

PEGATRON CORPORATION AND SUBSIDIARIES**Consolidated Financial Statements****With Independent Auditors' Review Report
For the Three Months Ended March 31, 2021 and 2020**

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

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Independent Auditors' Review Report

To the Board of Directors of Pegatron Corporation :

Introduction

We have reviewed the accompanying consolidated balance sheets of Pegatron Corporation and its subsidiaries as of March 31, 2021 and 2020, and the related consolidated statements of comprehensive income and changes in equity and cash flows for the three months ended March 31, 2021 and 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with Statement of Auditing Standards 65, "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As stated in Note 4(c), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect total assets amounting to \$45,848,075 thousand and \$34,578,019 thousand, constituting 8.17% and 5.80% of consolidated total assets as of March 31, 2021 and 2020, respectively, total liabilities amounting to \$13,952,079 thousand and \$11,673,569 thousand, constituting 3.63% and 2.82% of consolidated total liabilities as of March 31, 2021 and 2020, respectively, and total comprehensive gain (loss) amounting to \$601,269 thousand and \$(466,035) thousand, constituting 11.75% and (35.72)% of consolidated total comprehensive income (loss) for the three months ended March 31, 2021 and 2020, respectively.

Furthermore, as stated in Note 6(h), the other equity accounted investments of Pegatron Corporation and its subsidiaries in its investee companies of \$20,128,799 thousand and \$293,243 thousand as of March 31, 2021 and 2020, respectively, and its equity in net earnings (loss) on these investee companies of \$(157,618) thousand and \$49,460 thousand for the three months ended March 31, 2021 and 2020, respectively, were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews and the review reports of other auditors (please refer to Other Matter paragraph), nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Pegatron Corporation and its subsidiaries as of March 31, 2021 and 2020, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2021 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Other Matter

We did not review the financial statements of certain consolidated subsidiaries, with total assets of \$62,578,278 thousand and \$55,442,694 thousand, representing 11.16% and 9.30% of the related consolidated total assets as of March 31, 2021 and 2020, and net sales of \$14,266,510 thousand and \$10,719,137 thousand, representing 6.59% and 3.85% of the related consolidated total net sales for the three months ended March 31, 2021 and 2020, respectively. Those financial statements were reviewed by other auditors whose reports have been furnished to us, and our review, insofar as it relates to the amounts included for certain consolidated subsidiaries, are based solely on the reports of the other auditors.

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

KPMG

Taipei, Taiwan (Republic of China)
May 11, 2021

Notes to Readers

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

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE GENERALLY ACCEPTED AUDITING STANDARDS
AS OF MARCH 31, 2021 AND 2020

PEGATRON CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2021, December 31, 2020, and March 31, 2020

(Expressed in Thousands of New Taiwan Dollars)

	March 31, 2021		December 31, 2020		March 31, 2020		
	Amount	%	Amount	%	Amount	%	
Assets							
Current assets:							
1100	Cash and cash equivalents (Notes 6(a) and 6(i))	\$ 133,360,567	24	125,996,714	19	166,178,884	28
1110	Current financial assets at fair value through profit or loss (Note 6(b))	9,366,951	2	13,945,314	2	6,881,422	1
1170	Notes and accounts receivable, net (Notes 6(d), 6(i), 6(aa), 7 and 8)	110,404,690	20	223,963,691	33	163,958,224	27
1200	Other receivables, net (Notes 6(e), 6(i) and 7)	17,186,290	3	2,015,489	-	1,239,523	-
130X	Inventories (Notes 6(f) and 6(i))	146,563,824	26	165,142,393	24	124,265,252	21
1460	Non-current assets classified as held for sale, net (Note 6(g))	-	-	-	-	121,826	-
1476	Other current financial assets (Notes 6(p) and 8)	31,785,799	5	40,943,545	6	34,449,648	6
1479	Other current assets (Note 6(i) and 6(p))	9,031,650	2	10,123,718	1	6,065,460	1
		<u>457,699,771</u>	<u>82</u>	<u>582,130,864</u>	<u>85</u>	<u>503,160,239</u>	<u>84</u>
Non-current assets:							
1510	Non-current financial assets at fair value through profit or loss (Note 6(b))	688,508	-	611,284	-	544,033	-
1517	Non-current financial assets at fair value through other comprehensive income (Notes 6(c) and 6(i))	949,848	-	1,002,211	-	640,934	-
1550	Investments accounted for using the equity method (Note 6(h))	20,840,712	4	351,450	-	304,372	-
1600	Property, plant and equipment (Notes 6(i), 6(l) and 8)	61,213,365	11	83,385,274	12	78,064,928	14
1755	Right-of-use assets (Notes 6(i) and 6(m))	5,496,316	1	6,581,805	1	6,285,089	1
1760	Investment property, net (Note 6(n))	38,696	-	39,416	-	44,126	-
1780	Intangible assets (Notes 6(i) and 6(o))	198,081	-	386,975	-	1,272,021	-
1840	Deferred tax assets (Note 6(i))	3,463,686	-	3,526,493	1	3,264,758	1
1915	Prepayments on purchase of equipment (Note 6(i))	3,545,770	1	2,506,384	-	1,807,837	-
1980	Other non-current financial assets (Notes 6(i), 6(p) and 8)	6,732,740	1	3,763,709	1	716,687	-
1990	Other non-current assets (Note 6(p))	37,424	-	60,744	-	179,854	-
		<u>103,205,146</u>	<u>18</u>	<u>102,215,745</u>	<u>15</u>	<u>93,124,639</u>	<u>16</u>
Total assets		<u>\$ 560,904,917</u>	<u>100</u>	<u>684,346,609</u>	<u>100</u>	<u>596,284,878</u>	<u>100</u>

See accompanying notes to financial statements.

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AS OF MARCH 31, 2021 AND 2020

PEGATRON CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets (CONT'D)

March 31, 2021, December 31, 2020, and March 31, 2020

(Expressed in Thousands of New Taiwan Dollars)

		March 31, 2021		December 31, 2020		March 31, 2020	
		Amount	%	Amount	%	Amount	%
Liabilities and Equity							
Current liabilities:							
2100	Short-term loans (Notes 6(d), 6(i) and 6(q))	\$ 136,934,900	24	105,242,889	16	127,307,086	21
2130	Current contract liabilities (Note 6(aa))	1,120,343	-	1,053,313	-	1,608,550	-
2150	Notes and accounts payable (Notes 6(i) and 7)	139,442,918	26	256,879,266	38	178,312,217	30
2209	Accrued expenses (Notes 6(i), 6(u) and 7)	18,905,714	4	36,210,492	5	23,807,021	4
2216	Dividends payable	12,877,061	2	-	-	12,334,293	2
2219	Other payables (Notes 6(i) and 7)	3,987,468	1	9,201,062	1	3,610,669	1
2230	Current tax liabilities (Note 6(i))	1,632,053	-	3,097,379	-	2,960,759	1
2281	Current lease liabilities (Note 6(t))	1,208,373	-	1,547,060	-	1,324,571	-
2321	Bonds payable, current portion (Note 6(s))	-	-	1,000,000	-	4,000,000	1
2322	Long-term loans payable, current portion (Note 6(r))	5,948,881	1	5,954,625	1	2,081,496	-
2399	Other current liabilities (Note 6(i))	23,755,218	4	24,126,094	4	22,539,756	4
		<u>345,812,929</u>	<u>62</u>	<u>444,312,180</u>	<u>65</u>	<u>379,886,418</u>	<u>64</u>
Non-Current liabilities:							
2527	Non-current contract liabilities (Notes 6(i) and 6(aa))	154,966	-	301,158	-	432,703	-
2530	Bonds payable (Note 6(s))	27,975,099	5	24,478,182	4	19,481,250	3
2540	Long-term loans (Note 6(r))	7,112,985	1	11,059,833	2	9,456,402	2
2570	Deferred tax liabilities	1,360,246	-	3,126,296	-	2,010,902	-
2581	Non-current lease liabilities (Notes 6(i) and 6(t))	977,704	-	1,044,631	-	1,560,337	-
2670	Other non-current liabilities (Note 6(i))	708,441	-	1,083,807	-	1,014,569	-
		<u>38,289,441</u>	<u>6</u>	<u>41,093,907</u>	<u>6</u>	<u>33,956,163</u>	<u>5</u>
Total liabilities		<u>384,102,370</u>	<u>68</u>	<u>485,406,087</u>	<u>71</u>	<u>413,842,581</u>	<u>69</u>
Equity Attributable to Owners of the Parent Company (Note 6(w)):							
3100	Share capital	26,628,737	5	26,628,737	4	26,107,919	4
Capital surplus:							
3210	Capital surplus, premium on capital stock	77,472,478	14	77,471,560	11	76,646,473	13
3280	Capital surplus, others (Notes 6(k) and 6(x))	5,398,923	1	5,536,787	1	4,616,929	1
		<u>82,871,401</u>	<u>15</u>	<u>83,008,347</u>	<u>12</u>	<u>81,263,402</u>	<u>14</u>
Retained earnings:							
3310	Legal reserve	13,706,083	2	13,706,083	2	11,774,310	2
3320	Special reserve	11,286,050	2	11,286,050	2	7,868,877	1
3350	Unappropriated retained earnings	37,344,007	7	44,978,224	6	31,952,594	6
		<u>62,336,140</u>	<u>11</u>	<u>69,970,357</u>	<u>10</u>	<u>51,595,781</u>	<u>9</u>
Other equity interest:							
3410	Exchange differences on translation of foreign financial statements (Note 6(k))	(17,749,774)	(3)	(15,808,892)	(2)	(10,590,377)	(2)
3420	Unrealized losses on financial assets measured at fair value through other comprehensive income	(72,753)	-	(57,309)	-	(519,901)	-
3491	Deferred compensation cost arising from issuance of restricted stock (Note 6(x))	(942,322)	-	(1,146,659)	-	(8,287)	-
		<u>(18,764,849)</u>	<u>(3)</u>	<u>(17,012,860)</u>	<u>(2)</u>	<u>(11,118,565)</u>	<u>(2)</u>
3500	Treasury stock	(860)	-	-	-	(328)	-
Equity attributable to the parent company		<u>153,070,569</u>	<u>28</u>	<u>162,594,581</u>	<u>24</u>	<u>147,848,209</u>	<u>25</u>
36xx	Non-controlling interests (Notes 6(j), 6(k) and 6(w))	<u>23,731,978</u>	<u>4</u>	<u>36,345,941</u>	<u>5</u>	<u>34,594,088</u>	<u>6</u>
Total equity		<u>176,802,547</u>	<u>32</u>	<u>198,940,522</u>	<u>29</u>	<u>182,442,297</u>	<u>31</u>
Total liabilities and equity		<u>\$ 560,904,917</u>	<u>100</u>	<u>684,346,609</u>	<u>100</u>	<u>596,284,878</u>	<u>100</u>

See accompanying notes to financial statements.

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

PEGATRON CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months ended March 31, 2021 and 2020

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

		For the three months ended March 31			
		2021		2020	
		Amount	%	Amount	%
4110	Operating revenue (Notes 6(aa) and 7)	\$ 216,875,549	100	279,086,513	100
4170	Less: Sales returns and allowances	253,922	-	608,065	-
	Operating revenue, net	<u>216,621,627</u>	100	<u>278,478,448</u>	100
5000	Cost of sales (Notes 6(f), 6(t), 6(u), 6(x), 6(y), 6(ab), 7 and 12)	<u>207,384,003</u>	96	<u>272,313,227</u>	98
	Gross profit from operations	<u>9,237,624</u>	4	<u>6,165,221</u>	2
6000	Operating expenses (Notes 6(t), 6(u), 6(x), 6(y), 6(ab) and 12):				
6100	Selling expenses	1,143,869	-	1,010,015	-
6200	General and administrative expenses	2,104,338	1	1,936,507	1
6300	Research and development expenses	3,773,299	2	3,501,010	1
	Total operating expenses	<u>7,021,506</u>	3	<u>6,447,532</u>	2
	Net operating income (loss)	<u>2,216,118</u>	1	<u>(282,311)</u>	-
	Non-operating income and expenses:				
7100	Interest income (Notes 6(ac) and 7)	394,042	-	1,070,811	-
7010	Other income (Note 6(ac))	505,161	-	1,105,845	1
7020	Other gains and losses (Notes 6(i), 6(l), 6(o), 6(ac) and 12)	1,298,483	-	465,014	-
7050	Finance costs (Notes 6(d), 6(s), 6(t) and 6(ac))	(293,666)	-	(678,386)	-
7060	Share of profit of associates and joint ventures accounted for using the equity method (Note 6(h))	(261,809)	-	48,345	-
7590	Miscellaneous disbursements	(10,830)	-	(30,032)	-
	Total non-operating income and expenses	<u>1,631,381</u>	-	<u>1,981,597</u>	1
	Profit before tax	3,847,499	1	1,699,286	1
7950	Less: Tax (benefit) expenses (Note 6(v))	(1,367,430)	(1)	540,207	-
	Profit for the year	<u>5,214,929</u>	2	<u>1,159,079</u>	1
8300	Other comprehensive income:				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8316	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	(9,713)	-	(216,121)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
	Total components of other comprehensive income that will not be reclassified to profit or loss	<u>(9,713)</u>	-	<u>(216,121)</u>	-
8360	Components of other comprehensive income that will be reclassified to profit or loss (Note 6(ad))				
8361	Exchange differences on translation of foreign financial statements	123,253	-	358,038	-
8370	Share of other comprehensive income of associates and joint ventures accounted for using the equity method, components of other comprehensive income that will be reclassified to profit or loss (Note 6(h))	(229,998)	-	(174)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Note 6(v))	(16,924)	-	(3,788)	-
	Total components of other comprehensive income that will be reclassified to profit or loss	<u>(89,821)</u>	-	<u>361,652</u>	-
8300	Other comprehensive income for the period, net of tax	<u>(99,534)</u>	-	<u>145,531</u>	-
8500	Total comprehensive income for the period	<u>\$ 5,115,395</u>	<u>2</u>	<u>\$ 1,304,610</u>	<u>1</u>
	Profit attributable to:				
8610	Owners of the parent company	\$ 4,672,500	2	1,544,839	1
8620	Non-controlling interests	542,429	-	(385,760)	-
		<u>\$ 5,214,929</u>	<u>2</u>	<u>\$ 1,159,079</u>	<u>1</u>
	Comprehensive income attributable to:				
8710	Owners of the parent company	\$ 4,554,090	2	1,720,737	1
8720	Non-controlling interests	561,305	-	(416,127)	-
		<u>\$ 5,115,395</u>	<u>2</u>	<u>\$ 1,304,610</u>	<u>1</u>
	Earnings per share, net of tax (Note 6(z))				
9750	Basic earnings per share	<u>\$ 1.75</u>		<u>\$ 0.59</u>	
9850	Diluted earnings per share	<u>\$ 1.74</u>		<u>\$ 0.58</u>	

See accompanying notes to financial statements.

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

PEGATRON CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the three months ended March 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of the parent company													Total equity
	Share capital	Retained earnings					Total other equity interest					Non-controlling interests		
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Deferred compensation cost arising from issuance of restricted stock	Total other equity interest	Treasury stock		Total equity attributable to owners of the parent company	
Balance at January 1, 2020	\$ 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)	(11,294,337)	(3,000)	157,665,062	35,580,451	193,245,513
Profit for the period	-	-	-	-	1,544,839	1,544,839	-	-	-	-	-	1,544,839	(385,760)	1,159,079
Other comprehensive income for the period	-	-	-	-	-	-	392,019	(216,121)	-	175,898	-	175,898	(30,367)	145,531
Total comprehensive income for the period	-	-	-	-	1,544,839	1,544,839	392,019	(216,121)	-	175,898	-	1,720,737	(416,127)	1,304,610
Appropriation and distribution of retained earnings:														
Cash dividends of ordinary share	-	-	-	-	(11,748,563)	(11,748,563)	-	-	-	-	-	(11,748,563)	-	(11,748,563)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	30	-	-	-	-	-	-	-	-	-	30	(30)	-
Changes in ownership interests in subsidiaries	-	(26)	-	-	-	-	-	-	-	-	-	(26)	26	-
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	126	126	-	(126)	-	(126)	-	-	-	-
Expiration of restricted shares of stock issued to employees	(3,000)	328	-	-	-	-	-	-	-	-	2,672	-	-	-
Compensation cost arising from restricted shares of stock	-	210,969	-	-	-	-	-	-	-	-	-	210,969	-	210,969
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(570,232)	(570,232)
Balance at March 31, 2020	\$ 26,107,919	81,263,402	11,774,310	7,868,877	31,952,594	51,595,781	(10,590,377)	(519,901)	(8,287)	(11,118,565)	(328)	147,848,209	34,594,088	182,442,297
Balance at January 1, 2021	\$ 26,628,737	83,008,347	13,706,083	11,286,050	44,978,224	69,970,357	(15,808,892)	(57,309)	(1,146,659)	(17,012,860)	-	162,594,581	36,345,941	198,940,522
Profit for the period	-	-	-	-	4,672,500	4,672,500	-	-	-	-	-	4,672,500	542,429	5,214,929
Other comprehensive income for the period	-	-	-	-	-	-	(108,697)	(9,713)	-	(118,410)	-	(118,410)	18,876	(99,534)
Total comprehensive income	-	-	-	-	4,672,500	4,672,500	(108,697)	(9,713)	-	(118,410)	-	4,554,090	561,305	5,115,395
Appropriation and distribution of retained earnings:														
Cash dividends of ordinary share	-	-	-	-	(11,982,931)	(11,982,931)	-	-	-	-	-	(11,982,931)	-	(11,982,931)
Changes in equity of associates and joint ventures accounted for using equity method	-	-	-	-	(329,517)	(329,517)	-	-	-	-	-	(329,517)	-	(329,517)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	(159,173)	-	-	-	-	(1,832,185)	-	-	(1,832,185)	-	(1,991,358)	1,991,358	-
Changes in ownership interests in subsidiaries	-	464	-	-	-	-	-	-	-	-	-	464	(464)	-
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	5,731	5,731	-	(5,731)	-	(5,731)	-	-	-	-
Expiration of restricted shares of stock issued to employees	-	860	-	-	-	-	-	-	-	-	(860)	-	-	-
Compensation cost arising from restricted shares of stock	-	20,903	-	-	-	-	-	-	204,337	204,337	-	225,240	-	225,240
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(15,166,162)	(15,166,162)
Balance at March 31, 2021	\$ 26,628,737	82,871,401	13,706,083	11,286,050	37,344,007	62,336,140	(17,749,774)	(72,753)	(942,322)	(18,764,849)	(860)	153,070,569	23,731,978	176,802,547

See accompanying notes to financial statements.

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

PEGATRON CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the three months ended March 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended March 31	
	2021	2020
Cash flows from operating activities:		
Profit before tax	\$ 3,847,499	1,699,286
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	3,746,980	4,571,913
Amortization expense	40,185	62,951
Expected credit loss	50,904	21,543
Net loss on financial assets and liabilities at fair value through profit or loss	3,597,397	178,056
Interest expense	290,405	675,306
Interest income	(394,042)	(1,070,811)
Dividend income	(1,075)	-
Compensation cost arising from employee stock options	227,922	228,315
Amortization of issuance costs on bonds payable	1,417	911
Share of loss (gain) of associates and joint ventures accounted for using the equity method	261,809	(48,345)
Gain on lease remeasurement	(1,286)	(2,698)
Gain on disposal of property, plant and equipment	(428,236)	(5,191)
Property, plant and equipment charged to expenses	24,076	22,254
Gain on disposal of investments	(4,017,226)	-
Reversal of impairment loss on non-financial assets	(240)	(405)
Gain on foreign currency exchange on long-term loans	13,680	54,902
Government grants income	(18,786)	(585)
Total adjustments to reconcile profit	3,393,884	4,688,116
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease (increase) in financial assets at fair value through profit or loss	903,742	(245,716)
Decrease in notes and accounts receivable	65,419,614	42,358,712
(Increase) decrease in other receivables	(15,881,981)	641,417
Decrease (increase) in inventories	9,097,959	(18,201,762)
Decrease (increase) in other financial assets	9,146,827	(30,884,728)
(Increase) decrease in other current assets	(1,822,466)	214,065
Decrease in other non-current assets	23,321	211
Total changes in operating assets	66,887,016	(6,117,801)
Changes in operating liabilities:		
Increase in contract liabilities	97,897	98,835
Decrease in notes and accounts payable	(73,331,401)	(39,789,349)
Increase (decrease) in accrued expenses	17,115,849	(3,032,243)
Increase (decrease) in other payables	7,252,681	(13,649)
(Decrease) Increase in other current liabilities	(323,176)	3,025,802
Increase (decrease) in other non-current liabilities	5,298	(34,323)
Total changes in operating liabilities	(49,182,852)	(39,744,927)
Total changes in operating assets and liabilities	17,704,164	(45,862,728)
Total adjustments	21,098,048	(41,174,612)
Cash inflow (outflow) generated from operations	24,945,547	(39,475,326)
Interest received	299,072	817,978
Dividends received	1,075	-
Interest paid	(324,702)	(526,084)
Income taxes paid	(1,857,004)	(2,271,016)
Net cash flows from (used in) operating activities	23,063,988	(41,454,448)

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

PEGATRON CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows (CONT'D)

For the three months ended March 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended March 31	
	2021	2020
Cash flows used in investing activities:		
Proceeds from disposal of financial assets at fair value through other comprehensive income	19,128	1,386
Acquisition of property, plant and equipment	(8,357,985)	(1,695,448)
Proceeds from disposal of property, plant and equipment	525,475	78,779
Acquisition of intangible assets	(55,039)	(26,919)
Acquisition of right-of-use assets	(14,169)	-
Proceeds from disposal of right-of-use assets	34,296	-
Disposal of subsidiaries	(19,022,382)	-
Increase in other financial assets	(3,125,060)	(235,529)
Increase in other non-current assets	-	(130,000)
Increase in prepayments on purchase of equipment	(1,921,233)	(572,633)
Net cash flows used in investing activities	(31,916,969)	(2,580,364)
Cash flows from (used in) financing activities:		
Increase in short-term loans	32,759,889	62,498,300
Proceeds from issuing bonds	3,495,500	-
Repayments of bonds	(1,000,000)	-
Proceeds from long-term loans	1,692,663	4,219,580
Repayments of long-term loans	(5,643,602)	(1,906,564)
Repayments of lease liabilities	(404,984)	(475,181)
Redemption of restricted stock	(860)	(7,348)
Changes in non-controlling interests	(14,274,755)	(48)
Net cash flows from financing activities	16,623,851	64,328,739
Effect of exchange rate fluctuations on cash held	(407,017)	89,044
Net increase in cash and cash equivalents	7,363,853	20,382,971
Cash and cash equivalents, beginning of the period	125,996,714	145,795,913
Cash and cash equivalents, end of the period	\$ 133,360,567	166,178,884

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

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

March 31, 2021 and 2020

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

(1) Company history

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

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

The consolidated financial statements of the Company as of and for the three months ended March 31, 2021 comprise the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”) and the Group’s interest in associates entities.

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

The accompanying consolidated financial statements were authorized for issue by the Board of Directors on May 11, 2021.

(3) New standards, amendments and interpretations adopted:

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

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2021:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”
- Amendments to IFRS 16 “Covid-19-Related Rent Concessions beyond June 30, 2021”

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

(4) Summary of significant accounting policies:

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

The following significant accounting policies have been applied consistently to all periods presented in the consolidated financial statements.

- (a) Statement of compliance

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Basis of preparation

(i) Basis of measurement

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

- 1) Financial instruments at fair value through profit or loss are measured at fair value ;
- 2) 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 Group entities is determined based on the primary economic environment in which the entities operate. The 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) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized income arising from investment accounted for using the equity method is eliminated against the Company invested in its subsidiaries. The accounting treatment for unrealized loss is the same as unrealized income only when there is no indication of impairment.

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

(ii) Acquisition of non-controlling interests

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

(iii) Subsidiaries

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Business combination under common control

The business combinations under common control often occur as the group activities are recognized in which the direct ownership of subsidiaries changes but the ultimate parent remains the same. These combinations are treated as the later of either the earliest comparative period in financial statements or the date of common control that requires the restatement of comparative information of prior period. Upon consolidation, assets and liabilities of the acquired entity are recognized at their carrying amount in the consolidated financial statements of owners of the Company. The equity of the consolidated entity is accounted for under the non-controlling interest, and related income and loss are directly recognized in profits attributable to non-controlling interest.

(v) Losing control

When the Group loses control of a subsidiary it derecognizes the assets and liabilities and related equity components of the former subsidiary. Any gain or loss is recognized in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost. Subsequently, the retained investment is recognized as either investments accounted for using the equity method or financial instruments at FVOCI depending on the extent of its impact.

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

Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			March 31, 2021	December 31, 2020	March 31, 2020	
THE COMPANY	UNIHAN HOLDING LTD. (UNIHAN HOLDING)	Investing activities	100.00 %	100.00 %	100.00 %	Note 17
UNIHAN HOLDING	CASETEK HOLDINGS LIMITED (CASETEK HOLDINGS)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 17
CASETEK HOLDINGS	SLITEK HOLDINGS LIMITED	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 17
CASETEK HOLDINGS	CASETEK COMPUTER (SUZHOU) CO., LTD.	Manufacturing, developing and selling computers, computer parts, application systems, and providing after-sales service	100.00 %	100.00 %	100.00 %	Note 17
CASETEK HOLDINGS	KAEDAR HOLDINGS LIMITED (KAEDAR HOLDINGS)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 17
KAEDAR HOLDINGS	KAEDAR ELECTRONICS (KUNSHAN) CO., LTD.	Tooling molds of stainless steel computer cases	100.00 %	100.00 %	100.00 %	Note 17
CASETEK HOLDINGS	KAEDAR TRADING LTD.	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 17
CASETEK HOLDINGS	CORE-TEK (SHANGHAI) LIMITED	Researching and producing spare parts for notebook computers, designing nonmetal tooling, electronic specific equipment and related products, repairing and producing precision equipment and providing after-sales service	100.00 %	100.00 %	100.00 %	Note 17

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			March 31, 2021	December 31, 2020	March 31, 2020	
CASETEK HOLDINGS	KAI-CHUAN ELECTRONICS (CHONGQING) CO., LTD.	Manufacturing, developing and inspecting computers and application systems, designing and manufacturing nonmetal and metal tooling, developing plastic and electronic component, selling self-manufactured products	100.00 %	100.00 %	100.00 %	Note 17
THE COMPANY, ASUSPOWER INVESTMENT AND ASUSTEK INVESTMENT	AZUREWAVE TECHNOLOGIES, INC. (AZUREWAVE)	Manufacturing office machinery, electronic parts and computer peripherals and selling precision equipment, and digital cameras	32.86 %	32.86 %	32.86 %	Note 1
AZUREWAVE	EZWAVE TECHNOLOGIES, INC.	Manufacturing office machinery, electronic parts and computer peripherals	100.00 %	100.00 %	100.00 %	Notes 1 and 17
AZUREWAVE	Azurewave Technologies (USA) Inc.	Market development activities	100.00 %	100.00 %	100.00 %	Notes 1 and 17
AZUREWAVE	AZURE LIGHTING TECHNOLOGIES, INC.	Selling electronic parts	100.00 %	100.00 %	100.00 %	Notes 1 and 17
AZUREWAVE	Azwave Holding (Samoa) Inc.(Azwave Samoa)	Investing activities	100.00 %	100.00 %	100.00 %	Note 1
Azwave Samoa	AZUREWAVE TECHNOLOGIES (SHANGHAI) INC.	Designing, manufacturing and trading computer products	100.00 %	100.00 %	100.00 %	Notes 1 and 17
Azwave Samoa	AZURE LIGHTING TECHNOLOGIES, INC. (YANGZHOU)	Manufacturing and selling LED and relevant lighting products	100.00 %	100.00 %	100.00 %	Notes 1 and 17
Azwave Samoa	AIGALE CORPORATION (SHANGHAI)	Designing and selling communication equipment and electronic products	100.00 %	100.00 %	100.00 %	Notes 1 and 17
THE COMPANY	AMA PRECISION INC.(AMA PRECISION)	Designing and developing computer parts	100.00 %	100.00 %	100.00 %	Note 17
AMA PRECISION	AMA Holdings Limited(AMA)	Investing activities	- %	- %	100.00 %	Notes 15 and 17
THE COMPANY	PEGATRON HOLLAND HOLDING B.V.(PHH)	Investing activities	100.00 %	100.00 %	100.00 %	Note 17
PHH	PEGATRON Czech s.r.o.	Installing, repairing and selling electronic products	100.00 %	100.00 %	100.00 %	Note 17
THE COMPANY	PEGATRON HOLDING LTD. (PEGATRON HOLDING)	Investing activities	100.00 %	100.00 %	100.00 %	
PEGATRON HOLDING	POWTEK HOLDINGS LIMITED (POWTEK)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 17
POWTEK	POWTEK (SHANGHAI) LTD.	Selling main boards, computer peripherals, note books, servers and software, and providing after-sales service	100.00 %	100.00 %	100.00 %	Note 17
PEGATRON HOLDING - KINSUS SAMOA	PIOTEK HOLDINGS LTD. (CAYMAN) (PIOTEK CAYMAN)	Investing activities	100.00 %	100.00 %	100.00 %	Note 4
PIOTEK CAYMAN	PIOTEK HOLDING LIMITED (PIOTEK HOLDING)	Investing activities	100.00 %	100.00 %	100.00 %	Note 4
PIOTEK HOLDING	PIOTEK COMPUTER (SUZHOU) CO., LTD.	Developing, manufacturing and selling new electronic components, circuit boards and relevant products, and providing after-sales service	100.00 %	100.00 %	100.00 %	Note 4

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			March 31, 2021	December 31, 2020	March 31, 2020	
PIOTEK HOLDING	PIOTEK(H.K.) TRADING LIMITED	Trading activities	100.00 %	100.00 %	100.00 %	Note 4
PEGATRON HOLDING	GRAND UPRIGHT TECHNOLOGY LIMITED	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 17
PEGATRON HOLDING	ASLINK PRECISION CO., LTD. (ASLINK)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 17
ASLINK	PEGAGLOBE (KUNSHAN) CO.,LTD.	Manufacturing GPS, computer electronic devices, mobile phone, high-end server, disk drive, and other related components	100.00 %	100.00 %	100.00 %	
PEGATRON HOLDING	DIGITEK GLOBAL HOLDINGS LIMITED (DIGITEK)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 17
DIGITEK	DIGITEK (CHONGQING) LTD.	Manufacturing, developing, and selling GPS, electronic calculators, and after sale service	100.00 %	100.00 %	100.00 %	
DIGITEK (CHONGQING) LTD.	CHONGQING ZUANSHUO TRADING CO., LTD.	Computer software and hardware, computer parts, electronic products (excluding electronic publications), electric appliance, industrial communication device (excluding wireless transmitter and transmitter), communication equipment (excluding wireless transmitter and satellite ground receiving facilities), and providing related technical consulting services. Import and export of goods and technology. Packaging service, product design, marketing planning, business consulting	100.00 %	100.00 %	100.00 %	Note 17
PEGATRON HOLDING	MAGNIFICENT BRIGHTNESS LIMITED (MAGNIFICENT)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 17
MAGNIFICENT	MAINTEK COMPUTER (SUZHOU) CO., LTD.	Manufacturing, developing and selling power supply units, computer cases, computer systems, notebooks, main boards, and computer peripherals, and providing after-sales service	100.00 %	100.00 %	100.00 %	
PEGATRON HOLDING	PROTEK GLOBAL HOLDINGS LTD. (PROTEK)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 17
PROTEK	PROTEK (SHANGHAI) LTD.	Developing, manufacturing and selling GPS, new electronic components, circuit boards and relevant products, and providing after-sales service	100.00 %	100.00 %	100.00 %	
PEGATRON HOLDING	COTEK HOLDINGS LIMITED(COTEK)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 17
COTEK	COTEK ELECTRONICS (SUZHOU) CO., LTD.	Developing, manufacturing and selling new electronic components, circuit boards and relevant products, and providing after-sales service	100.00 %	100.00 %	100.00 %	Note 17
PEGATRON HOLDING	TOP QUARK LIMITED(TOP QUARK)	Investing activities	100.00 %	100.00 %	100.00 %	Note 17

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			March 31, 2021	December 31, 2020	March 31, 2020	
TOP QUARK	RUNTOP (SHANGHAI) CO., LTD.	Manufacturing and selling computer parts and peripherals of digital automatic data processors, multimedia computer system accessories, power supply units, network switches, and modems	- %	100.00 %	100.00 %	Notes 16 and 17
THE COMPANY	ASUSPOWER INVESTMENT CO., LTD.	Investing activities	100.00 %	100.00 %	100.00 %	
THE COMPANY	ASUS INVESTMENT CO., LTD.	Investing activities	100.00 %	100.00 %	100.00 %	
THE COMPANY	ASUSTEK INVESTMENT CO., LTD.	Investing activities	100.00 %	100.00 %	100.00 %	
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	ASROCK INCORPORATION (ASROCK)	Data storage and processing equipment, manufacturing wired and wireless communication equipment, and whole selling of computer equipment and electronic components	55.92 %	55.92 %	55.92 %	Note 2
ASROCK	ASIAROCK TECHNOLOGY LIMITED (ASIAROCK)	Investing and holding activities	100.00 %	100.00 %	100.00 %	
ASIAROCK	ASROCK EUROPE B.V.	Selling database service and trading electronic components	100.00 %	100.00 %	100.00 %	
ASIAROCK	Calrock Holdings, LLC.	Office building leasing	100.00 %	100.00 %	100.00 %	Note 17
ASROCK	Leader Insight Holdings Limited (Leader)	Investing and holding activities	100.00 %	100.00 %	100.00 %	Note 17
Leader	First place International Limited (First place)	Investing and holding activities	100.00 %	100.00 %	100.00 %	Note 17
First place	ASRock America, Inc.	Selling database service and trading electronic components	100.00 %	100.00 %	100.00 %	
ASROCK	ASRock Rack Incorporation	Manufacturing and selling computer and related peripherals	62.05 %	62.05 %	62.03 %	Note 5
ASROCK	ASRock Industrial Computer Corporation	Manufacturing and selling computer and related peripherals	66.96 %	66.96 %	67.52 %	Note 6
ASROCK	Soaring Asia Limited	Trading activities	100.00 %	100.00 %	100.00 %	Note 17
ASUSPOWER INVESTMENT AND ASUS INVESTMENT	PEGATRON Mexico, S.A. DE C.V.	Sales and repair service center in Mexico	100.00 %	100.00 %	100.00 %	Note 17
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	KINSUS INTERCONNECT TECHNOLOGY CORP. (KINSUS)	Manufacturing electronic parts, whole selling and retailing electronic components, and providing business management consultant service	38.58 %	38.57 %	38.56 %	Notes 3 and 4
KINSUS	KINSUS INVESTMENT CO., LTD. (KINSUS INVESTMENT)	Investing activities	100.00 %	100.00 %	100.00 %	Note 4
KINSUS INVESTMENT, ASUSPOWER INVESTMENT AND ASUSTEK INVESTMENT	PEGAVISION CORPORATION	Manufacturing medical appliances	45.21 %	45.21 %	45.21 %	Notes 4 and 7

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			March 31, 2021	December 31, 2020	March 31, 2020	
KINSUS INVESTMENT, ASUSTEK INVESTMENT AND ASUS INVESTMENT	FUYANG TECHNOLOGY CORPORATION	Manufacturing and wholesaling wires, cables, and electronic components	89.13 %	89.13 %	89.13 %	Note 17
PEGAVISION CORPORATION	PEGAVISION HOLDINGS CORPORATION (PEGAVISION)	Investing activities	- %	- %	100.00 %	Notes 4, 7 and 14
PEGAVISION CORPORATION	PEGAVISION JAPAN INC.	Selling medical appliances	100.00 %	100.00 %	100.00 %	Notes 4 and 7
PEGAVISION CORPORATION	AQUAMAX CORPORATION	Selling medical appliances	100.00 %	100.00 %	- %	Notes 4, 7 and 10
AQUAMAX CORPORATION	AQUAMAX VISION CORPORATION	Selling medical appliances	100.00 %	100.00 %	- %	Notes 4, 7 and 11
PEGAVISION CORPORATION	PEGAVISION (SHANGHAI) LIMITED	Selling medical appliances	100.00 %	100.00 %	- %	Notes 4, 7 and 13
PEGAVISION CORPORATION	Pegavision (Jiangsu) Limited.	Manufacturing and selling medical appliances	100.00 %	- %	- %	Notes 4, 7 and 12
FUYANG TECHNOLOGY CORPORATION	FUYANG FLEX HOLDING LTD. (FUYANG HOLDING)	Investing activities	100.00 %	100.00 %	100.00 %	Note 17
FUYANG HOLDING	FUYANG ELECTRONICS (SUZHOU) CO., LTD.	Researching, producing, inspecting, repairing and selling flexible multilayer model, computer digital signal process system and card; selling own produced products and providing related technical consulting service	100.00 %	100.00 %	100.00 %	Note 17
PEGAVISION	PEGAVISION (SHANGHAI) LIMITED	Selling medical appliances	- %	- %	100.00 %	Notes 4, 7 and 13
PEGAVISION (SHANGHAI) LIMITED	Gemvision Technology (Zhejiang) Limited.	Selling medical appliances	100.00 %	100.00 %	100.00 %	Notes 4 and 7
KINSUS	KINSUS CORP. (USA)	Developing and designing new technology and products; analyzing marketing strategy and developing new customers	100.00 %	100.00 %	100.00 %	Note 4
KINSUS	KINSUS HOLDING (SAMOA) LIMITED (KINSUS SAMOA)	Investing activities	100.00 %	100.00 %	100.00 %	Note 4
KINSUS SAMOA	KINSUS HOLDING (CAYMAN) LIMITED (KINSUS CAYMAN)	Investing activities	100.00 %	100.00 %	100.00 %	Note 4
KINSUS CAYMAN	KINSUS INTERCONNECT TECHNOLOGY (SUZHOU) CORP.	Manufacturing and selling circuit boards	100.00 %	100.00 %	100.00 %	Note 4
KINSUS CAYMAN	KINSUS TRADING (SUZHOU) CORP.	Manufacturing and selling circuit boards related products and materials	100.00 %	100.00 %	100.00 %	Note 4

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			March 31, 2021	December 31, 2020	March 31, 2020	
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	STARLINK ELECTRONICS CORPORATION	Manufacturing electronic parts and plastic products, and manufacturing and wholesaling electronic components	100.00 %	100.00 %	100.00 %	Note 17
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	ASUSPOWER CORPORATION	Investing and trading activities	100.00 %	100.00 %	100.00 %	
THE COMPANY, ASUSPOWER CORPORATION	CASETEK HOLDINGS LIMITED(CAYMAN) (CASETEK CAYMAN)	Investing activities	100.00 %	60.02 %	59.41 %	Note 8
CASETEK CAYMAN	RIH LI INTERNATIONAL LIMITED (RIH LI)	Investing activities	100.00 %	100.00 %	100.00 %	
RIH LI	RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD. (RI-TENG)	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling	100.00 %	100.00 %	100.00 %	Note 17
RIH LI	RI-PRO PRECISION MODEL (SHANGHAI) CO., LTD. (RI-PRO)	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling	100.00 %	100.00 %	100.00 %	Note 17
RIH LI	RI-MING (SHANGHAI) CO., LTD. (RI-MING)	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling	- %	100.00 %	100.00 %	Note 9
RIH LI	SHENG-RUI ELECTRONIC TECHNOLOGY (SHANGHAI) LIMITED (SHENG-RUI)	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling and surface processing for the aforementioned product.	- %	100.00 %	100.00 %	Note 9
RIH LI	RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD. (RI PEI)	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling	- %	100.00 %	100.00 %	Note 9
RIH LI	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD (RI SHAN)	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling and surface processing for the aforementioned product	- %	100.00 %	100.00 %	Note 9
RIH LI	RI KAI COMPUTER ACCESSORY CO., LTD. (RI KAI)	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling	- %	100.00 %	100.00 %	Notes 9
CASETEK CAYMAN	RI-KUAN METAL CORPORATION (RI-KUAN)	Selling iron and aluminum products	100.00 %	100.00 %	100.00 %	Note 17
RI-KUAN	RITENG USA, INC	Market survey	100.00 %	100.00 %	100.00 %	Note 17
CASETEK CAYMAN	APLUS PRECISION LIMITED(APLUS)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 17
APLUS	UNITED NEW LIMITED(UNITED)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 17

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			March 31, 2021	December 31, 2020	March 31, 2020	
UNITED	KAI HE COMPUTER ACCESSORY (SUZHOU) CO., LTD	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling and surface processing for the aforementioned product	100.00 %	100.00 %	100.00 %	Note 17
CASETEK CAYMAN	MEGA MERIT LIMITED	Trading activities	100.00 %	100.00 %	100.00 %	Note 17
CASETEK CAYMAN	CASETEK SINGAPORE PTE. LTD.	Trading activities	- %	100.00 %	100.00 %	Note 9
ASUS INVESTMENT	AS FLY TRAVEL SERVICE LIMITED	Travel agency	100.00 %	100.00 %	100.00 %	Note 17
ASUSPOWER INVESTMENT	PEGATRON TECHNOLOGY SERVICE INC. (PTSI)	Sales and repair service center in North America	100.00 %	100.00 %	100.00 %	Note 17
PTSI	PEGATRON SERVICOS DE INFORMATICA LTDA.	Maintenance service	100.00 %	100.00 %	100.00 %	Note 17
ASUSPOWER INVESTMENT	PEGA INTERNATIONAL LIMITED	Design service and sales	100.00 %	100.00 %	100.00 %	Note 17
ASUSPOWER INVESTMENT	PEGATRON JAPAN INC.	Sales and repair service center in Japan	100.00 %	100.00 %	100.00 %	Note 17
ASUSPOWER INVESTMENT	PEGATRON LOGISTIC SERVICE INC.	Sales and logistics center in North America	100.00 %	100.00 %	100.00 %	Note 17
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	Lumens Digital Optics Inc. (Lumens Optics)	Developing, manufacturing and selling computer data projectors and related peripherals	55.21 %	55.21 %	55.21 %	Note 17
Lumens Optics	Lumens Integration Inc.	Selling computer communication products and peripherals	100.00 %	100.00 %	100.00 %	Note 17
Lumens Optics	Lumens Digit Image Inc. (SAMOA)(Lumens)	Investing activities	100.00 %	100.00 %	100.00 %	Note 17
Lumens	Lumens (Suzhou) Digital Image Inc.	Manufacturing and selling projectors, projection screens and related products	100.00 %	100.00 %	100.00 %	Note 17
ASUSPOWER INVESTMENT	Pegatron Service Singapore Pte. Ltd.(PSG)	Sales and logistics center in Singapore	100.00 %	100.00 %	100.00 %	Note 17
PSG	PEGATRON SERVICE KOREA LLC.	Sales and repair service center in Korea	100.00 %	100.00 %	100.00 %	Note 17
ASUS INVESTMENT	HUA-YUAN INVESTMENT LIMITED	Investing activities	100.00 %	100.00 %	100.00 %	Note 17
THE COMPANY	PEGATRON SERVICE AUSTRALIA PTY. LTD.	Investing activities	100.00 %	100.00 %	100.00 %	Note 17
THE COMPANY	PEGATRON USA, INC.	Sales and repair service center in North America	100.00 %	100.00 %	100.00 %	Note 17
THE COMPANY, ASUSPOWER INVESTMENT	PT. PEGATRON TECHNOLOGY INDONESIA	Data storage and processing equipment, manufacturing wired and wireless communication equipment, and whole selling of computer equipment and electronic components	100.00 %	100.00 %	100.00 %	Note 17

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
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Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			March 31, 2021	December 31, 2020	March 31, 2020	
THE COMPANY	PEGATRON VIETNAM COMPANY LIMITED	Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts	100.00 %	100.00 %	- %	Notes 10 and 17
THE COMPANY	PEGATRON TECHNOLOGY HAI PHONG COMPANY LIMITED	Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts	100.00 %	100.00 %	- %	Notes 10 and 17
THE COMPANY	PEGASUS ACE LIMITED	Investing activities	- %	100.00 %	- %	Notes 8, 11 and 17
THE COMPANY, ASUSPOWER INVESTMENT	PEGATRON TECHNOLOGY INDIA PRIVATE LIMITED	Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts	100.00 %	100.00 %	- %	Notes 11 and 17

- Note 1 : Since the Group only held 32.86% of voting rights of AZUREWAVE TECHNOLOGY INC. (AZUREWAVE), with the remaining 67.14% shares belonging to different shareholders having no intention of exercising their votes collectively, and also, due to the fact that the Group's participation dominated the previous shareholders' meetings, resulting in the Group having a significant control over AZUREWAVE, therefore, AZUREWAVE has been included in the consolidated financial statement of the Group.
- Note 2 : On April 29, 2020, ASROCK INCORPORATION (ASROCK) reduced its capital by canceling those retired employee restricted shares, resulting in the Group's shareholding ratio in ASROCK to increase from 55.92% to 55.92%.
- Note 3 : On April 27, July 27, and October 26, 2020, and January 29, 2021 respectively, KINSUS INTERCONNECT TECHNOLOGY CORP. (KINSUS) reduced its capital by canceling those retired employee restricted shares, resulting in the Group's shareholding ratio in KINSUS to increase from 38.56% to 38.58%.
- Note 4 : Since the Group only held 38.58% of the voting rights of KINSUS INTERCONNECT TECHNOLOGY CORP. (KINSUS), with the remaining 61.42% shares belonging to different shareholders having no intention of exercising their votes collectively, and also, due to the fact that the Group's participation dominated the previous shareholders' meetings, resulting in the Group having a significant control over KINSUS. Therefore, KINSUS has been included in the consolidated financial statements of the Group.
- Note 5 : On April 15, 2020, ASROCK RACK INCORPORATION purchased 9 thousand shares from non-related parties amounting to \$172, resulting in the Group's shareholding ratio to increase to 62.05%.
- Note 6 : On May 7, 2020, ASRock Industrial Computer Corporation purchased shares from non-related parties resulting in the Group's shareholding ratio to increase from 67.52% to 67.58%. On July 31, 2020, ASRock Industrial Computer Corporation approved to award employee stock option through issuing new shares. However, the Group did not increase its shares proportionally in ASRock Industrial Computer Corporation, resulting in its shareholding ratio to decrease from 67.58% to 66.28%. On September 30, December 7, and December 21, 2020, respectively, the Group purchased shares from non-related parties, resulting in the Group's shareholding ratio to increase from 66.28% to 66.96%.

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- Note 7 : Since the Group only held 45.21% of rights of PEGAVISION CORPORATION (PEGAVISION), with the remaining 54.79% shares belonging to different shareholders having no intention of exercising their votes collectively, and also, due to the fact that the Group's participation dominated the previous shareholders' meetings, resulting in the Group having a significant control over PEGAVISION, therefore, PEGAVISION has been included in the consolidated financial statements of the Group.
- Note 8 : On August 26, 2020, CASETEK HOLDINGS LIMITED (CASETEK) reduced its capital by repurchasing treasury stocks, resulting in the Group's shareholding ratio in CASETEK to increase from 59.41% to 60.02%. Pursuant to a resolution made in the CASETEK's Extraordinary General Meeting on September 30, 2020, CASETEK will complete a triangular merger with Pegatron Corporation and its wholly owned subsidiary, PEGASUS ACE LIMITED. The date of merger was set on January 15, 2021. The Group acquired all non-controlling interests of CASETEK in accordance with the merger agreement. The Group's shareholding ratio in CASETEK increased to 100% since the equity of CASETEK, originally held by ASUSPOWER CORPORATION, was also fully transferred to the ultimate parent company in the process of organizational restructuring, and PEGASUS ACE LIMITED as a dissolved company being merged in the triangular merger.
- Note 9 : To meet the operational needs, the Group had completed a structural change to its subsidiaries in mainland China, adjusting RI KAI COMPUTER ACCESSORY CO., LTD. (RI KAI) to a domestic holding company based in mainland China. Upon the reorganization has been completed, RI SHAN, RI PEI, RI-MING, and SHENG-RUI, will then be directly wholly owned by RI KAI. The reorganization had been approved by Investment Board, Ministry of Economic Affairs on January 15, 2021. Besides that, the Group approved a board resolution on January 29, 2021 to authorize RI KAI to raise its capital on the record date of February 3, 2021, and to authorize RIH LI INTERNATIONAL LIMITED to waive its pre-emptive right toward the capital increase of RI KAI, resulting the Group's shareholding ratio in RI KAI decreased from 100% to 48.17%. An agreement that RI KAI will obtain the physical control over CASETEK SINGAPORE PTE. LTD. had also been made. Since after the capital increase, other shareholders have physical decision power over relevant operating activities of RI KAI and CASETEK SINGAPORE PTE.LTD, the Group had lost control over the subsidiaries after the record date of the capital increase.
- Note 10 : Subsidiary established by the Group in the second quarter of 2020.
- Note 11 : Subsidiary established by the Group in the third quarter of 2020.
- Note 12 : Subsidiary established by the Group in the first quarter of 2021.
- Note 13 : Based on the consideration of the Group's reorganization, the shares of PEGAVISION (SHANGHAI) LIMITED, originally held by Pegavision Holdings Corporation, was transferred to Pegavision Corporation. All related registration procedures had been completed on May 13, 2020.
- Note 14 : Based on the consideration of the Group's reorganization, delisting application of PEGAVISION HOLDINGS CORPORATION had been completed on September 2, 2020.
- Note 15 : The subsidiary has been closed in the second quarter of 2020.
- Note 16 : The subsidiary has been sold to a non-related party, therefore, the Group lost control over the subsidiary.
- Note 17 : It is an insignificant subsidiary that the financial statements for the three months ended March 31, 2021 and 2020, have not been reviewed.

(vii) Subsidiaries excluded from consolidation : None.

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(d) Foreign currency

(i) Foreign currency transaction

Transactions in foreign currencies are translated into the respective functional currencies of the Group entities at 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. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of translation.

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

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

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the Group's functional currency at the exchange rates at the reporting date. The income and expenses of foreign operations, are translated into the Group's functional currency at average 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 Group disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Group disposes of only part of investment in an associate 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 item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, exchange differences arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income.

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(e) 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 Group'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 Group 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.

(f) 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.

(g) Financial assets

Accounts receivable 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 an accounts 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 accounts receivable without a significant financing component is initially measured at the transaction price.

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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 :

- a) it is held within a business model whose objective is to hold assets to collect contractual cash flows ; and
- b) 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.

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 :

- a) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets ; and
- b) 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 Group, therefore, those receivables are measured at FVOCI. However, they are included in the ‘ accounts receivable’ line item.

On initial recognition of an equity investment that is not held for trading, the Group 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.

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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 Group'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. Accounts receivable that the Group intends to sell immediately or in the near term are measured at FVTPL; however, they are included in the 'accounts receivable' line item. On initial recognition, the Group 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.

4) Business model assessment

The Group 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 :

- a) 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 ;
- b) how the performance of the portfolio is evaluated and reported to the Group's management ;
- c) 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 ;
- d) the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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 Group'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 Group 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 Group considers :

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

6) Impairment of financial assets

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

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

- a) debt securities that are determined to have low credit risk at the reporting date ; and
- b) 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.

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PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Loss allowance for accounts receivable 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 Group 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 Group's historical experience and informed credit assessment as well as forward-looking information.

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

The Group 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 Group 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 months 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 Group 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 Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group 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 :

- a) significant financial difficulty of the borrower or issuer ;
- b) a breach of contract such as a default or being more than 180 days past due ;
- c) 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 ;
- d) it is probable that the borrower will enter bankruptcy or other financial reorganization ; or
- e) the disappearance of an active market for a security because of financial difficulties.

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PEGATRON CORPORATION AND SUBSIDIARIES
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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 charged to profit or loss and is recognized in other comprehensive income (instead of reducing the carrying amount of the assets).

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group 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 Group 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 Group's procedures for recovery of amount due.

7) Derecognition of financial assets

The Group 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 Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group 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.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Group 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).

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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 Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group 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.

6) Offsetting of financial assets and liabilities

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

7) Financial guarantee contract

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

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.

(h) 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.

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PEGATRON CORPORATION AND SUBSIDIARIES
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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.

(i) Non-current assets held for sale

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

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on a *pro rata* basis, except that no loss is allocated to assets not within the scope of IAS 36 – *Impairment of Assets*. Such assets will continue to be measured in accordance with the Group's accounting policies.

Impairment losses on assets initially classified as held for sale and any subsequent gains or losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of the cumulative impairment loss that has been recognized.

Once classified as held for sale are to be depreciated or amortized, they are no longer depreciated or amortized.

(j) Investment in associates

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

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

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

Gains and losses resulting from the transactions between the Group and an associate are recognized only to the extent of unrelated. Group's interests in the associate.

When the Group's share of losses of an associate equals or exceeds its interest in associates, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
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(k) Investment property

Investment property is a property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at cost less accumulated depreciation and accumulated impairment loss.

Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

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

Buildings	20 years
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When the use of an investment property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

(l) 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 accumulated impairment losses.

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 Group.

(iii) Depreciation

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

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

The estimated useful lives of property, plant and equipment are as follows :

Buildings	3-50 years
Machinery	1-10 years
Instrument equipment	0-5 years
Office and other equipment	1-10 years
Miscellaneous equipment	0-25 years

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

(iv) Reclassification to investment property

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

(m) Leased

(i) Identifying a lease

At the inception of a contract, the Group 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 Group assesses whether:

- 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 Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of the use; and
- 3) The Group has the right to direct the use of the asset if either :
 - The Group has the right to direct the use of the asset when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.
 - In rare cases where the decision about how and for what purpose the asset is used is predetermined.
 - the Group has the right to operate the asset and the providers do not have the right to vary; or
 - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) As a lessee

The Group 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 Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

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

- 1) fixed payments, including in-substance fixed payments;
- 2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- 3) amounts expected to be payable under a residual value guarantee; and
- 4) payments or penalties 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:

- 1) there is a change in future lease payments arising from the change in an index or rate; or
- 2) there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- 3) there is a change in the Group's estimate of purchase options; or
- 4) there is a change of its assessment on whether it will exercise an extension or termination option; or
- 5) there is any lease modifications in lease subject, scope of the lease or other terms.

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.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

As a practical expedient, the Group elects not to assess all rent concessions that meets all the conditions as follows are lease modifications or not:

- 1) the rent concessions occurring as a direct consequence of the COVID-19 pandemic;
- 2) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- 3) any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- 4) there is no substantive change to other terms and conditions of the lease.

In accordance with the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

(iii) As a lessor

When the Group 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 Group 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 Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group 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 Group 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 Group applies IFRS15 to allocate the consideration in the contract.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(n) Intangible assets

(i) Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets that are acquired by the Group 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 expenditures, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

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

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 life of intangible assets is as follows :

Computer software cost 1-5 years

Intangible assets in development 3-10 years

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

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(o) Impairment – non-financial assets

At each reporting date, the Group 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.

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.

(p) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group 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 Group's main types of revenue are explained below.

(i) Sale of goods

The Group 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 Group has objective evidence that all criteria for acceptance have been satisfied.

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group grants its main customers the right to return the product within certain period. Therefore, the Group 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 Group 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 Group has a right to an amount of consideration that is unconditional.

(ii) Rendering of services

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

(iii) Financial components

The Group 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 Group does not adjust any of the transaction prices for the time value of money.

(q) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

(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 Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(r) 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.

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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 that the employees become unconditionally entitled to payment. The liability is re-measured at each reporting date and at settlement date based on the fair value of the share appreciation rights. Any change in the liability is 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.

(s) Income taxes

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

Income tax expense for the period is best estimated by multiplying pretax income for the interim reporting period with the effective annual tax rate as forecasted by management. It is recognized fully as tax expense for the current period.

For a change in tax rate that is substantively enacted in an interim period, the effect of the change should immediately be recognized in the interim period in which the change occurs.

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

(t) Business combination

The Group 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 Group 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.

For each business combination, 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 Group 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 Group 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 Group 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.

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

All acquisition-related transaction costs are expensed as 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 Group's financial statements. During the measurement period, the provisional amounts recognized are retrospectively adjusted at the acquisition date, or additional assets or liabilities are recognized to reflect new information obtained about facts and circumstances that existed as of the acquisition date. The measurement period will not exceed one year from the acquisition date.

Business combinations under common control are accounted in the later date of the earliest period financial reports are expressed and the establishment date of common control. Assets and liabilities of the merged entities are recognized at their carrying amount in the non-consolidated financial statements.

(u) Government grants and government assistance

The Group recognizes an unconditional government grant related to a biological asset in profit or loss as other income when the grant becomes receivable. Other government grants related to assets are initially recognized as deferred income at fair value if there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant; they are then recognized in profit or loss as other income on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

Government assistance in the form of a guarantee from the government for loans from financial institutions is considered part of the unit of account in determining the fair value of the loan.

The Group is using market interest rate to calculate the fair value of the loan, and recognizes the difference between the amount received and the fair value as deferred revenues. The deferred revenues will then be amortized as other income on a systematic basis.

(v) Earnings per share

Disclosures are made of basic and diluted earnings per share attributable to ordinary equity holders of the Group. The basic earnings per share is calculated based on the profit attributable to the ordinary shareholders of the Group 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 Group, 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.

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(w) Operating segments

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

The operating results to report to the chief operating decision maker include items that can be directly attributable to the operating segment and be allocated on a reasonable basis. Unallocated items are majorly corporate assets (mainly the headquarter of the Group), corporate expenses, and tax assets and liabilities. The capital expenditure of the segments is referring the total costs of acquiring property, plant, and equipment, and intangible assets other than goodwill within the reporting period.

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

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

The preparation of the consolidated financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2020. For the related information, please refer to Note 5 of the consolidated financial statements for the year ended December 31, 2020.

(6) Explanation of significant accounts:

Except for the following disclosures, there is no significant difference as compared with those disclosed in the consolidated financial statements for the year ended December 31, 2020. Please refer to Note 6 of the consolidated financial statements for the year ended December 31, 2020.

(a) Cash and cash equivalents

	March 31, 2021	December 31, 2020	March 31, 2020
Cash on hand	\$ 9,170	11,630	14,201
Cash in banks	72,178,845	69,014,570	35,274,231
Time deposits	60,912,986	53,578,392	130,889,845
Cash equivalents	<u>259,566</u>	<u>3,392,122</u>	<u>607</u>
	<u>\$ 133,360,567</u>	<u>125,996,714</u>	<u>166,178,884</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(p) and 8 for details.

(ii) Please refer to Note 6(ae) for the fair value sensitivity analysis and interest rate risk of the financial assets and liabilities of the Group.

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	<u>March 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>March 31,</u> <u>2020</u>
Current mandatorily measured at fair value through profit or loss :			
Non-derivative financial assets			
Shares of stock of listed companies	\$ 1,623,446	1,635,802	899,075
Shares of stock of unlisted companies	7,704	7,704	14,653
Beneficiary certificates	1,908,492	2,770,944	2,388,272
Shares of stock of overseas listed companies	5,743,816	9,437,126	3,579,422
Convertible bonds	83,493	93,738	-
Non-current mandatorily measured at fair value through profit or loss :			
Non-derivative financial assets			
Shares of stock of listed companies	217,700	218,750	212,800
Beneficiary certificates	407,139	328,865	259,723
Shares of stock of overseas unlisted companies	<u>63,669</u>	<u>63,669</u>	<u>71,510</u>
Total	<u>\$ 10,055,459</u>	<u>14,556,598</u>	<u>7,425,455</u>

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

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

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

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

	<u>March 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>March 31,</u> <u>2020</u>
Equity instruments at fair value through other comprehensive income :			
Shares of stock of listed companies	\$ 547,722	533,196	368,900
Shares of stock of unlisted companies	149,203	149,143	150,439
Shares of stock of overseas listed companies	206,699	250,064	-
Shares of stock of overseas unlisted companies	<u>46,224</u>	<u>69,808</u>	<u>121,595</u>
Total	<u>\$ 949,848</u>	<u>1,002,211</u>	<u>640,934</u>

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

The Group holds these equity instruments, which are not held for trading, and are for long-term strategic purposes, at designated fair value through other comprehensive income.

For the three months ended March 31, 2021 and 2020, respectively, the Group has no recognized any dividend from equity instruments designated at fair value through other comprehensive income.

For the three months ended March 31, 2021 and 2020, the Group had sold its shares as a result of investment strategic. The shares sold had fair values of \$19,128 and \$1,386, respectively, and the Group realized cumulative gains of \$5,731 and \$126, respectively, which were included in other comprehensive income. The cumulative gains were converted to retained earnings.

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

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

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

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

	<u>March 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>March 31,</u> <u>2020</u>
Notes receivables from operating activities	\$ 15,723	6,612	9,095
Accounts receivable-measured at amortized cost	110,604,739	224,136,586	165,647,463
Less : Allowance for impairment	<u>215,772</u>	<u>179,507</u>	<u>1,698,334</u>
	<u><u>\$ 110,404,690</u></u>	<u><u>223,963,691</u></u>	<u><u>163,958,224</u></u>

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

(ii) Credit loss

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

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The loss allowance provision was determined as follows :

	March 31, 2021		
	Gross carrying amount	Expected loss rate	Loss allowance provision
Current	\$ 108,586,618	0%~1%	(53,365)
Overdue 0 to 30 days	1,652,986	1%~30%	(27,647)
Overdue 31 to 120 days	191,537	0%~100%	(23,990)
Overdue 121 to 365 days	137,252	4%~100%	(58,701)
Over 365 days past due	<u>52,069</u>	100%	<u>(52,069)</u>
	<u>\$ 110,620,462</u>		<u>(215,772)</u>
	December 31, 2020		
	Gross carrying amount	Expected loss rate	Loss allowance provision
Current	\$ 222,246,416	0%~1%	(44,106)
Overdue 0 to 30 days	1,430,474	1%~30%	(26,774)
Overdue 31 to 120 days	381,118	0%~100%	(32,382)
Overdue 121 to 365 days	22,460	50%~100%	(13,515)
Over 365 days past due	<u>62,730</u>	100%	<u>(62,730)</u>
	<u>\$ 224,143,198</u>		<u>(179,507)</u>
	March 31, 2020		
	Gross carrying amount	Expected loss rate	Loss allowance provision
Current	\$ 161,638,527	0%~2%	(31,056)
Overdue 0 to 30 days	2,221,993	1%~30%	(63,509)
Overdue 31 to 120 days	203,197	2%~100%	(16,280)
Overdue 121 to 365 days	27,462	38%~100%	(22,110)
Over 365 days past due	<u>1,565,379</u>	100%	<u>(1,565,379)</u>
	<u>\$ 165,656,558</u>		<u>(1,698,334)</u>

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	For the three months ended March 31	
	2021	2020
Balance on January 1	\$ 179,507	1,676,398
Impairment losses recognized	45,671	23,358
Impairment loss reversed	(137)	(1,889)
Foreign exchange (losses) gains	(4,006)	467
Effect of disposals of subsidiaries	(5,263)	-
Balance on March 31	<u>\$ 215,772</u>	<u>1,698,334</u>

The aforesaid financial assets were not pledged as collateral.

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

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

As of March 31, 2021, December 31, 2020 and March 31, 2020, the relevant information on accounts receivable factored by the Company, but unsettled, was as follows :

March 31, 2021							
Purchaser	Amount Derecognized	Factoring Line (thousands)	Amount Advanced (thousands)		Collateral	Range of Interest Rate	Significant Factoring Terms
			Unpaid	Paid			
ANZ (Notes 1 and 3)	\$ -	USD 760,000	USD 760,000	USD -	None	-	The accounts receivable factoring is without recourse but the seller still bears the risks except for eligible obligor's insolvency.

December 31, 2020							
Purchaser	Amount Derecognized	Factoring Line (thousands)	Amount Advanced (thousands)		Collateral	Range of Interest Rate	Significant Factoring Terms
			Unpaid	Paid			
ANZ (Notes 1 and 3)	\$ -	USD 760,000	USD 760,000	USD -	None	0.52%~ 0.58%	The accounts receivable factoring is without recourse but the seller still bears the risks except for eligible obligor's insolvency.

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March 31, 2020

Purchaser	Amount Derecognized	Factoring Line (thousands)	Amount Advanced (thousands)		Collateral	Range of Interest Rate	Significant Factoring Terms
			Unpaid	Paid			
ANZ (Notes 1 and 2)	\$ -	USD 830,000	USD 830,000	USD -	None	-	The accounts receivable factoring is without recourse but the seller still bears the risks except for eligible obligor's insolvency.

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

Note 2 : Mizuho Bank had withdrawn from the joint accounts receivable factoring agreement in February, 2020, resulting in the factoring line decreased to USD\$830,000.

Note 3: Bank of Communications had withdrawn from the joint accounts receivable factoring agreement in November, 2020, resulting in the factoring line decreased to USD\$760,000.

For the three months ended March 31, 2021 and 2020, the Company recognized a fee and interest on bank advance payment of \$0 and \$58, respectively, from the factoring of accounts receivable, which was accounted under finance costs in the statement of comprehensive income. For more details, please refer to Note 6(ac).

As of March 31, 2021, December 31, 2020 and March 31, 2020, KINSUS INTERCONNECT TECHNOLOGY CORP. sold its accounts receivable without recourse as follows :

March 31, 2021

Purchaser	Amount Derecognized	Factoring Line (thousands)	Amount Advanced (thousands)		Collateral	Range of Interest Rate	Significant Factoring Terms
			Unpaid	Paid			
Mega International Commercial Bank	\$ 465,125	USD 30,000	USD 13,741	USD 16,259	None	0.38%~ 0.49%	The accounts receivable factoring is without recourse

December 31, 2020

Purchaser	Amount Derecognized	Factoring Line (thousands)	Amount Advanced (thousands)		Collateral	Range of Interest Rate	Significant Factoring Terms
			Unpaid	Paid			
Mega International Commercial Bank	\$ 480,175	USD 30,000	USD 13,170	USD 16,830	None	0.42%~ 0.51%	The accounts receivable factoring is without recourse

March 31, 2020

Purchaser	Amount Derecognized	Factoring Line (thousands)	Amount Advanced (thousands)		Collateral	Range of Interest Rate	Significant Factoring Terms
			Unpaid	Paid			
Mega International Commercial Bank	\$ 307,749	USD 30,000	USD 21,000	USD 9,000	None	1.86%~ 2.41%	The accounts receivable factoring is without recourse

As of March 31, 2021, December 31, 2020 and March 31, 2020, KINSUS reclassified the derecognized accounts receivable to other receivables.

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For the year ended December 31, 2020, CASETEK CAYMAN and its subsidiaries entered into a factoring agreement with a financial institution to sell its accounts receivable. According to the agreement, CASETEK CAYMAN and its subsidiaries will provide the bank a guarantee for all the accounts receivable that cannot be recovered in a specific period, and they should also retain either all or substantially all of the risks and rewards of those accounts receivable, which did not meet the definition of financial assets. In addition, the accounts receivable of RI KAI to CSG and RI-KUAN METAL CORPORATION were factored to the financial institution, wherein the transactions were eliminated in the consolidated financial statements. At reporting date, the related financial liabilities and the total carrying amount of accounts receivable transferred, which were not derecognized but was eliminated, were as follows :

December 31, 2020					
Purchaser	Amount Transferred	Factored Line	Advanced Amount (listed as short- term loan)	Range of interest rate	Collateral
City bank (CHINA)	\$ 1,077,681 (USD37,818 thousand)	1,139,860 (USD40,000 thousand)	1,071,468 (USD37,600 thousand)	0.74%	Accounts receivable

(e) Other receivables

	March 31, 2021	December 31, 2020	March 31, 2020
Other receivables	\$ 1,044,712	2,034,360	1,256,491
Other receivables-Related parties	16,157,869	-	-
Less : Allowance for impairment	16,291	18,871	16,968
	\$ 17,186,290	2,015,489	1,239,523

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

(f) Inventories

	March 31, 2021	December 31, 2020	March 31, 2020
Merchandise	\$ 1,806,366	2,186,008	1,428,394
Finished goods	56,690,765	85,446,020	46,066,074
Work in process	39,535,037	40,765,271	29,751,781
Raw materials	53,709,834	43,681,070	54,417,905
Subtotal	151,742,002	172,078,369	131,664,154
Less: Allowance for inventory market decline and obsolescence	5,178,178	6,935,976	7,398,902
Total	\$ 146,563,824	165,142,393	124,265,252

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Notes to the Consolidated Financial Statements

The components of cost of goods sold were as follows :

	<u>For the three months ended March 31</u>	
	<u>2021</u>	<u>2020</u>
Cost of goods sold	\$ 205,296,815	268,304,791
Provision on (reversal of) inventory market price decline	(1,757,798)	876,279
Loss on disposal of inventory	3,104,754	2,128,745
Unallocated manufacturing overhead	724,337	1,001,856
Loss on physical inventory	<u>15,895</u>	<u>1,556</u>
	<u>\$ 207,384,003</u>	<u>272,313,227</u>

For the three months ended March 31, 2021, the Group recognized a gain from the reversal of allowance for inventory valuation loss due to the destocking of inventories. Such gain was deducted from cost of goods sold. For the three months ended March 31, 2020, the Group recognized an inventory valuation loss, accounted for as cost of goods sold, due to the decreasing value from the carrying amount to the net realized value.

As of March 31, 2021, December 31, 2020 and March 31, 2020, the aforesaid inventories were not pledged as collateral.

(g) Non-current assets held for sale

In June 2020, the land use rights and plants of CASETEK CAYMAN and its subsidiaries did not meet the definition of non-current assets held-for-sale due to the change on disposal plan. The land use rights and plants were reclassified to right-of-use assets and property, plant and equipment. Please refer to Notes 6(l) and (m) for details.

(h) Investments accounted for using the equity method

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

	<u>March 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>March 31,</u> <u>2020</u>
Associates	<u>\$ 20,840,712</u>	<u>351,450</u>	<u>304,372</u>

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

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

<u>Name of Associates</u>	<u>Nature of</u> <u>Relationship with the Group</u>	<u>Main operating location/</u> <u>Registered Country of the</u> <u>Company</u>	<u>Proportion of</u> <u>shareholding and</u> <u>voting rights</u> <u>March 31, 2021</u>
RI KAI COMPUTER ACCESSORY CO., LTD.(RI KAI)	Designing, developing, manufacturing and selling electronic components, precision, non-metal and metal tooling	China	48.17 %

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

RI KAI

	March 31, 2021
Current assets	\$ 52,164,525
Non-current assets	26,877,592
Current liabilities	(20,338,865)
Non-current liabilities	<u>(16,321,722)</u>
Net assets attributable to shareholders	<u>\$ 42,381,530</u>
	For the two months ended March 31, 2021
Operating revenue	<u>\$ 10,396,691</u>
Loss from continuing operations	\$ (460,802)
Other comprehensive income	<u>-</u>
Comprehensive income attributable to shareholders	<u>\$ (460,802)</u>
Shares of net assets of the associate as of January 1, 2021	\$ -
Addition	21,202,915
Net loss attributable to the Group	(222,280)
Comprehensive income attributable to the Group	(230,020)
Change in the ownership interest attributable to the Group	<u>(329,517)</u>
Shares of net assets of associates	20,421,098
Goodwill	<u>106,272</u>
Carrying amount of the associate's equity as of March 31, 2021	<u>\$ 20,527,370</u>

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

	March 31, 2021	December 31, 2020	March 31, 2020
Carrying amount of individually insignificant associates' equity	<u>\$ 313,342</u>	<u>351,450</u>	<u>304,372</u>

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	For the three months ended March 31	
	2021	2020
Attributable to the Group:		
(Loss) Profit from continuing operations	\$ (39,529)	48,345
Other comprehensive income (loss)	22	(174)
Comprehensive income	\$ (39,507)	48,171

- (i) As of March 31, 2021, December 31, 2020 and March 31, 2020, the aforesaid investments accounted for using the equity method were not pledged as collateral.
- (ii) The unreviewed financial statements of investments accounted for using the equity method.

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

(i) Loss of control over a subsidiary

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

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

Cash and cash equivalents	\$ 18,840,790
Inventories	7,614,309
Accounts receivable and other receivables	21,803,507
Other current assets	3,025,160
Financial assets at fair value through other comprehensive income	23,701
Property, plant, and equipment	24,109,302
Right-of-use assets	834,389
Intangible assets	203,881
Deferred tax assets	828,936
Prepayments on purchase of equipment	378,360
Other financial assets	155,204
Short-term loans	(1,067,878)
Accounts payable and other payables	(24,117,848)
Accrued expenses	(34,396,433)

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PEGATRON CORPORATION AND SUBSIDIARIES
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Current tax liabilities	(285,597)
Lease liabilities	(200,415)
Other current liabilities	(355,941)
Contract liabilities	(41,997)
Other non-current liabilities	(109,342)
Carrying amount of net assets	\$ <u><u>17,242,088</u></u>

(j) Subsidiaries that have material non-controlling interest

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

<u>Subsidiaries</u>	<u>Main operation place/Country of registration</u>	<u>Equity ownership of non-controlling interest</u>		
		<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
KINSUS and its subsidiaries	Taiwan	61.42 %	61.43 %	61.44 %
ASROCK and its subsidiaries	Taiwan	44.08 %	44.08 %	44.08 %
CASETEK CAYMAN	Taiwan/Cayman	-	39.98 %	40.59 %

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

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

(i) Information regarding KINSUS and its subsidiaries

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Current assets	\$ 20,633,507	21,663,991	19,337,816
Non-current assets	23,327,359	21,119,961	21,597,272
Current liabilities	(10,895,859)	(10,730,750)	(10,469,016)
Non-current liabilities	(4,209,433)	(2,863,643)	(2,118,403)
Net assets	<u>\$ 28,855,574</u>	<u>29,189,559</u>	<u>28,347,669</u>
Non-controlling interest	<u>\$ 18,102,492</u>	<u>18,296,937</u>	<u>17,683,555</u>

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	For the three months ended March 31	
	2021	2020
Operating revenue	\$ <u>7,225,986</u>	<u>5,892,333</u>
Net income for the period	\$ 372,608	78,935
Other comprehensive loss	(14,180)	(1,417)
Comprehensive income	\$ <u>358,428</u>	<u>77,518</u>
Net income attribute to non-controlling interest	\$ <u>281,602</u>	<u>96,602</u>
Comprehensive income attribute to non-controlling interest	\$ <u>272,290</u>	<u>93,338</u>
Cash flows from operating activities	\$ 1,336,831	988,175
Cash flows used in investing activities	(2,992,847)	(943,132)
Cash flows from (used in) financing activities	1,179,377	(455,134)
Effect of movement in exchange rate	(8,983)	(6,366)
Net decrease in cash and cash equivalents	\$ <u>(485,622)</u>	<u>(416,457)</u>

(ii) Information regarding ASROCK and its subsidiaries

	March 31, 2021	December 31, 2020	March 31, 2020
Current assets	\$ 11,866,275	11,109,489	10,055,748
Non-current assets	609,111	606,322	539,996
Current liabilities	(5,541,864)	(4,325,667)	(4,326,064)
Non-current liabilities	(73,759)	(81,708)	(55,036)
Net assets	\$ <u>6,859,763</u>	<u>7,308,436</u>	<u>6,214,644</u>
Non-controlling interest	\$ <u>3,257,870</u>	<u>3,449,287</u>	<u>2,937,880</u>

	For the three months ended March 31	
	2021	2020
Operating revenue	\$ <u>4,675,963</u>	<u>3,596,289</u>
Net income for the period	\$ 510,874	200,940
Other comprehensive income	5,175	33,220
Comprehensive income	\$ <u>516,049</u>	<u>234,160</u>
Net income attribute to non-controlling interest	\$ <u>231,479</u>	<u>96,322</u>
Comprehensive income attribute to non-controlling interest	\$ <u>233,760</u>	<u>111,368</u>
Cash flows from operating activities	\$ 75,154	185,391
Cash flows used in investing activities	(977,594)	(245,466)
Cash flows used in financing activities	(10,224)	(8,399)
Effect of movement in exchange rate	5,106	31,299
Net decrease in cash and cash equivalents	\$ <u>(907,558)</u>	<u>(37,175)</u>

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(iii) Information regarding CASETEK CAYMAN

	December 31, 2020	March 31, 2020
Current assets	\$ 65,391,986	24,481,616
Non-current assets	27,598,569	24,371,563
Current liabilities	(54,615,386)	(12,191,795)
Non-current liabilities	<u>(7,203,965)</u>	<u>(7,485,775)</u>
Net assets	<u>\$ 31,171,204</u>	<u>29,175,609</u>
Non-controlling interest	<u>\$ 12,259,489</u>	<u>11,807,094</u>
		For the three months ended March 31
		<u>2020</u>
Operating revenue		<u>\$ 5,189,437</u>
Net loss for the period		\$ (1,304,290)
Other comprehensive loss		<u>(120,498)</u>
Comprehensive loss		<u>\$ (1,424,788)</u>
Net loss attribute to non-controlling interest		<u>\$ (529,311)</u>
Comprehensive loss attribute to non-controlling interest		<u>\$ (578,211)</u>
Cash flows from operating activities		\$ 638,098
Cash flows used in investing activities		(858,556)
Cash flows used in financing activities		(60,637)
Effect of movement in exchange rate		<u>43,128</u>
Net decrease in cash and cash equivalents		<u>\$ (237,967)</u>

(k) Acquisition of non-controlling interests

Pursuant to a resolution made in the CASETEK' s Extraordinary General Meeting on September 30, 2020, CASETEK will complete a triangular merger with Pegatron Corporation and its wholly owned subsidiary, PEGASUS ACE LIMITED. The Group acquired all non-controlling interest of CASETEK in accordance with the merger agreement on January 15, 2021, the date of merger. There was no transaction between the Group and non-controlling interest for the three months ended March 31, 2020.

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

	For the three months ended March 31 2021
Carrying amount of non-controlling interest on acquisition	\$ 12,283,355
Consideration paid to non-controlling interests	(14,274,713)
Exchange differences on translation of foreign financial statements	1,832,185
Capital surplus differences between the consideration and the carrying amounts of the subsidiaries acquired	\$ (159,173)

(l) Property, plant and equipment

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

	Land	Buildings	Machinery equipment	Instrument equipment	Other facilities	Construction in progress	Total
Cost or deemed cost:							
Balance on January 1, 2021	\$ 8,518,661	57,985,033	72,165,168	1,310,614	37,998,358	3,736,663	181,714,497
Additions	-	126,429	1,105,947	44,698	546,893	3,017,159	4,841,126
Disposals and obsolescence	-	(248,723)	(817,502)	(48,575)	(252,003)	-	(1,366,803)
Reclassifications	-	1,357,702	346,187	-	410,838	(1,611,613)	503,114
Subsidiary disposed	-	(9,042,327)	(22,876,427)	-	(7,290,696)	(2,705,181)	(41,914,631)
Effect of movement in exchange rate	(1,921)	4,972	67,067	364	37,464	8,861	116,807
Balance on March 31, 2021	\$ 8,516,740	50,183,086	49,990,440	1,307,101	31,450,854	2,445,889	143,894,110
Balance on January 1, 2020	\$ 7,754,662	55,296,414	67,162,106	1,396,155	34,116,157	3,246,801	168,972,295
Additions	-	172,681	176,781	27,673	419,102	683,087	1,479,324
Disposals and obsolescence	-	(36,388)	(291,366)	(59,097)	(287,160)	-	(674,011)
Reclassifications	-	2,402,245	510,910	672	417,434	(2,954,832)	376,429
Effect of movement in exchange rate	(14,769)	35,061	(75,880)	7,013	82,313	16,292	50,030
Balance on March 31, 2020	\$ 7,739,893	57,870,013	67,482,551	1,372,416	34,747,846	991,348	170,204,067
Depreciation and impairment loss :							
Balance on January 1, 2021	\$ -	21,640,958	50,988,697	1,021,535	24,678,033	-	98,329,223
Depreciation for the period	-	713,537	1,379,596	39,039	1,184,528	-	3,316,700
Reversal of impairment loss	-	-	(221)	-	(19)	-	(240)
Disposals and obsolescence	-	(177,313)	(805,636)	(48,485)	(238,487)	-	(1,269,921)
Reclassifications	-	(770)	6,566	-	(14,178)	-	(8,382)
Subsidiary disposed	-	(1,550,480)	(11,784,858)	-	(4,347,813)	-	(17,683,151)
Effect of movement in exchange rate	-	(35,347)	11,172	405	20,286	-	(3,484)
Balance on March 31, 2021	\$ -	20,590,585	39,795,316	1,012,494	21,282,350	-	82,680,745
Balance on January 1, 2020	\$ -	19,467,445	46,288,167	1,118,844	21,849,079	-	88,723,535
Depreciation for the period	-	758,247	1,885,321	35,924	1,403,551	-	4,083,043
Reversal of impairment loss	-	-	(361)	-	(44)	-	(405)
Disposals and obsolescence	-	(36,368)	(255,873)	(58,864)	(249,318)	-	(600,423)
Reclassifications	-	(2,001)	(356)	-	(44,985)	-	(47,342)
Effect of movement in exchange rate	-	(17,103)	(57,675)	6,948	48,561	-	(19,269)
Balance on March 31, 2020	\$ -	20,170,220	47,859,223	1,102,852	23,006,844	-	92,139,139

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Carrying amounts :	<u>Land</u>	<u>Buildings</u>	<u>Machinery equipment</u>	<u>Instrument equipment</u>	<u>Other facilities</u>	<u>Construction in progress</u>	<u>Total</u>
Balance on January 1, 2021	\$ 8,518,661	36,344,075	21,176,471	289,079	13,320,325	3,736,663	83,385,274
Balance on March 31, 2021	\$ 8,516,740	29,592,501	10,195,124	294,607	10,168,504	2,445,889	61,213,365
Balance on January 1, 2020	\$ 7,754,662	35,828,969	20,873,939	277,311	12,267,078	3,246,801	80,248,760
Balance on March 31, 2020	\$ 7,739,893	37,699,793	19,623,328	269,564	11,741,002	991,348	78,064,928

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

	For the three months ended March 31	
	2021	2020
Reversal of impairment loss	\$ (240)	(405)

- (ii) KINSUS INTERCONNECT TECHNOLOGY CORP. and its subsidiaries completed a series of farmland purchases covering a total land area of 36,115.24 square meters in the name of KINSUS' s general manager instead of KINSUS, due to the restriction imposed by the local government.
- (iii) In June 2020, the plants of CASETEK CAYMAN and its subsidiaries did not meet the definition of non-current assets held-for-sale, therefore, they were reclassified to property, plant, and equipment. Please refer to Notes 6(g) for details.
- (iv) Please refer to Note 6(ac) for gain and loss on the disposal of property, plant and equipment.
- (v) Please refer to Note 8 for the details of property, plant and equipment pledged as collateral.
- (m) Right-of-use assets

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

Cost:	<u>Land</u>	<u>Buildings</u>	<u>Machinery equipment</u>	<u>Transportation equipment</u>	<u>Total</u>
Balance on January 1, 2021	\$ 4,938,146	4,861,404	17,793	4,269	9,821,612
Additions	14,169	293,427	-	-	307,596
Reductions	(48,248)	(200,146)	-	(2,490)	(250,884)
Subsidiaries disposed	(753,044)	(365,825)	-	-	(1,118,869)
Effect of changes in foreign exchange rates	4,445	3,844	-	-	8,289
Balance on March 31, 2021	\$ 4,155,468	4,592,704	17,793	1,779	8,767,744

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	<u>Land</u>	<u>Buildings</u>	<u>Machinery equipment</u>	<u>Transportation equipment</u>	<u>Total</u>
Balance on January 1, 2020	\$ 4,186,259	3,837,947	17,793	2,918	8,044,917
Additions	44,726	942,926	-	-	987,652
Reductions	-	(191,675)	-	-	(191,675)
Effect of changes in foreign exchange rates	15,598	20,016	-	4	35,618
Balance on March 31, 2020	<u>\$ 4,246,583</u>	<u>4,609,214</u>	<u>17,793</u>	<u>2,922</u>	<u>8,876,512</u>
Accumulated depreciation:					
Balance on January 1, 2021	\$ 871,140	2,352,457	13,776	2,434	3,239,807
Depreciation for the period	26,940	400,679	1,722	216	429,557
Reductions	(13,952)	(115,983)	-	(1,893)	(131,828)
Subsidiaries disposed	(101,365)	(168,568)	-	-	(269,933)
Effect of changes in foreign exchange rate	444	3,381	-	-	3,825
Balance on March 31, 2021	<u>\$ 783,207</u>	<u>2,471,966</u>	<u>15,498</u>	<u>757</u>	<u>3,271,428</u>
Balance on January 1, 2020	\$ 788,316	1,360,026	6,888	1,085	2,156,315
Depreciation for the period	24,906	461,217	1,722	256	488,101
Reductions	-	(64,653)	-	-	(64,653)
Effect of changes in foreign exchange rates	3,432	8,225	-	3	11,660
Balance on March 31, 2020	<u>\$ 816,654</u>	<u>1,764,815</u>	<u>8,610</u>	<u>1,344</u>	<u>2,591,423</u>
Carrying amounts:					
Balance on January 1, 2021	<u>\$ 4,067,006</u>	<u>2,508,947</u>	<u>4,017</u>	<u>1,835</u>	<u>6,581,805</u>
Balance on March 31, 2021	<u>\$ 3,372,261</u>	<u>2,120,738</u>	<u>2,295</u>	<u>1,022</u>	<u>5,496,316</u>
Balance on March 31, 2020	<u>\$ 3,429,929</u>	<u>2,844,399</u>	<u>9,183</u>	<u>1,578</u>	<u>6,285,089</u>

In June 2020, the land use rights of CASETEK CAYMAN and its subsidiaries did not meet the definition of non-current assets held-for-sale, therefore, they were reclassified to right-of-use assets. Please refer to Notes 6(g) for details.

(n) Investment property

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

	<u>Buildings</u>
Carrying amounts:	
Balance on January 1, 2021	<u>\$ 39,416</u>
Balance on March 31, 2021	<u>\$ 38,696</u>
Balance on January 1, 2020	<u>\$ 44,496</u>
Balance on March 31, 2020	<u>\$ 44,126</u>

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

	<u>For the three months ended March 31</u>	
	<u>2021</u>	<u>2020</u>
Rental income	<u>\$ -</u>	<u>-</u>
Direct operating expenses arising from investment property that generate rental income	<u>\$ 723</u>	<u>769</u>

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PEGATRON CORPORATION AND SUBSIDIARIES
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- (ii) As of March 31, 2021, December 31, 2020 and March 31, 2020, the fair value of investment property of the Group were \$78,236, \$79,461 and \$77,915, respectively. The fair value of investment property was based on the market price evaluation of the buildings located in the area.
- (iii) There were no significant additions, disposal, or recognition and reversal of impairment losses of investment property for the three months ended March 31, 2021 and 2020. Information on depreciation for the period is discussed in Note 12. Please refer to Note 6(l) of the consolidated financial statements for the year ended December 31, 2020 for other related information.
- (iv) As of March 31, 2021, December 31, 2020 and March 31, 2020, the aforesaid investment properties were not pledged as collateral.
- (o) Intangible assets

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

	<u>Goodwill</u>	<u>Others</u>	<u>Total</u>
Costs:			
Balance on January 1, 2021	\$ 1,668,543	1,380,171	3,048,714
Additions	-	55,039	55,039
Disposals	-	(50,607)	(50,607)
Reclassifications	-	(476)	(476)
Subsidiaries disposal	-	(340,638)	(340,638)
Effect of changes in foreign exchange rate	<u>1,257</u>	<u>1,958</u>	<u>3,215</u>
Balance on March 31, 2021	<u>\$ 1,669,800</u>	<u>1,045,447</u>	<u>2,715,247</u>
Balance on January 1, 2020	\$ 1,720,354	1,433,887	3,154,241
Additions	-	26,919	26,919
Disposals	-	(45,923)	(45,923)
Reclassifications	-	1,122	1,122
Effect of changes in foreign exchange rate	<u>9,185</u>	<u>3,189</u>	<u>12,374</u>
Balance on March 31, 2020	<u>\$ 1,729,539</u>	<u>1,419,194</u>	<u>3,148,733</u>
Amortization and impairment loss:			
Balance on January 1, 2021	\$ 1,627,376	1,034,363	2,661,739
Amortization for the period	-	40,185	40,185
Disposals	-	(50,250)	(50,250)
Reclassifications	-	14	14
Subsidiaries disposal	-	(136,757)	(136,757)
Effect of changes in foreign exchange rate	<u>1,207</u>	<u>1,028</u>	<u>2,235</u>
Balance on March 31, 2021	<u>\$ 1,628,583</u>	<u>888,583</u>	<u>2,517,166</u>

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PEGATRON CORPORATION AND SUBSIDIARIES
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	<u>Goodwill</u>	<u>Others</u>	<u>Total</u>
Balance on January 1, 2020	\$ 671,792	1,184,558	1,856,350
Amortization for the period	-	62,951	62,951
Disposals	-	(45,923)	(45,923)
Effect of changes in foreign exchange rate	-	3,334	3,334
Balance on March 31, 2020	<u>\$ 671,792</u>	<u>1,204,920</u>	<u>1,876,712</u>
Carrying amounts:			
Balance on January 1, 2021	<u>\$ 41,167</u>	<u>345,808</u>	<u>386,975</u>
Balance on March 31, 2021	<u>\$ 41,217</u>	<u>156,864</u>	<u>198,081</u>
Balance on January 1, 2020	<u>\$ 1,048,562</u>	<u>249,329</u>	<u>1,297,891</u>
Balance on March 31, 2020	<u>\$ 1,057,747</u>	<u>214,274</u>	<u>1,272,021</u>

(i) Goodwill impairment

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

	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Mechanics	\$ -	1,005,331
Consumer electronic	39,646	41,709
Others	<u>1,521</u>	<u>1,522</u>
	<u>\$ 41,167</u>	<u>1,048,562</u>

For the three months ended March 31, 2021 and 2020, there were no significant addition, disposal, impairment loss, or reversal gain on goodwill. Please refer to Note 6(m) of the consolidated financial statements for the year ended December 31, 2020 for other related information.

(p) Other financial assets and other assets

Other financial assets and other assets were as follows :

	<u>March 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>March 31,</u> <u>2020</u>
Other financial assets - current	\$ 31,785,799	40,943,545	34,449,648
Other financial assets - non-current	6,732,740	3,763,709	716,687
Other current assets	9,031,650	10,123,718	6,065,460
Other non-current assets	<u>37,424</u>	<u>60,744</u>	<u>179,854</u>
	<u>\$ 47,587,613</u>	<u>54,891,716</u>	<u>41,411,649</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.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

(q) Short-term loans

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Unsecured bank loans	\$ 134,652,300	104,171,421	127,307,086
Other unsecured loans	2,282,600	-	-
Accounts receivable factoring	<u>-</u>	<u>1,071,468</u>	<u>-</u>
Total	<u>\$ 136,934,900</u>	<u>105,242,889</u>	<u>127,307,086</u>
Interest rate	<u>0.32%~2.59%</u>	<u>0.30%~4.25%</u>	<u>0.68%~3.20%</u>

(i) For the year ended December 31, 2020, CASETEK CAYMAN and its subsidiaries entered accounts receivable factoring agreements with financial institutions. Please refer to Note 6(d) for more disclosures about the carrying amounts of transferred receivables and related financial liabilities that had not been derecognized but had been eliminated on the reporting date.

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

(r) Long-term loans

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Unsecured bank loans	\$ 13,052,068	17,004,672	11,537,898
Secured bank loans	<u>9,798</u>	<u>9,786</u>	<u>-</u>
	13,061,866	17,014,458	11,537,898
Less: current portion	<u>(5,948,881)</u>	<u>(5,954,625)</u>	<u>(2,081,496)</u>
Total	<u>\$ 7,112,985</u>	<u>11,059,833</u>	<u>9,456,402</u>
Interest rate	<u>0.35%~1.90%</u>	<u>0.35%~3.35%</u>	<u>0.35%~3.15%</u>

(i) Borrowing and repayment

In consideration of the operating situation and the terms of the loan agreement, the Group repaid the long-term loans of \$5,643,602 and \$1,906,564 for the three months ended March 31, 2021 and 2020, respectively. In addition, the Group proceeded from long-term loans of \$1,692,663 and \$4,219,580 for the three months ended March 31, 2021 and 2020, respectively. Please refer to Note 6(ac) for interest expenses.

(ii) Collateral for bank loans

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

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(iii) Government low-interest loan

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

(iv) Loan covenants

On January 3, 2018 and January 30, 2015, CASETEK CAYMAN signed a USD360,000 and USD300,000 worth of credit facility in the form of credit loan with multiple banks, respectively. According to the credit loan facility agreements, during the loan repayment periods, CASETEK CAYMAN must comply with certain financial covenants, such as current ratio, debt ratio, interest coverage ratio and tangible net assets, based on its audited annual consolidated financial statements.

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

As of March 31, 2021, December 31, 2020 and March 31, 2020, CASETEK CAYMAN was in compliance with the above financial covenants. Please refer to Note 6(p) of the consolidated financial statements for the year ended December 31, 2020 for other related information.

(s) Bonds payable

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

	March 31, 2021	December 31, 2020	March 31, 2020
Ordinary corporate bonds issued	\$ 28,000,000	25,500,000	23,500,000
Unamortized discount on bonds payable	(24,901)	(21,818)	(18,750)
Bonds payable, end of the year	27,975,099	25,478,182	23,481,250
Less: current portion	-	(1,000,000)	(4,000,000)
	\$ 27,975,099	24,478,182	19,481,250

	For the three months ended March 31	
	2021	2020
Interest expense	\$ 58,305	55,709

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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>1st 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>2nd 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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<u>Item</u>	<u>2nd 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>1st 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 5-year term and 7-year 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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On March 26, 2020, the Board of Directors approved to issue unsecured ordinary corporate bonds with the total maximum amount of 10 billion, which have been approved and declared effective by the Taipei Exchange (TPEX) on October 12, 2020, the offering information and main rights, were as follows :

<u>Item</u>	<u>1st unsecured ordinary bonds issued in 2020</u>
1.Issuing amount	The Bonds are issued at \$5,000,000.
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	The Bonds has 5-year term. The issuance period of The Bonds commences from October 21, 2020 and matures on October 21, 2025.
5.Coupon rate	The Bonds bears annual coupon rates of 0.65% .
6.Repayment	The Bonds 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>2nd unsecured ordinary bonds issued in 2020</u>
1.Issuing amount	The Bonds are issued at \$3,500,000, which comprise Tranche A, and Tranche. The issuing amounts of Tranche A, and Tranche B are \$2,200,000 and \$1,300,000, 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 5-year term and 7-year term, respectively. The issuance period of Tranche A commences from January 8, 2021 and matures on January 8, 2026. The issuance period of Tranche B commences from January 8, 2021 and matures on January 8, 2028.
5.Coupon rate	Tranche A, and B bear annual coupon rates of 0.43% and 0.58%, respectively.
6.Repayment	Tranche A, and Tranche B are repayable on maturity.
7.Interest payment	Interests are payable annually at coupon rate from the issuance date. The payment of each bond is rounded to the nearest dollar. If the repayment date and interest payment date are bank closing days, principal and interest shall be paid without extra interest on the next business day. If bondholders receive principal and interest past due the repayment date and interest payment date, there will no calculation of extra interest.
8.Guarantee	The Bonds are unsecured ordinary corporate bonds.

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PEGATRON CORPORATION AND SUBSIDIARIES
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(t) Lease liabilities

The Group's lease liabilities were as follows :

	March 31, 2021	December 31, 2020	March 31, 2020
Current	<u>\$ 1,208,373</u>	<u>1,547,060</u>	<u>1,324,571</u>
Non-current	<u>\$ 977,704</u>	<u>1,044,631</u>	<u>1,560,337</u>

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

The amounts recognized in profit or loss were as follows :

	For the three months ended March 31	
	2021	2020
Interest on lease liabilities	<u>\$ 25,417</u>	<u>33,501</u>
Variable lease payments not included in the measurement of lease liabilities	<u>\$ 10,785</u>	<u>3,344</u>
Income from sub-leasing right-of-use assets	<u>\$ 212</u>	<u>307</u>
Expenses relating to short-term leases	<u>\$ 101,045</u>	<u>208,762</u>
Expenses relating to leases of low-value, excluding short-term leases of low-value assets	<u>\$ 7,448</u>	<u>5,946</u>
Covid-19 - related rent concessions	<u>\$ -</u>	<u>407</u>

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

	For the three months ended March 31	
	2021	2020
Total cash outflow for leases	<u>\$ 549,679</u>	<u>726,327</u>

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

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

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(u) Employee benefits

(i) Defined benefit plans

Management believes that there was no material market volatility, no material reimbursement and settlement or other material one-time events. As a result, the pension cost in the accompanying interim consolidated financial statements was measured and disclosed according to the actuarial report as of December 31, 2020 and 2019.

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

	For the three months ended March 31	
	2021	2020
Operating cost	\$ 24	42
Operating expense	1,214	989
	\$ 1,238	1,031

(ii) Defined contribution plans

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

	For the three months ended March 31	
	2021	2020
Operating cost	\$ 749,334	563,376
Operating expense	184,357	153,494
	\$ 933,691	716,870

(iii) As of March 31, 2021, December 31, 2020 and March 31, 2020, the Group had liabilities of short-term accrued vacation pay, amounting to \$332,147, \$328,118 and \$296,205.

(v) Income tax

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

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

	For the three months ended March 31	
	2021	2020
Current income tax (benefit) expense		
Current period incurred	\$ (1,362,919)	484,758
Prior years income tax adjustment	(4,511)	55,449
Income tax (benefit) expense	\$ (1,367,430)	540,207

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

	For the three months ended March 31	
	2021	2020
Items that will be reclassified subsequently to profit or loss :		
Exchange differences on translation of foreign financial statements	\$ <u>(16,924)</u>	<u>(3,788)</u>

(iv) Status of approval of income tax

- 1) The Company's income tax returns through 2017 have been assessed and approved by the Tax Authority.
- 2) The tax returns of the Group's subsidiaries approved by the Tax Authority were as follows :

Years of Approval	Company Name
2017	KINSUS INTERCONNECT TECHNOLOGY CORP. and KINSUS INVESTMENT.
2018	ASROCK INCORPORATION, ASROCK RACK, INC., ASROCK INDUSTRIAL COMPUTER CORPORATION, FUYANG TECHNOLOGY CORPORATION, STARLINK ELECTRONICS CORPORATION, RI KUAN METAL CORPORATION and PEGAVISION.
2019	ASUSPOWER INVESTMENT, ASUS INVESTMENT, ASUSTEK INVESTMENT, PEGA INTERNATIONAL LIMITED, AMA, AS FLY TRAVEL SERVICE LTD, HUA YUAN INVESTMENT LTD, LUMENS OPTICS, AZUREWAVE, AZURE LIGHTING TECHNOLOGIES, INC. and EZWAVE TECHNOLOGIES, INC.

(w) Capital and other equity

Except for the following disclosure, there were no significant change for capital and other equity for the three months ended March 31, 2021 and 2020. For the related information, please refer to Note 6(v) of the consolidated financial statements for the year ended December 31, 2020.

(i) Ordinary shares

For the three months ended March 31, 2021 and 2020, the Company had retired 0 and 300 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 2,662,874, 2,662,874 and 2,610,792 thousand common shares of stock, as of March 31, 2021, December 31, 2020 and March 31, 2020, respectively. All share proceeds from outstanding capital have been collected.

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As of March 31, 2021, December 31, 2020 and March 31, 2020, the restricted Company shares of stock issued to employees have expired, of which 86, 0 and 33 thousand shares, respectively, have not been retired.

(ii) Global depositary receipts

The Company may issue new GDRs with no more than 10% 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 March 31, 2021, December 31, 2020 and March 31, 2020, the Company has listed, in total, 709, 709 and 732 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 3,544, 3,544 and 3,662 thousand shares of stock, respectively.

(iii) Capital surplus

The components of the capital surplus were as follows :

	March 31, 2021	December 31, 2020	March 31, 2020
From issuance of share capital	\$ 66,398,815	66,397,897	65,572,810
From conversion of convertible bonds	11,073,663	11,073,663	11,073,663
From treasury stock transactions	47,865	47,865	23,614
Difference between consideration and carrying amount of subsidiaries acquired or disposed	2,273,401	2,432,574	2,432,417
Changes in ownership interest in subsidiaries	1,441,571	1,441,117	1,215,514
Employee stock options	1,304	1,304	1,304
Restricted stock to employees	1,224,865	1,204,010	534,163
Other	409,917	409,917	409,917
	<u>\$ 82,871,401</u>	<u>83,008,347</u>	<u>81,263,402</u>

(iv) Retained earnings

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

(Continued)

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

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

1) Legal reserve

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

2) Special reserve

In accordance with 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

On March 25, 2021, and June 19, 2020, the Company's board's meeting and shareholder's meeting resolved to appropriate the 2020 and 2019 earnings, respectively. These earnings were appropriated or distributed as follows :

	For the three months ended March 31	
	2020	2019
Common stock dividends per share (dollars)		
— Cash	\$ 4.50	4.50

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PEGATRON CORPORATION AND SUBSIDIARIES
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(v) Other equity (net of tax)

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Deferred compensation arising from issuance of restricted stock	Total
Balance on January 1, 2021	\$ (15,808,892)	(57,309)	(1,146,659)	(17,012,860)
Exchange differences on foreign operation	121,301	-	-	121,301
Exchange differences on associates accounted for using the equity method	(229,998)	-	-	(229,998)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	(1,832,185)	-	-	(1,832,185)
Unrealized gain from financial assets measured at fair value through other comprehensive income	-	(9,713)	-	(9,713)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	(5,731)	-	(5,731)
Deferred compensation cost arising from issuance of restricted stock	-	-	204,337	204,337
Balance on March 31, 2021	<u>\$ (17,749,774)</u>	<u>(72,753)</u>	<u>(942,322)</u>	<u>(18,764,849)</u>
Balance on January 1, 2020	\$ (10,982,396)	(303,654)	(8,287)	(11,294,337)
Exchange differences on foreign operation	392,193	-	-	392,193
Exchange differences on associates accounted for using the equity method	(174)	-	-	(174)
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	(216,121)	-	(216,121)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	(126)	-	(126)
Balance on March 31, 2020	<u>\$ (10,590,377)</u>	<u>(519,901)</u>	<u>(8,287)</u>	<u>(11,118,565)</u>

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

	For the three months ended March 31	
	2021	2020
Balance on January 1	\$ 36,345,941	35,580,451
Income (loss) attributable to non-controlling interests	542,429	(385,760)
Other comprehensive income (loss) attributable to non-controlling interests		
Exchange differences on foreign operation	18,876	(30,367)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	1,991,358	(30)
Changes in ownership interest in subsidiaries	(464)	26
Changes in non-controlling interests	(15,166,162)	(570,232)
Balance on March 31	<u>\$ 23,731,978</u>	<u>34,594,088</u>

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(x) Share-based payment

Except for the following disclosure, there were no significant changes for share-based payment for the three months ended March 31, 2021 and 2020. For the related information, please refer to Note 6(v) of the consolidated financial statements for the year ended December 31, 2020.

(i) Restricted stock to employee

For the three months ended March 31, 2021 and 2020, 86 and 33 thousand shares of the restricted shares of stock issued to employees have expired, which were converted to capital surplus of \$860 and \$328, respectively. As of March 31, 2021, December 31, 2020 and March 31, 2020, the Company has deferred compensation cost arising from issuance of restricted stock of \$942,322, \$1,146,659 and \$8,287, respectively.

(ii) Expenses recognized in profit or loss

The Company incurred expenses of share-based arrangements for the three months ended March 31, 2021 and 2020 as follows :

	For the three months ended March 31	
	2021	2020
Expenses resulting from the issuance of restricted employee stock \$	225,240	210,969

(y) Subsidiary's share-based payments

Except for the following disclosure, there were no significant changes for share-based payment for the three months ended March 31, 2021 and 2020. For the related information, please refer to Note 6(w) of the consolidated financial statements for the year ended December 31, 2020.

(i) Restricted stock to employee of AZUREWAVE

For the year ended December 31, 2020, AZUREWAVE had retired and had cancelled 54 thousand shares of restricted employee stock due to the resignation of its employees. The cancellation had been completed as of March 25, 2020, the record date of capital decrease.

For the three months ended March 31, 2021 and 2020, AZUREWAVE recognized share-based compensation cost of \$0 and \$1,160, respectively.

(ii) Restricted stock to employee of ASROCK

1) ASROCK

On March 31, 2020, ASROCK has the capital surplus-restricted shares of stock and deferred compensation cost amounting to \$98,465 and \$14,313, respectively.

2) ASROCK RACK INCORPORATION

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

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

The aforesaid information of restricted stock to employee was follows :

Vesting period	Restricted stock to employee				Total
	year 1	years 2	years 3	years 4	
Original vested shares (In thousands units)	-	-	745	745	1,490
Estimated employee turnover rate	-	-	36.08 %	43.53 %	
Vested shares after considering employee turnover rate (In thousands units)	-	-	476	421	897
Fair value	-	-	5.53	5.53	
Service costs	\$ 1,474	1,461	1,449	575	4,959

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

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

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

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PEGATRON CORPORATION AND SUBSIDIARIES
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For the three months ended March 31, 2021, the assumptions and pricing model adopted in this share-based payments were as follows :

	For the three months ended March 31 2021
Expected volatility rate	30.95%
Risk-free interest rate	0.2763%
Expected duration of option	1.5 years
Weighted average stock price	NT\$11.72
Pricing model	Binomial options pricing model

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

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

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

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

	Exercise price	Weighted average residual duration
March 31, 2021		
Outstanding option	\$ 22	0.67 year

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) ASROCK INDUSTRIAL COMPUTER CORPORATION

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

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

Grant date	Total shares issued (In thousands of shares)	Exercise price per share
January 15, 2019	1,500	NT\$ 10

For the three months ended March 31, 2020, the assumptions and pricing model adopted in this share-based payments were as follows :

	For the three months ended March 31 2020
Expected volatility rate	31.74%
Risk-free interest rate	0.5741%
Expected duration of option	2.5 years
Weighted average stock price	NT\$8.10
Pricing model	Binomial options pricing model

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

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PEGATRON CORPORATION AND SUBSIDIARIES
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The aforesaid information on the employee stock option was as follows :

	<u>For the three months ended March 31</u>			
	<u>2021</u>		<u>2020</u>	
	<u>Outstanding number of options</u>	<u>Weighted average exercise price</u>	<u>Outstanding number of options</u>	<u>Weighted average exercise price</u>
Outstanding as of January 1 (In thousand units)	750	\$ 10	1,500	\$ 10
Granted during the period	-	-	-	-
Exercised during the period	-	-	-	-
Outstanding as of March 31 (In thousand units)	<u>750</u>	10	<u>1,500</u>	10
Exercisable as of March 31 (In thousand units)	<u>750</u>	-	<u>750</u>	-
Weighted average fair value of the options granted	<u>\$ -</u>		<u>-</u>	

As of March 31, 2021 and 2020, related information about outstanding options on the share-based payments was as follows :

	<u>Exercise price</u>	<u>Weighted average residual duration</u>
March 31, 2021		
Outstanding option	\$ 10	0.29 years
March 31, 2020		
Outstanding option	\$ 10	1.25 years

- 4) ASROCK did not make any cancellations or amendments to share-based payment transactions for the three months ended March 31, 2021.
- 5) The expenses resulting from share-based payment transactions were as follows :

	<u>For the three months ended March 31</u>	
	<u>2021</u>	<u>2020</u>
Expense resulting from equity-settled share-based payment	<u>\$ 417</u>	<u>9,221</u>

(iii) Employee stock option of FUYANG TECHNOLOGY CORPORATION

The expenses resulting from share-based payment transactions for the three months ended March 31, 2021 and 2020, were as follows :

	<u>For the three months ended March 31</u>	
	<u>2021</u>	<u>2020</u>
Expenses resulting from employee stock option	<u>\$ -</u>	<u>344</u>

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Compensated restricted stock to employee of KINSUS

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

Employees with restricted stock awards are entitled to purchase shares at the price of \$10 (dollars) per share, and the vesting conditions were as follows :

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

The restricted obligation before vested was as follows :

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

On August 28, 2018, KINSUS issued 4,841 shares of new employee restricted stock, and incurred 184,530 to capital surplus, of restricted stock of KINSUS. As of March 31, 2021, 544 thousand shares of employee restricted stock have expired, resulting in the capital surplus of KINSUS to increase by \$5,441. Subsequently, the deferred compensation cost of KINSUS arising from the issuance of its employee restricted stock amounted to \$534.

On March 18, 2019, KINSUS issued a total of 599 thousand shares of employee restricted stock, resulting in its capital surplus - restricted employee stock to increase by \$19,396. As of March 31, 2021, 51 thousand shares of employee restricted stock have expired, resulting in the capital surplus of KINSUS to increase by \$512. On March 31, 2021, KINSUS has the deferred compensation cost arising from the issuance of its employee restricted stock amounting to \$64.

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PEGATRON CORPORATION AND SUBSIDIARIES
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- 2) The expense resulting from the share-based payment transactions was as follows :

	For the three months ended March 31	
	2021	2020
Expense resulting from equity-settled share-based payment	\$ 2,265	6,621

- 3) KINSUS did not made any cancellations or amendments to share-based payment transactions for the three months ended March 31, 2021 and 2020.

- (z) Earnings per share

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

	For the three months ended March 31	
	2021	2020
Basic earnings per share		
Profit attributable to ordinary shareholders	\$ 4,672,500	1,544,839
Weighted-average number of ordinary shares	2,662,852	2,611,312
	\$ 1.75	0.59
Diluted earnings per share		
Profit attributable to ordinary shareholders (diluted)	\$ 4,672,500	1,544,839
Weighted-average number of ordinary shares	2,662,852	2,611,312
Effect of potentially dilutive ordinary shares		
Employee stock bonus	25,763	30,541
Weighted-average number of ordinary shares (diluted)	2,688,615	2,641,853
	\$ 1.74	0.58

- (aa) Revenue from contracts with customers

- (i) Disaggregation of revenue

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

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	For the three months ended March 31, 2020		
	DMS	Strategic Investment Group	Total
Primary geographical markets :			
Europe	\$ 110,642,441	1,431,475	112,073,916
U.S.A.	110,847,036	5,029,482	115,876,518
Taiwan	16,386,189	2,476,296	18,862,485
China	6,218,389	6,579,463	12,797,852
Japan	3,584,150	379,425	3,963,575
Other countries	14,088,115	815,987	14,904,102
	\$ 261,766,320	16,712,128	278,478,448

(ii) Contract balances

	March 31, 2021	December 31, 2020	March 31, 2020
Notes receivable	\$ 15,723	6,612	9,095
Accounts receivable	110,604,739	224,136,586	165,647,463
Less: Allowance for impairment	215,772	179,507	1,698,334
Total	\$ 110,404,690	223,963,691	163,958,224
Contract liabilities	\$ 1,275,309	1,354,471	2,041,253

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

The major change in the balance of contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received. There were no other significant changes for the three months ended March 31, 2021 and 2020.

(ab) 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.

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PEGATRON CORPORATION AND SUBSIDIARIES
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For the three months ended March 31, 2021 and 2020, remuneration of employees of \$387,000 and \$135,000, respectively, and remuneration of directors of \$38,000 and \$13,000, 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 three months ended March 31, 2021 and 2020. 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 March 31, 2021 and 2020.

For the years ended December 31, 2020 and 2019, the Company had accrued remuneration of employees of \$1,633,000 and \$1,639,000, respectively, and remuneration of directors of \$162,000 and \$163,000, respectively. There was no difference between the amounts approved in the Board of Directors meeting. For further information, please refer to Market Observation Post System.

(ac) Non-operating income and expenses

(i) Interest income

The components of interest income were as follows:

	For the three months ended March 31	
	2021	2020
Interest income from bank deposits	\$ <u>394,042</u>	<u>1,070,811</u>

(ii) Other income

The components of other income were as follows:

	For the three months ended March 31	
	2021	2020
Subsidy income	\$ 197,263	638,500
Rental income	131,538	216,583
Technical service income	120,631	94,810
Other income	<u>55,729</u>	<u>155,952</u>
	\$ <u>505,161</u>	<u>1,105,845</u>

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PEGATRON CORPORATION AND SUBSIDIARIES
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(iii) Other gains and losses

The components of other gain and losses were as follows:

	For the three months ended March 31	
	2021	2020
Expected credit reversal gain	\$ -	859
Gains on disposal of property, plant and equipment	428,265	6,922
Gains on disposals of investments	4,017,226	-
Foreign exchange gains	448,863	632,186
Gains on lease modifications	1,286	2,698
Reversal of impairment loss on non-financial assets	240	405
Net losses on financial assets measured at fair value through profit or loss	(3,597,397)	(178,056)
	<u>\$ 1,298,483</u>	<u>465,014</u>

(iv) Finance costs

The components of finance costs were as follows:

	For the three months ended March 31	
	2021	2020
Interest expenses	\$ 290,405	675,306
Financial expense-bank fees and factoring fees, etc.	3,261	3,080
	<u>\$ 293,666</u>	<u>678,386</u>

(ad) Reclassification adjustments of components of other comprehensive income

	For the three months ended March 31	
	2021	2020
Cumulative adjustment		
Cumulative foreign exchange difference from current period	\$ 419,298	361,826
Share of other associates accounted for using equity method	(229,998)	(174)
Reclassification to profit or loss on the disposal of subsidiaries	(279,121)	-
Net change in fair value recognized in other comprehensive income	<u>\$ (89,821)</u>	<u>361,652</u>

(ae) Financial instruments

(i) Credit risk

1) Credit risk exposure

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

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Concentration of credit risk

As of March 31, 2021, December 31, 2020 and March 31, 2020, the accounts receivable from the Group's top three customers were amounted to \$67,443,245, \$169,485,057 and \$124,655,179, respectively, representing 61%, 76% and 75% of accounts receivable, respectively, which exposes the Group to credit risk.

3) Accounts receivable of credit risk

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

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

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

The loss allowance provision for the three months ended March 31, 2021 and 2020 was determined as follows :

	Other receivables
Balance on January 1, 2021	\$ 18,871
Impairment loss recognized	5,370
Effect of changes in foreign exchange rate	(6,052)
Effect of disposals of subsidiaries	(1,898)
Balance on March 31, 2021	\$ 16,291
Balance on January 1, 2020	\$ 17,002
Impairment loss recognized	82
Reversal of impairment loss	(8)
Effect of changes in foreign exchange rate	(108)
Balance on March 31, 2020	\$ 16,968

(ii) Liquidity risk

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

	Carrying amount	Contractual cash flows	Within 1 year	1-2 years	More than 2 years
March 31, 2021					
Non-derivative financial liabilities					
Secured bank loans	\$ 9,798	9,798	-	521	9,277
Unsecured bank loans	148,276,573	148,276,573	140,601,181	744,392	6,931,000
Other unsecured loans	2,282,600	2,282,600	2,282,600	-	-
Unsecured ordinary corporate bonds	28,000,000	28,000,000	-	6,500,000	21,500,000
Non-interest bearing liabilities	171,625,002	171,625,002	171,225,693	399,309	-
Lease liabilities	2,186,077	2,186,077	1,208,373	472,617	505,087
	\$ 352,380,050	352,380,050	315,317,847	8,116,839	28,945,364

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	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>More than 2 years</u>
December 31, 2020					
Non-derivative financial liabilities					
Secured bank loans	\$ 9,786	9,786	-	208	9,578
Unsecured bank loans	121,263,893	121,263,893	110,126,046	640,878	10,496,969
Accounts receivable factoring	1,071,468	1,071,468	1,071,468	-	-
Unsecured ordinary corporate bonds	25,500,000	25,500,000	1,000,000	2,000,000	22,500,000
Non-interest bearing liabilities	303,065,891	303,065,891	302,290,820	775,071	-
Lease liabilities	<u>2,591,691</u>	<u>2,591,691</u>	<u>1,547,060</u>	<u>555,101</u>	<u>489,530</u>
	<u>\$ 453,502,729</u>	<u>453,502,729</u>	<u>416,035,394</u>	<u>3,971,258</u>	<u>33,496,077</u>
March 31, 2020					
Non-derivative financial liabilities					
Unsecured bank loans	\$ 138,844,984	138,844,984	129,388,582	686,033	8,770,369
Unsecured ordinary corporate bonds	23,500,000	23,500,000	4,000,000	-	19,500,000
Non-interest bearing liabilities	218,913,061	218,913,061	218,064,200	848,861	-
Lease liabilities	<u>2,884,908</u>	<u>2,884,908</u>	<u>1,324,571</u>	<u>1,134,822</u>	<u>425,515</u>
	<u>\$ 384,142,953</u>	<u>384,142,953</u>	<u>352,777,353</u>	<u>2,669,716</u>	<u>28,695,884</u>

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

(iii) Market risk

1) Currency risk

The Group's significant exposures to foreign currency risk were as follows :

(Unit: Foreign currency / NTD in Thousands)

	<u>March 31, 2021</u>			<u>March 31, 2020</u>		
	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>NTD</u>	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>NTD</u>
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 10,688,573	28.5325	304,971,709	15,345,001	30.243	464,078,865
USD:CNY	1,907,822	6.5713	54,434,967	395,446	7.0851	11,959,486
CNY:USD	3,400,592	0.1522	14,765,327	2,521,846	0.1411	10,764,589
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	11,348,095	28.5325	323,789,521	14,991,455	30.243	453,386,574
USD:CNY	268,090	6.5713	7,649,283	363,227	7.0851	10,985,086
CNY:USD	1,850,818	0.1522	8,036,228	1,904,225	0.1411	8,128,252

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	December 31, 2020		
	Foreign Currency	Exchange Rate	NTD
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 15,542,896	28.4965	442,918,136
USD:CNY	1,413,710	6.5249	40,285,818
CNY:USD	2,900,784	0.1533	12,668,729
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	16,003,254	28.4965	456,036,728
USD:CNY	1,500,657	6.5249	42,763,505
CNY:USD	3,005,781	0.1533	13,127,288

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable and other receivables, loans, accounts and other payables that are denominated in foreign currency. A 1% of appreciation or depreciation of each major foreign currency against the Group's functional currency as of March 31, 2021 and 2020 would have increased or decreased the before-tax net income for the three months ended March 31, 2021 and 2020 by \$355,288 and \$150,107, respectively. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for both periods.

3) Foreign exchange gains or losses on monetary item

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the three months ended March 31, 2021 and 2020, foreign exchange gain (including realized and unrealized portions) amounted to \$448,863 and \$632,186, respectively.

4) Interest rate analysis

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

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

If the interest rate increases / decreases by 1%, the Group's net income will decrease /increase by \$62,497 and \$31,251 for the three months ended March 31, 2021 and 2020, respectively, assuming all other variable factors remain constant. This is mainly due to the Group's variable rate borrowing and cash advances for accounts receivable factoring.

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5) Other market price risk

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

Equity price on reporting date	For the three months ended March 31			
	2021		2020	
	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%	\$ 28,495	229,690	19,228	143,324
Decrease 3%	\$ (28,495)	(229,690)	(19,228)	(143,324)

(iv) Fair value of financial instruments

1) Categories of financial instruments and fair value hierarchy

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

	March 31, 2021				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Financial assets mandatorily measured at fair value through profit or loss	\$ 10,055,459	9,576,947	-	478,512	10,055,459
Financial assets at fair value through other comprehensive income					
Stock of listed companies	\$ 547,722	547,722	-	-	547,722
Stock of unlisted companies	149,203	-	-	149,203	149,203
Stock of overseas listed companies	206,699	206,699	-	-	206,699
Stock of overseas unlisted companies	46,224	-	-	46,224	46,224
Subtotal	\$ 949,848	754,421	-	195,427	949,848
Financial assets at amortized cost					
Cash and cash equivalents	\$ 133,360,567	-	-	-	-
Notes and accounts receivable	110,404,690	-	-	-	-
Other receivables	17,186,290	-	-	-	-
Other financial assets	38,518,539	-	-	-	-
Subtotal	\$ 299,470,086	-	-	-	-

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	March 31, 2021				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial liabilities at amortized cost					
Bank loans	\$ 147,714,166	-	-	-	-
Other loans	2,282,600	-	-	-	-
Non-interest bearing liabilities	171,625,002	-	-	-	-
Lease liabilities	2,186,077	-	-	-	-
Unsecured ordinary corporate bonds	<u>27,975,099</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>\$ 351,782,944</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	December 31, 2020				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Financial assets mandatorily measured at fair value through profit or loss	\$ <u>14,556,598</u>	<u>14,156,360</u>	<u>-</u>	<u>400,238</u>	<u>14,556,598</u>
Financial assets at fair value through other comprehensive income					
Stock of listed companies	\$ 533,196	533,196	-	-	533,196
Stock of unlisted companies	149,143	-	-	149,143	149,143
Stock of overseas listed companies	250,064	250,064	-	-	250,064
Stock of overseas unlisted companies	<u>69,808</u>	<u>-</u>	<u>-</u>	<u>69,808</u>	<u>69,808</u>
Subtotal	<u>\$ 1,002,211</u>	<u>783,260</u>	<u>-</u>	<u>218,951</u>	<u>1,002,211</u>
Financial assets at amortized cost					
Cash and cash equivalents	\$ 125,996,714	-	-	-	-
Notes and accounts receivable	223,963,691	-	-	-	-
Other receivables	2,015,489	-	-	-	-
Other financial assets	<u>44,707,254</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>\$ 396,683,148</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities at amortized cost					
Bank loans	\$ 122,257,347	-	-	-	-
Non-interest bearing liabilities	303,065,891	-	-	-	-
Lease liabilities	2,591,691	-	-	-	-
Unsecured ordinary corporate bonds	<u>25,478,182</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>\$ 453,393,111</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	March 31, 2020				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Financial assets mandatorily measured at fair value through profit or loss	\$ <u>7,425,455</u>	<u>6,693,649</u>	<u>385,920</u>	<u>345,886</u>	<u>7,425,455</u>

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	March 31, 2020				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income					
Stock of listed companies	\$ 368,900	368,900	-	-	368,900
Stock of unlisted companies	150,439	-	-	150,439	150,439
Stock of overseas unlisted companies	<u>121,595</u>	<u>-</u>	<u>-</u>	<u>121,595</u>	<u>121,595</u>
Subtotal	<u>\$ 640,934</u>	<u>368,900</u>	<u>-</u>	<u>272,034</u>	<u>640,934</u>
Financial assets at amortized cost					
Cash and cash equivalents	\$166,178,884	-	-	-	-
Notes and accounts receivable	163,958,224	-	-	-	-
Other receivables	1,239,523	-	-	-	-
Other financial assets	<u>35,166,335</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>\$366,542,966</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities at amortized cost					
Bank loans	\$138,844,984	-	-	-	-
Non-interest bearing liabilities	218,913,061	-	-	-	-
Lease liabilities	2,884,908	-	-	-	-
Unsecured ordinary corporate bonds	<u>23,481,250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>\$384,124,203</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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.

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Measurements of fair value of financial instruments without active market are based on valuation technique or quoted price from competitor. Fair value measured by valuation technique can be extrapolated from similar financial instruments, discounted cash flow method or other valuation technique which include model calculating with observable market data at 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 three months ended March 31, 2021 and 2020.

5) Reconciliation of Level 3 fair values

	<u>At fair value through profit or loss</u>	<u>Fair value through other comprehensive income</u>	
	<u>Non-derivative mandatorily measured at fair value through profit or loss</u>	<u>Unquoted equity instruments</u>	<u>Total</u>
Opening balance, January 1, 2021	\$ 400,238	218,951	619,189
Total gains and losses recognized:			
In profit or loss	(4,550)	-	(4,550)
In other comprehensive income	-	177	177
Purchased	82,824	-	82,824
Subsidiaries disposed	-	(23,701)	(23,701)
Ending Balance, March 31, 2021	<u>\$ 478,512</u>	<u>195,427</u>	<u>673,939</u>
Opening balance, January 1, 2020	\$ 347,716	271,751	619,467
Total gains and losses recognized:			
In profit or loss	(1,830)	-	(1,830)
In other comprehensive income	-	282	282
Ending Balance, March 31, 2020	<u>\$ 345,886</u>	<u>272,033</u>	<u>617,919</u>

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For the years ended March 31, 2021 and 2020, total gains and losses that were included in “other gains and losses” and “unrealized gains and losses from financial assets at fair value through other comprehensive income” were as follows:

	For the three months ended March 31	
	2021	2020
Total gains and losses recognized:		
In profit or loss, and presented in “other gains and losses”	\$ (4,550)	(1,830)
In other comprehensive income, and presented in “unrealized gains and losses from financial assets at fair value through other comprehensive income”	\$ 177	282

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

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

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

Quantified information of significant unobservable inputs were as follows :

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through profit or loss-equity investments without an active market	Market Approach	<ul style="list-style-type: none"> ·The multiplier of price-to-book ratio (As of March 31, 2021, December 31, 2020 , and March 31, 2020, were 1.2~2.3, 1.2~2.3 and 1.0~2.6, respectively.) ·Market illiquidity discount (As of March 31, 2021 and March 31, 2020, were 20%) 	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> ·the multiplier were higher (lower) ·the market illiquidity discount were lower (higher).
Financial assets at fair value through other comprehensive income-equity investments without an active market	Market Approach	<ul style="list-style-type: none"> ·The multiplier of price-to-book ratio (As of March 31, 2021, December 31, 2020 , and March 31, 2020, were 1.4~1.5, 1.4~1.5 and 1.9~6.2, respectively.) ·Market illiquidity discount (As of March 31, 2021 and 2020, were 20%) 	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> ·the multiplier were higher (lower) ·the market illiquidity discount were lower (higher).

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<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through profit or loss-private fund	Net Asset Value Method	Net Asset Value	Not applicable

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

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

	<u>Inputs</u>	<u>Fluctuation in inputs</u>	<u>Profit or loss</u>		<u>Other comprehensive income</u>	
			<u>Favorable</u>	<u>Unfavorable</u>	<u>Favorable</u>	<u>Unfavorable</u>
March 31, 2021						
Financial assets at fair value through profit or loss						
Equity investments without an active market	Multiplier of price-to-book ratio	1%	714	(714)	-	-
Equity investments without an active market	Market illiquidity discount	1%	714	(714)	-	-
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	Multiplier of price-to-book ratio	1%	-	-	1,954	(1,954)
Equity investments without an active market	Market illiquidity discount	1%	-	-	1,954	(1,954)
December 31, 2020						
Financial assets at fair value through profit or loss						
Equity investments without an active market	Multiplier of price-to-book ratio	1%	714	(714)	-	-
Equity investments without an active market	Market illiquidity discount	1%	714	(714)	-	-
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	Multiplier of price-to-book ratio	1%	-	-	2,190	(2,190)
Equity investments without an active market	Market illiquidity discount	1%	-	-	2,190	(2,190)
March 31, 2020						
Financial assets at fair value through profit or loss						
Equity investments without an active market	Multiplier of price-to-book ratio	1%	862	(862)	-	-
Equity investments without an active market	Market illiquidity discount	1%	862	(862)	-	-
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	Multiplier of price-to-book ratio	1%	-	-	2,720	(2,720)
Equity investments without an active market	Market illiquidity discount	1%	-	-	2,720	(2,720)

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

(v) Offsetting of financial assets and financial liabilities

The Group 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 :

March 31, 2021						
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	\$ 12,954,453	9,777,024	3,177,429	-	-	3,177,429
Other financial asset and short-term loan	\$ 13,978,306	13,978,306	-	-	-	-
March 31, 2021						
Financial liabilities 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	\$ 9,777,024	9,777,024	-	-	-	-
Other financial asset and short-term loan	\$ 13,978,306	13,978,306	-	-	-	-
December 31, 2020						
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	\$ 16,781,165	12,410,025	4,371,140	-	-	4,371,140
Other financial asset and short-term loan	\$ 14,247,483	14,247,483	-	-	-	-

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December 31, 2020						
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	\$ 12,410,025	12,410,025	-	-	-	-
Other financial asset and short-term loan	\$ 14,247,483	14,247,483	-	-	-	-

March 31, 2020						
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	\$ 11,530,449	9,929,203	1,601,246	-	-	1,601,246

March 31, 2020						
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	\$ 9,929,203	9,929,203	-	-	-	-

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

(af) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in Note 6(ad) of the consolidated financial statements for the year ended December 31, 2020.

(ag) Capital management

Management believes that there were no changes in the Group's approach to the targets, policies and procedures in capital management as disclosed in the consolidated financial statements for the year ended December 31, 2020. Also, they believe that for the three months ended March 31, 2021, there were also no changes in the Group's capital management information. For other related information, please refer to Note 6(ae) of the consolidated financial statements for the year ended December 31, 2020.

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(ah) Financing activities not affecting current cash flow

For the three months ended March 31, 2021 and 2020, reconciliation of liabilities arising from financing activities was as follows :

	January 1, 2020	Cash flows	Non-cash changes		March 31, 2021
			Foreign exchange movement	Other	
Long-term loans	\$ 17,014,458	(3,950,939)	13,680	(15,333)	13,061,866
Short-term loans	105,242,889	32,759,889	-	(1,067,878)	136,934,900
Bonds payable	25,478,182	2,495,500	-	1,417	27,975,099
Lease liabilities	2,591,691	(404,984)	(1,287)	657	2,186,077
Non-controlling interests	36,345,941	(14,274,755)	1,851,061	(190,269)	23,731,978
Total liabilities from financing activities	\$186,673,161	16,624,711	1,863,454	(1,271,406)	203,889,920

	January 1, 2019	Cash flows	Non-cash changes		March 31, 2020
			Foreign exchange movement	Other	
Long-term loans	\$ 9,192,450	2,313,016	54,902	(22,470)	11,537,898
Short-term loans	64,808,786	62,498,300	-	-	127,307,086
Bonds payable	23,480,339	-	-	911	23,481,250
Lease liabilities	2,489,741	(475,181)	11,720	858,628	2,884,908
Other payables-restricted employee stock	96,667	(7,348)	-	6,204	95,523
Non-controlling interests	35,580,451	(48)	(30,367)	(955,948)	34,594,088
Total liabilities from financing activities	\$135,648,434	64,328,739	36,255	(112,675)	199,900,753

(7) Related-party transactions:

(a) Names and relationship with related parties

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

<u>Name of related party</u>	<u>Relationship with the Group</u>
RI KAI COMPUTER ACCESSORY CO., LTD. (RI KAI)	An associate
RI-MING (SHANGHAI) CO., LTD.	An associate
SHENG-RUI ELECTRONIC TECHNOLOGY (SHANGHAI) LIMITED	An associate
RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	An associate
RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	An associate
CASETEK SINGAPORE PTE.LTD.	An associate

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

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(b) Significant transactions with related parties

(i) Sale of Goods to Related Parties

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

	Sales
	For the three months ended
	March 31
	2021
Associates	\$ 30,260

The terms and the selling price for related parties approximated the market price. The credit terms ranged from 30 to 90 days. Amounts receivable from related parties were uncollateralized, and no expected credit loss were required after the assessment by the management.

(ii) Purchase of Goods from Related Parties

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

	Purchases
	For the three months ended
	March 31
	2021
Associates	\$ 1,810,619

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

(iii) Receivables from Related Parties

The receivables from related parties were as follows:

Account	Relationship	March 31, 2021
Accounts receivable	Associates	\$ 29,860
Other receivables	Associates	396,647
		\$ 426,507

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(iv) Payables to Related Parties

The payables to related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>March 31, 2021</u>
Accounts payable	Associates	\$ 2,866,785
Other payable	Associates	1,826
Accrued expenses	Associates	<u>24,295</u>
		<u><u>\$ 2,892,906</u></u>

(v) Loans to Related Parties

The loans to related parties were as follows:

	<u>March 31, 2021</u>
Associates - RI SHAN COMPUTER ACCESSORY CO., LTD.	<u>\$ 15,761,222</u>
Range of interest rate	<u>0.92%~1.28%</u>
Interest income	<u>\$ 32,206</u>

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

(c) Key management personnel compensation :

	<u>For the three months ended March 31</u>	
	<u>2021</u>	<u>2020</u>
Short-term employee benefits	\$ 112,054	117,456
Post-employment benefits	1,017	991
Share-based payments	<u>39,525</u>	<u>49,550</u>
	<u><u>\$ 152,596</u></u>	<u><u>167,997</u></u>

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

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(8) Pledged assets:

The book value of pledged assets provided by the Group was as follows :

<u>Asset</u>	<u>Purpose of pledge</u>	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Accounts receivable (Note)	Accounts receivable factoring (listed as short-term loans)	\$ -	1,077,681	113,300
Other financial asset- restricted deposit	Post-release duty deposits, customs duty, lease deposits, short-term loans, travel agency guarantee, etc.	117,308	111,289	-
Other financial asset- restricted deposit	Litigation pledge and provisional attachment guarantee	43,854	61,669	-
Property, plant and equipment	Bank loans	60,193	61,249	1,381,982
Other financial asset- guarantee deposits	Customs duty guarantee, rental deposits, and deposits for performance guarantee	5,700	191,147	297,321
		<u>\$ 227,055</u>	<u>1,503,035</u>	<u>1,792,603</u>

(Note) There were accounts receivables of RI KAI to CSG and RI-KUAN METAL CORPORATION, wherein the transactions were eliminated in the consolidated financial statements.

(9) Commitments and contingencies:

(a) Significant commitments and contingencies were as follows :

(i) Unused standby letters of credit

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
EUR	\$ 3,556	-	3
JPY	5,822,392	7,000,234	752,900
USD	4,865	7,594	3,167

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

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
NTD	<u>\$ 17,703</u>	<u>16,391</u>	<u>160,842</u>

(iii) As of March 31, 2021, December 31, 2020, and March 31, 2020, the significant contracts for purchase of properties by the Group amounted to \$15,586,509, \$13,197,985 and \$10,126,811, of which \$8,575,171, \$5,314,270 and \$3,665,947, respectively, were unpaid.

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(iv) As of March 31, 2021, December 31, 2020, and March 31, 2020, the Group provided endorsement guarantee for bank loans, including Group entities, amounting to \$1,198,365, \$341,958 and \$1,270,206, respectively.

(v) As of March 31, 2021, December 31, 2020, and March 31, 2020, the Group issued a tariff guarantee of \$429,390, \$1,804,655 and \$1,533,991, respectively, to the bank for the purpose of importing goods.

(b) Significant contingent liability :

AIG Specialty Insurance Company filed a lawsuit against the Group, demanding for compensation for a batch of defect products that were received from the Group. A lawyer has been appointed to protect the Group's rights and interests. This case is still in progress as of the release date of the consolidated financial statements; therefore, no reasonable estimation can be made concerning this matter.

(10) Losses due to major disasters: None.

(11) Subsequent Events: None.

(12) Other:

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

By function	For the three months ended March 31					
	2021			2020		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Employee benefit						
Salary	\$ 8,955,693	3,704,203	12,659,896	11,793,247	3,398,328	15,191,575
Health and labor insurance	720,176	265,737	985,913	726,780	243,904	970,684
Pension	749,358	185,571	934,929	563,418	154,483	717,901
Others	443,851	175,914	619,765	438,710	221,704	660,414
Depreciation	3,253,456	492,801	3,746,257	4,081,704	489,440	4,571,144
Amortization	18,866	21,319	40,185	25,070	37,881	62,951

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

	For the three months ended March 31	
	2021	2020
Depreciation in investment property	\$ <u>723</u>	<u>769</u>

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(13) Other disclosures:

(a) Information on significant transactions:

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

No.	Item	Table
1	Loans to other parties	Table 1
2	Guarantees and endorsements for other parties	Table 2
3	Securities held as of March 31, 2021 (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	Table 6
7	Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock	Table 7
8	Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock	Table 8
9	Trading in derivative instruments	None
10	Business relationships and significant intercompany transactions	Table 11

(b) Information on investees:

Please refer to Table 9 for the information on investees for the three months ended March 31, 2021.

(c) Information on investment in mainland China:

- (i) Please refer to Table 10 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.

(Continued)

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(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
ASUSTek Company Inc.		448,506,484	16.84 %

(14) Segment information:

Please refer to Note 6(z) for the information on revenue for the three months ended March 31, 2021 and 2020. The Group's operating segment information and reconciliation were as follows :

<u>For the three months ended March 31, 2021</u>	<u>DMS</u>	<u>Strategic Investment Group</u>	<u>Adjustment and eliminations</u>	<u>Total</u>
Reportable segment profit or loss	\$ <u>3,473,570</u>	<u>6,214,537</u>	<u>(5,840,608)</u>	<u>3,847,499</u>
<u>For the three months ended March 31, 2020</u>				
Reportable segment profit or loss	\$ <u>1,994,508</u>	<u>(1,642,275)</u>	<u>1,347,053</u>	<u>1,699,286</u>
Reportable segment assets				
March 31, 2021	\$ <u>500,960,607</u>	<u>227,025,668</u>	<u>(167,081,358)</u>	<u>560,904,917</u>
December 31, 2020	\$ <u>571,735,476</u>	<u>278,782,743</u>	<u>(166,171,610)</u>	<u>684,346,609</u>
March 31, 2020	\$ <u>521,909,317</u>	<u>229,896,866</u>	<u>(155,521,305)</u>	<u>596,284,878</u>