORP. (USA)	KINSUS CORP. (USA)	CA, USA	Design substrate, analyze market strategy, development new customer and new technology.	4,985,935	4,985,935	166,308,720	100.00%	1,868,801	(180,094)	Not required to disclose	
KINSUS HOLDING (SAMOA) LIMITED	KINSUS HOLDING (SAMOA) LIMITED	Samoa	Investment holding	252,455	252,455	21,233,736	30.33%	1,299,647	475,492	Not required to disclose	
PEGAVISION CORPORATION	PEGAVISION CORPORATION	Taiwan	Manufacture of medical equipment	929,422	929,422	64,176,872	35.65%	538,259	(541,059)	Not required to disclose	
FUYANG TECHNOLOGY CORPORATION	FUYANG TECHNOLOGY CORPORATION	Hsinchu	Manufacture of wire, cable and electronic components. Sale of electronic material	108,827	108,827	3,630,000	100.00%	36,437	(5,280)	Not required to disclose	
PEGAVISION HOLDINGS CORPORATION	PEGAVISION HOLDINGS CORPORATION	Samoa	Investment holding	2,732	2,732	198	100.00%	26,102	16,418	Not required to disclose	
PEGAVISION JAPAN INC.	PEGAVISION JAPAN INC.	Japan	Sale of medical equipment	2,158,560	2,158,560	72,000,000	100.00%	1,403,963	63,326	Not required to disclose	
KINSUS HOLDING (SAMOA) LIMITED	KINSUS HOLDING (SAMOA) LIMITED	Cayman Islands	Investment holding								

## Notes to the Parent Company Only Financial Statements

		Shares held as at December 31, 2019		Initial investment amount		Expressed in thousands of NTD					
Investor	Investee	Location	Main business activities	Balance as at December 31, 2019	Balance as at December 31, 2018	Number of shares	Ownership	Book value	Net profit (loss) of the investee for the year ended December 31, 2019	Investment income (loss) recognised by the company for the year ended December 31, 2019	Footnote
KINSUS HOLDING (SAMOA) LIMITED	PROTEK HOLDINGS LTD.(CAYMAN)	Cayman Islands	Investment holding	2,827,384	2,827,384	95,755,000	51.00%	464,840	(477,291)	Not required to disclose	
PROTEK HOLDINGS LTD. (CAYMAN)	PROTEK HOLDING LIMITED	Virgin Islands	Investment holding	4,192,427	4,192,427	139,840,790	100.00%	911,482	(477,291)	Not required to disclose	
PROTEK HOLDING LIMITED	PROTEK (HK) TRADING LIMITED	HongKong	Commercial affairs	779	779	200,000	100.00%	79,567	4,634	Not required to disclose	
FUYANG TECHNOLOGY CORPORATION	FUYANG FLEX HOLDING LTD.	Cayman Islands	Investment holding and commercial affairs	1,357,292	1,357,292	44,000,000	100.00%	578,127	(466,847)	Not required to disclose	
ASROCK INCORPORATION	ASRock Back Incorporation	Taipei	Manufacture and sale of computer related products	291,006	98,302	19,465,411	62.02%	190,503	92,004	Not required to disclose	
	ASIAROCK TECHNOLOGY LIMITED	Virgin Islands	Investment holding	1,320,886	1,320,886	40,000,000	100.00%	3,700,936	45,337	Not required to disclose	
	Leader Insight Holdings Ltd.	Virgin Islands	Investment holding	71,559	71,559	2,100,000	100.00%	(20,602)	(8,971)	Not required to disclose	
	ASRock Industrial Computer Corporation	Taipei	Manufacture and sale of computer related products	235,822	123,700	23,882,200	67.38%	290,120	79,925	Not required to disclose	
	Yabo Trading Co., Ltd.	HongKong	International trade	577	577	150,000	100.00%	578	-	Not required to disclose	
ASIAROCK TECHNOLOGY LIMITED	ASROCK EUROPE B.V.	Nijmegen, NETHERLANDS	Sale of data storage devices and electronic materials	5,816	5,816	200,000	100.00%	506,903	40,223	Not required to disclose	
	Calrock Holdings, LLC.	CA, USA	Rentling offices	59,960	59,960	2,000,000	100.00%	66,817	(925)	Not required to disclose	
	Orbweb Inc. (BVI)	Virgin Islands	Installation of computer equipment and sale of computer related product.	29,980	29,980	4,000,000	27.59%	-	(16,864)	Not required to disclose	
Leader Insight Holdings Ltd.	First place International Ltd.	Virgin Islands	Investment holding	61,459	61,459	2,050,000	100.00%	(20,648)	(8,971)	Not required to disclose	
First place International Ltd.	ASROCK AMERICA, INC.	CA, USA	Sale of data storage devices and electronic materials	59,960	59,960	2,000,000	100.00%	(21,652)	(8,975)	Not required to disclose	
Lumens Digital Optics Inc. (Lumens Optics)	Lumens Integration Inc.	CA, USA	Purchase and sale on computer product and computer related product.	36,306	36,306	1,222,000	100.00%	58,653	(1,186)	Not required to disclose	
	Lumens Digital Image Inc.	Samoa	Investment holding	7,495	7,495	250,000	100.00%	32,364	(13,439)	Not required to disclose	
ASUSPOWER CORPORATION	CASETEK HOLDINGS LIMITED(CAYMAN)	Cayman Islands	Investment holding	10,578,256	10,578,256	245,016,988	58.27%	17,832,075	(630,830)	Not required to disclose	Note 1
PEGATRON TECHNOLOGY SERVICE INC.	PEGATRON SERVIÇOS DE INFORMATICA LTDA.	Brasil	Repairing service	19,487	19,487	-	100.00%	11,157	1,641	Not required to disclose	
Unitian Holding Ltd.	CASETEK HOLDINGS LIMITED	Virgin Islands	Investment holding and commercial affairs	4,913,746	4,913,746	115,575,668	100.00%	5,567,092	592,380	Not required to disclose	
CASETEK HOLDINGS LIMITED	SLITEK HOLDINGS LIMITED	Samoa	Investment holding and commercial affairs	36,276	36,276	1,210,000	100.00%	13,620	(7,886)	Not required to disclose	
	KAEDAR HOLDINGS LIMITED	HongKong	Investment holding and commercial affairs	749,500	749,500	25,000,000	100.00%	1,164,440	103,418	Not required to disclose	
	KAEDAR TRADING LTD.	Samoa	Investment holding and commercial affairs	149,900	149,900	5,000,000	100.00%	567,291	16,409	Not required to disclose	
AMA PRECISION INC.	AMA Holdings Limited	Samoa	Investment holding	169,744	169,744	5,131,948	100.00%	124,239	11,218	Not required to disclose	
AZURE WAVE TECHNOLOGIES, INC.	Azwave Holding (Samoa) Inc.	Samoa	Investment holding	1,585,683	1,585,683	50,171,160	100.00%	1,176,074	231,065	Not required to disclose	
	EZWAYE TECHNOLOGIES, INC.	Taipei	Information product service industry	5,015	5,015	500,000	100.00%	(21,682)	(714)	Not required to disclose	
	AZURE LIGHTING TECHNOLOGIES, INC.	New Taipei City	Sale of electronic materials	25,000	25,000	2,000,000	100.00%	29,856	1,949	Not required to disclose	
	Azwave Technologies (USA) INC.	CA, USA	Market development	19,820	15,165	650,000	100.00%	786	(4,860)	Not required to disclose	
	VENCE PRECISION & TOOLS CO.,LTD.	New Taipei City	Sale of electronic materials	-	10,000	-	-	-	-	Not required to disclose	Note 3

Note 1 : Because the foreign holding investee companies prepare consolidated financial statements only, the disclosure of the company's investments is only to the level of the holding company.

Note 2 : Income and expenses for each statement of comprehensive income are translated at average exchange rates of 2019, the others are translated at the spot exchange rate on the financial statement date.

Note 3 : VENCE PRECISION & TOOLS CO.,LTD. was liquidated in March, 2019.

## Notes to the Parent Company Only Financial Statements

Table 8. Information on investments in Mainland China  
December 31, 2019

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

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan as of January 1, 2019	Mainland China / Amount remitted back to Taiwan for the year ended December 31,		Accumulated amount of remittance from Taiwan as of December 31, 2019	Net income of investees for the year ended December 31, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2019 (Note 2, (2))	Book value of investments in Mainland China as of December 31, 2019	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019
					Remitted to Mainland China	Remitted back to Taiwan						
MAINTEK COMPUTER (SUZHOU) CO., LTD. (Note 5)	Manufacture, develop and research and sale of power supplier, new electronic component, computer case, and computer system. Repair of laptop, motherboard and related product.	6,853,128 USD 228,590,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	5,300,464 USD 176,800,000	-	5,300,464 USD 176,800,000	1,738,385 USD 56,275,548	100%	1,738,385 USD 56,275,548	27,073,861 USD 903,064,064	-	
PROTEK (SHANGHAI) LTD.	Develop and research, manufacture, assemble, repair, sale and design of satellite communication equipment, satellite navigation receive equipment and essential component. Sale of cellphone, medium and large sized computer, portable computer, printing machine and electrical component.	9,233,840 USD 308,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	9,233,840 USD 308,000,000	-	9,233,840 USD 308,000,000	5,697,061 USD 184,427,009	100%	5,697,061 USD 184,427,009	32,824,746 USD 1,094,888,129	-	
PROTEK COMPUTER (SUZHOU) (Note 7)	Develop and research, manufacture and sale of new type of precision electrical component, circuit board and related product. The company also provides after sale service.	4,997,666 USD 166,700,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	1,362,479 USD 45,446,280	-	1,362,479 USD 45,446,280	(481,691) USD 15,593,449	68.67%	(330,756) USD 10,707,336	571,166 USD 19,051,554	-	
COTEK ELECTRONICS	Develop, manufacture and sale of new electrical component, plugs and corresponding precision mold. The company also provides after sale service.	2,428,380 USD 81,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	2,068,620 USD 69,000,001	-	2,068,620 USD 69,000,001	354,772 USD 11,484,802	100%	354,772 USD 11,484,802	1,611,670 USD 53,758,167	-	
RUNTOP (SHANGHAI) CO., LTD.	Manufacture and sale of computer components, digital automatic data processing machine, accessories of multimedia computer, power supplier, network switch and data machine.	209,860 USD 7,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	316,124 USD 10,544,482	-	316,124 USD 10,544,482	(9,090) USD 294,271	100%	(9,090) USD 294,271	162,309 USD 5,413,909	-	
POWTEK (SHANGHAI) LTD.	Sale of computer motherboard, computer, laptop, service machine and computer related items. The company also provides after sale service.	239,840 USD 8,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	394,102 USD 13,145,510	-	394,102 USD 13,145,510	17,941 USD 580,806	100%	17,941 USD 580,806	938,432 USD 31,301,945	-	
DIGITEK (CHONGQING) LTD.	Research and development, manufacture, sale of satellite communication equipment, satellite navigation receive equipment, cellphone, internet related equipment, computer, video decoding equipment, car-used electrical equipment and component. The company also provides export, proxy, repair services.	1,469,020 USD 49,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	1,469,020 USD 49,000,000	-	1,469,020 USD 49,000,000	400,098 USD 12,952,090	100%	400,098 USD 12,952,090	5,500,346 USD 183,473,834	-	
PEGAGLOBE (KUNSHAN) CO., LTD.	Manufacture of satellite navigation receiving equipment, cellphone, core equipment, internet detection equipment, large and medium sized computer, easy to carry computers, high end service equipment, large-volume light driver and their component.	5,816,120 USD 194,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	5,816,120 USD 194,000,000	-	5,816,120 USD 194,000,000	2,833,915 USD 91,740,376	100%	2,833,915 USD 91,740,376	11,883,748 USD 396,389,196	-	

Notes to the Parent Company Only Financial Statements

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan as of January 1, 2019	Mainland China / Amount remitted back to Taiwan for the year ended December 31,		Accumulated amount of remittance from Taiwan as of December 31, 2019	Net income of investee for the year ended December 31, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2019 (Note 2, (2) )	Book value of investments in Mainland China as of December 31, 2019	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019
					Remitted to Mainland China	Remitted back to Taiwan						
CASBTEK COMPUTER (SUZHOU) CO., LTD.	Manufacture, development and research and sale of computer, computer system and its component. The company also provides after sale service.	1,678,880 USD 56,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	1,678,880 USD 56,000,000	-	-	1,678,880 USD 56,000,000	467,174 USD 15,123,509	100%	467,174 USD 15,123,509	3,063,954 USD 102,199,945	-
KAEDAR ELECTRONICS (KUNSHAN) CO., LTD.	Manufacture of plastic injection products.	524,650 USD 17,500,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	734,723 USD 24,507,092	-	-	734,723 USD 24,507,092	103,333 USD 3,345,121	100%	103,333 USD 3,345,121	1,149,089 USD 38,328,527	-
LIMITED	Research, manufacture and sale of laptop components and precision equipment. Design non-metal molds and electronic devices. The company also provides after sale service and consulting service.	359,760 USD 12,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	359,760 USD 12,000,000	-	-	359,760 USD 12,000,000	2,854 USD 92,380	100%	2,854 USD 92,380	198,513 USD 6,621,510	-
KAI-CHUAN ELECTRONICS (CHONGQING) CO., LTD.	Research and develop, manufacture and inspect computer and implication system. Manufacture molds, precision molds, plastic components. Sale of automatic products.	299,800 USD 10,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	299,800 USD 10,000,000	-	-	299,800 USD 10,000,000	2,675 USD 86,588	100%	2,675 USD 86,588	272,083 USD 9,075,472	-
Zhangjiagang East High-tech LTD.	Process, sale and transportation of steel.	179,880 USD 6,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	35,976 USD 1,200,000	-	-	35,976 USD 1,200,000	(39,341) (USD 1,273,558)	20%	(7,868) (USD 254,712)	12,309 USD 410,580	-
FUYANG ELECTRONICS (SUZHOU) CO., LTD.	Research and develop, manufacture, test repair and sale of Multilayer flexible board and computer number signal processor.	1,319,120 USD 44,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	1,319,120 USD 44,000,000	-	-	1,319,120 USD 44,000,000	(466,261) (USD 15,093,942)	67.22%	(313,421) (USD 10,146,148)	386,888 USD 12,904,853	-
(Note 13) HONGJIE (SHANGHAI) PACKING LIMITED	Manufacture of all kinds of paper boxes, paper materials, paper plastics, cushioning material, tray, etc.	149,900 USD 5,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	27,964 USD 932,769	-	-	27,964 USD 932,769	-	-	-	-	-
(Note 14) HONGJIE (SUZHOU) PACKING LIMITED	Manufacture of all kinds of paper boxes, paper materials, paper plastics, cushioning material, tray, etc.	399,033 USD 13,309,984	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	180,652 USD 6,025,762	-	-	180,652 USD 6,025,762	-	-	-	-	-
(Note 14) Suzhou Esilite Packaging LTD.	Manufacture of all kinds of paper boxes, paper materials, paper plastics, cushioning material, tray, etc.	152,898 USD 5,100,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	34,685 USD 1,156,954	-	-	34,685 USD 1,156,954	-	-	-	-	-
(Note 14) HONGJIE (CHONGQING) PACKING LIMITED	Manufacture of all kinds of paper boxes, paper materials, paper plastics, cushioning material, tray, etc.	14,990 USD 500,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	2,293 USD 76,500	-	-	2,293 USD 76,500	-	-	-	-	-
(Note 14) Hongnishieng (Chengdu) packaging LTD.	Manufacture of all kinds of paper boxes, paper materials, paper plastics, cushioning material, tray, etc.	78,248 USD 2,610,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	18,977 USD 633,000	-	-	18,977 USD 633,000	-	-	-	-	-
(Note 11) Suzhou Lianshuo Electronics LTD.	Manufacture of plugs	73,751 USD 2,460,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	13,275 USD 442,800	-	-	13,275 USD 442,800	-	-	-	-	-
(Note 6) Shanghai Yiding Electronics LTD.	Research and develop, manufacture and sale of portable micro computer, laptop and related products.	209,394 USD 6,984,441	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	229,534 USD 7,656,224	-	-	229,534 USD 7,656,224	-	-	-	-	-
(Note 8)		929,380 USD 31,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	587,608 USD 19,600,000	-	-	587,608 USD 19,600,000	-	-	-	-	-

## Notes to the Parent Company Only Financial Statements

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan as of January 1, 2019	Mainland China / Amount remitted back to Taiwan for the year ended December 31,		Accumulated amount of remittance from Taiwan as of December 31, 2019	Net income of investee for the year ended December 31, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2019 (Note 2, (2))	Book value of investments in Mainland China as of December 31, 2019	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019
					Remitted to Mainland China	Remitted back to Taiwan						
Jimhong Precision Mold (Suzhou) Co., Ltd. (Note 10)	Design, process, sale and manufacture of non-metal molds. Manufacture and sale of precision molds, standard molds, plastic and hardware.	26,982 USD 900,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	51,416 USD 1,715,000	-	51,416 USD 1,715,000	-	-	-	-	-	-
Honghua Technology (Suzhou) LTD. (Note 9)	Manufacture, research and develop, process non-metal molds, precision molds, standard molds, hardware components, new version of photoelectric trigger, disk driver and their components. Manufacture of number camera, essential components and providing after sale service.	191,872 USD 6,400,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	94,017 USD 3,136,000	-	94,017 USD 3,136,000	-	-	-	-	-	-

### 2. Limitation on investment in Mainland China

Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019 (Note 16)	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) (Note 15)	Investment amount approved by the Investment Commission of MOEA (Note 4)
31,774,860 USD 1,059,868,572	33,516,725 USD 1,117,969,490	Mainland China imposed by the Investment Commission of MOEA (Note 4) 115,947,508

US dollar exchange rate : year end exchange rate 29.98 ; average exchange rate 30.8906

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

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

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

- (1) If the company is under preparation status, there is no income or loss.
- (2) The basis for investment income (loss) recognition can be classified to three categories:

1. Financial statements are audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.
2. Financial statements which were based on the audited and attested by R.O.C. parent company's CPA.
3. Others: The financial statements of significant subsidiaries were audited by CPA; and the self-assessed financial statements of non-significant subsidiaries were not audited by CPA.

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

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

Note 5 : MAINTER COMPUTER (SUZHOU) CO., LTD.'s paid-in capital includes capital increase by retained earnings of USD51,790,000.

Note 6 : Suzhou Lianshuo Electronics LTD. has completed liquidation process. As of December 31, 2019, the funds have not been remitted.

Note 7 : PIOTEK COMPUTER (SUZHOU) CO., LTD.'s paid-in capital includes capital increase by retained earnings of USD27,000,000. The ownership percentage includes shares held by other subsidiaries.

Note 8 : The Group has disposed of shares of Indeed Holdings Limited (indirectly invested in Shanghai Yiding Electronics LTD.). As of December 31, 2019, the funds have not been remitted.

Note 9 : Honghua Technology (Suzhou) LTD. has completed liquidation process. As of December 31, 2019, the funds have not been remitted.

Note 10 : The Group has disposed shares of Jimhong Precision Mold Industrial (Suzhou) Co., Ltd.. As of December 31, 2019, the funds have not been remitted.

Note 11 : The Group has disposed shares of Heilongjiang Hongjie Packaging LTD.. As of December 31, 2019, the funds have not been remitted.

Note 12 : Hongguisheng (Chengde) packaging LTD. has completed liquidation process. As of December 31, 2019, the funds have not been remitted.

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

Note 14 : The Group has disposed all shares of E-Packaging. As of December 31, 2019, the funds have not been remitted.

Note 15 : Due to the reinvestment of the Group's investee, China Renewable Energy Fund, LP (CKREF), in Mainland China, the Group increased its line of credit to USD10,161,116, with the approval from the Investment Commission of MOEA.

Note 16 : The difference of USD4,850,198 between the accumulated amounts of remittance from Taiwan to Mainland China as of December 31, 2019 was the actual amount of investment in Mainland China made by China Renewable Energy Fund, LP (CKREF).

**PEGATRON CORPORATION**  
**Statement of Cash and Cash Equivalents**  
**December 31, 2019**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Cash hand		\$ <u>150</u>
Cash in banks		
Foreign currency in banks	USD153,684 thousand (rate 29.98)	4,607,455
	EUR355 thousand (rate 33.59)	11,919
	CNY716 thousand (rate 4.2975)	3,078
	GBP51 thousand (rate 39.36)	2,016
	JPY950 thousand (rate 0.2760)	262
	HKD6 thousand (rate 3.849)	24
	SGD500 thousand (rate 22.28)	11,140
	AUD691 thousand (rate 21.01)	14,506
Check deposits		1,188
Current deposit		<u>272,856</u>
		<u>4,924,444</u>
Time deposit	Including NTD7,100,000 thousand, USD621,000 thousand (rate 29.98)	<u>25,717,580</u>
Corporate bonds-repurchase agreement	Including NTD1,700,000 thousand, USD90,000 thousand (rate 29.98)	<u>4,398,200</u>
		<u>\$ <b>35,040,374</b></u>



**PEGATRON CORPORATION**

**Statement of Accounts Receivable**

**December 31, 2019**

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

<u>Client name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Related party			
PROTEK (SHANGHAI) Ltd.	Loan	\$ 232,022,396	
DIGITEK (CHONGQING) Ltd.	"	36,210,328	
PEGAGLOBE (KUNSHAN) CO., Ltd.	"	41,110,704	
Other (Note)	"	<u>12,300,875</u>	
Subtotal		<u>321,644,303</u>	
Non-related party			
A	"	119,969,740	
B	"	16,741,199	
C	"	10,317,001	
Other (Note)	"	<u>41,987,959</u>	
Subtotal		189,015,899	
Less: Allowance for impairment		<u>(1,524,216)</u>	
Subtotal		<u>187,491,683</u>	
Total		<u><b>\$ 509,135,986</b></u>	

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

## PEGATRON CORPORATION

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

For the year ended December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Name of investee	Beginning Balance		Addition		Decrease		Investment income or loss	Transition adjustment	Capital surplus	Cash Dividend	Unrealized gain or loss of financial instruments	Retained earnings	Re-measurement of defined benefit plans	Realized gross margin	Shares (in thousands)	Ending Balance Percentage of ownership	Market Value or Net Assets Value	
	Shares (in thousands)	Amount	Shares (in thousands)	Amount	Shares (in thousands)	Amount											Unit price	Total amount
ASUSPOWER INVESTMENT CO., LTD.	932,845	\$ 15,763,237	-	-	-	440,503	(33,494)	198,152	(716,698)	619	(2,255)	-	(469)	-	932,845	100.00%	15,348,149	16.45
ASUS INVESTMENT, LTD.	979,255	16,274,719	-	-	-	179,056	(305,152)	117,010	(274,035)	(4,055)	10,368	(1,800)	(1,800)	-	979,255	100.00%	15,996,091	16.33
ASUSTEK INVESTMENT CO., LTD.	951,278	15,185,517	-	-	-	(507,717)	(356,009)	189,948	-	-	-	(755)	(755)	-	951,278	100.00%	14,510,988	15.25
UNIHAN HOLDING LTD.	199,110	6,601,151	-	-	-	632,196	(251,065)	-	-	-	-	-	-	-	199,110	100.00%	6,982,282	35.07
AMA PRECISION INC.	33,500	423,699	-	-	-	20,493	(9,144)	-	-	-	-	-	-	-	33,500	100.00%	435,048	12.99
AZURE WAVE TECHNOLOGIES, INC.	35,750	413,877	-	-	-	(27,136)	(7,542)	(253)	-	-	-	13	-	-	35,750	23.72%	378,959	17.85
PEGATRON HOLDING LTD.	961,906	72,167,695	-	-	-	10,406,602	(2,061,265)	-	-	-	-	-	-	-	961,906	100.00%	80,513,032	83.70
PEGATRON USA, INC.	50	18,746	-	-	-	39	(449)	-	-	-	-	-	-	-	50	100.00%	18,336	366.72
Pegatron Holland Holding B.V.	-	2,654,932	-	-	-	250,660	(100,551)	-	-	-	-	-	-	11,723	-	100.00%	2,826,764	-
CASETEK HOLDINGS LIMITED (CATMAN)	4,809	408,538	-	-	-	(7,384)	(13,329)	-	(4,809)	-	-	-	-	-	4,809	1.14%	383,016	47.35
PEGATRON SERVICE AUSTRALIA PTY LTD.	1,374	29,005	4,626	108,133	-	9,583	(12,081)	-	-	-	-	-	-	-	6,000	100.00%	154,640	22.44
PT. PEGATRON TECHNOLOGY INDONESIA	-	-	40	1,249,369	-	(3,282)	(48,313)	(11)	-	-	-	-	-	-	40	100.00%	1,127,261	284.35
Total		\$ 129,941,116		1,357,502		11,333,095	(3,499,840)	504,846	(995,542)	(3,436)	8,112	(3,011)	(3,011)	11,723			138,654,566	

## PEGATRON CORPORATION

## Statement of Short-term Loan

December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

<u>Type</u>	<u>Ending Balance</u>	<u>Contract Period</u>	<u>Interest Rate</u>	<u>Collateral</u>	<u>Note</u>
Unsecured bank loans	\$ <u>38,674,200</u>	2019.11.26~2020.02.27	0.6%~4.70%	None	

## Statement of Account Payable

<u>Vendor name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Related party			
PROTEK (SHANGHAI) Ltd	Loan	\$ 185,317,389	
DIGITEK (CHONGQING) Ltd	"	32,541,457	
PEGAGLOBE (KUNSHAN) CO., Ltd	"	49,959,452	
Other (Note)	"	<u>7,891,460</u>	
Subtotal		<u>275,709,758</u>	
Non-related party			
A	"	96,009,252	
Other(Note)	"	<u>97,600,522</u>	
Subtotal		<u>193,609,774</u>	
Total		<u>\$ 469,319,532</u>	

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

**PEGATRON CORPORATION**  
**Statement of Operating Revenue**  
**For the year ended December 31, 2019**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Quantity</u>	<u>Amount</u>	<u>Note</u>
Sales revenue :			
3C electronic products	203,033 thousand units	\$ 1,220,541,162	Note 1
Others		<u>44,291,723</u>	Note 2
		<b><u>\$ 1,264,832,885</u></b>	

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

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

**PEGATRON CORPORATION**

**Statement of Operating Costs**

**For the year ended December 31, 2019**

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

Item	Amount	
	Subtotal	Total
Cost of sales from manufacturing		
Raw material, January 1		\$ 769,575
Add: Purchase (Note1)		21,541,992
Less: Transferred (includes amount transferred to each expense and loss) (Note1)		(303,636)
Raw material, December 31		(1,687,643)
Direct labor		547,665
Manufacturing expenses		3,032,230
Cost of manufacturing		23,900,183
Add: Work in process, January 1		148,129
Less: Transferred (includes amount transferred to each expense and loss) (Note1)		(136,106)
Work in process, December 31		(319,155)
Cost of finished goods		23,593,051
Add: Finished goods, January 1		99,070
Less: Transferred (includes amount transferred to each expense and loss) (Note1)		(412,168)
Finished goods, December 31		(259,013)
Cost of self-manufactured products		23,020,940
Merchandise, January 1	49,921,122	
Add: Purchase (Note1)	2,278,997,111	
Less: Transferred (includes amount transferred to each expense and loss) (Note1)	(1,081,046,490)	
Merchandise, December 31	(29,596,926)	1,218,274,817
Cost of goods sold		1,241,295,757
Other business costs		(70,409)
Gain from price recovery of inventory		(553,645)
Allowance for inventory obsolescence		42,370
Operating costs		\$ 1,240,714,073

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

**PEGATRON CORPORATION**  
**Statement of Operating Expenses**  
**For the year ended December 31, 2019**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Sales</u>	<u>Administration</u>	<u>Research and Development</u>	<u>Total</u>
Salary and wages expenses	\$ 1,045,777	1,394,049	5,737,513	8,177,339
Rent expense	37	4,795	2,823	7,655
Premium	62,035	77,485	50,590	190,110
Traveling expense	60,605	19,576	189,876	270,057
Transportation expense	204,903	3,406	9,621	217,930
Utilities expense	6,401	11,815	46,102	64,318
Insurance expense	120,184	81,175	373,834	575,193
Depreciation expense	17,023	117,928	222,222	357,173
Amortization	904	33,751	28,592	63,247
Employee benefit	64,758	57,495	360,109	482,362
Pension	35,609	36,192	199,443	271,244
Examination expense	11,453	1	263,316	274,770
Professional service fees	70,562	106,146	33,091	209,799
Miscellaneous purchase	11,478	7,610	80,166	99,254
Office supplies	65,898	956	23,049	89,903
Research and development expense	-	-	378,156	378,156
Rework expense	12,309	55	5,473	17,837
Storage expense	147,700	-	-	147,700
Donation	-	93,298	-	93,298
Export expense	29,889	396	3,295	33,580
Other	118,644	80,246	195,373	394,263
	<u>\$ 2,086,169</u>	<u>2,126,375</u>	<u>8,202,644</u>	<u>12,415,188</u>

**PEGATRON CORPORATION**  
**Statement of Manufacturing Expenses**  
**For the year ended December 31, 2019**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Amount</u>	<u>Note</u>
Salary and wages expenses	\$ 999,225	
Rent expense	293	
Insurance expense	111,953	
Depreciation expense	402,629	
Amortization	113,505	
Employee benefit	138,457	
Pension	43,477	
Professional service fees	72,022	
Miscellaneous purchase	162,703	
Office supplies	45,518	
Import expense	96,498	
Outsource processing expense	93,358	
Processing expense	80,946	
Rework expense	352,968	
Transportation expense	17,999	
Storage expense	125,666	
Other	175,013	
	<u>\$ 3,032,230</u>	