

PEGATRON CORPORATION AND SUBSIDIARIES**Consolidated Financial Statements****With Independent Auditors' Report
For the Years Ended December 31, 2021 and 2020**

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The independent auditors' 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' report and consolidated financial statements, the Chinese version shall prevail.

Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Representation Letter	3
4. Independent Auditors' Report	4
5. Consolidated Balance Sheets	5
6. Consolidated Statements of Comprehensive Income	6
7. Consolidated Statements of Changes in Equity	7
8. Consolidated Statements of Cash Flows	8
9. Notes to the Consolidated Financial Statements	
(1) Company history	9
(2) Approval date and procedures of the consolidated financial statements	9
(3) New standards, amendments and interpretations adopted	9~11
(4) Summary of significant accounting policies	11~39
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	40
(6) Explanation of significant accounts	40~107
(7) Related-party transactions	107~109
(8) Pledged assets	109
(9) Commitments and contingencies	110
(10) Losses due to major disasters	110
(11) Subsequent events	110
(12) Others	111
(13) Other disclosures	
(a) Information on significant transactions	111
(b) Information on investees	112
(c) Information on investment in mainland China	112
(d) Major shareholders	112
(14) Segment information	112~113
10. Appendix	114~135

Representation Letter

The entities that are required to be included in the combined financial statements of Pegatron Corporation as of and for the year ended December 31, 2021 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Pegatron Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Pegatron Corporation
Chairman: Tzu-Hsien Tung
Date: March 10, 2022



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Independent Auditors' Report

To the Board of Directors of Pegatron Corporation:

Opinion

We have audited the consolidated financial statements of Pegatron Corporation and its subsidiaries (“the Group”), which comprise the consolidated statement of financial position as of December 31, 2021 and 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the years ended then and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to Other Matter paragraph), the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), interpretations as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Based on our professional judgment, key audit matters pertain to the most important matters in the audit of consolidated financial statements for the year ended December 31, 2021 of the Group. Those matters have been addressed in our audit opinion on the said consolidated financial statements and during the formation of our audit opinion. However, we do not express an opinion on these matters individually. The key audit matters that, in our professional judgment, should be communicated are as follows:

1. Revenue recognition

The accounting principles on the recognition of revenues are discussed in Note 4(q) of the notes to consolidated financial statements.

(a) Key audit matters:

The timing for recognition of revenue and the transfer of risk and reward are relatively complex because the transaction terms vary with each client and the offshore hubs are established depending on the clients' needs. These factors expose the Group to a significant risk of untimely recognition of revenue.

Therefore, the test of revenue recognition was one of the key audit matters in the audit of consolidated financial reports for the years ended December 31, 2021 and 2020 of the Group.

(b) Auditing procedures performed:

- Vouching external documents with records on ledger to confirm whether the counterparty involved in the sales transaction is the same with that involved in the cash collection.
- Random sampling of material sales contracts and examining the transaction terms in order to evaluate the accuracy of the timing for recognition of revenue.
- Performing cut-off test for revenues during the periods before and after the balance sheet date.

2. Inventory valuation

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

(a) Key audit matters:

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

(b) Auditing procedures performed:

- Analyze the amount of obsolete inventory and inventory market price decline between 2021 and 2020 and understand reasons of the difference.
- Obtain an inventory aging analysis and randomly select items to verify the accuracy for age of inventory.
- Obtain the most recent selling price for finished goods and replacement cost for raw material, and recalculate net realizable value with selling expense rate to check whether the net realizable value adopted by the Group is reasonable.

3. Significant equity transaction

Please refer to Note 4(c) and Note 6(i) to the consolidated financial statements for the accounting policies and detailed descriptions.

(a) Key audit matters:

The Group lost control over its wholly-owned subsidiary, Luxcase Precision Technology (Formerly called RI KAI COMPUTER ACCESSORY CO., LTD.), in 2021. The Group remeasured its investment at fair value, and recognized the gain or loss in disposal.

The accounting treatment for this equity transaction was based on the International Financial Reporting Standard 10 “ Consolidated Financial Statements”. The management used its subjective judgement and assumption as a basis of measurement in recognizing the transaction’s fair value and the gain or loss on disposal, which have a significant impact on the financial statements. Therefore, the transaction is of our key audit matters.

(b) Auditing procedures performed:

- Interview the management to understand the purpose of the equity transaction, and assess the process and how the price was determined, as well as obtain the opinion report about the price rationality issued by external experts.
- Review the board meeting minutes and equity transaction contracts, and confirm the resolutions to ensure that they are consistent with the equity transaction contract.
- Evaluate the suitability and objectivity of the external valuation experts engaged by the management, and review the report issued by external valuation experts, as well as examine the plausibility of the original data and major assumptions.
- Examine the completeness of the equity net value derecognition amount and the accuracy of the amount of disposal on profit or loss.

Other Matter

We did not audit the financial statements of certain subsidiaries of the Group. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those subsidiaries, is based solely on the reports of other auditors. The financial statements of the subsidiaries reflect total assets constituting 11.91% and 8.81% of consolidated total assets at December 31, 2021 and 2020, respectively, and total operating revenues constituting 5.27% and 3.87% of consolidated total operating revenues for the years then ended December 31, 2021 and 2020, respectively. We did not audit the financial statements of an associate of the Group, which represented investment in another entity accounted for using the equity method. Those statements were audited by another auditor, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the associate, is based solely on the report of another auditor. The investment in the associate accounted for using the equity method constituting 3.28% of consolidated total assets at December 31, 2021, and the related share of profit of associates and joint ventures accounted for using the equity method constituting 6.98% of consolidated total profit before tax for the year then ended.

Pegatron Corporation has prepared its parent-company-only financial statements as of and for the years ended December 31, 2021 and 2020, on which we have issued an unmodified opinion with other matters paragraph.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“ IFRSs”), International Accounting Standards (“ IASs”), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including the Audit Committee) are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we determine that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

KPMG

Taipei, Taiwan (Republic of China)

March 10, 2022

Notes to Readers

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

The independent auditors' audit 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' audit report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

PEGATRON CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2021		December 31, 2020	
		Amount	%	Amount	%
Current assets:					
1100	Cash and cash equivalents (Notes 6(a) and 6(i))	\$ 111,024,086	16	125,996,714	19
1110	Current financial assets at fair value through profit or loss (Note 6(b))	11,671,446	2	13,945,314	2
1170	Notes and accounts receivable, net (Notes 6(d), 6(i), 6(aa), 7 and 8)	249,533,457	37	223,963,691	33
1200	Other receivables, net (Notes 6(e), 6(i) and 7)	9,628,610	2	2,015,489	-
130X	Inventories (Notes 6(f) and 6(i))	148,061,197	22	165,142,393	24
1476	Other current financial assets (Notes 6(p) and 8)	30,316,944	4	40,943,545	6
1479	Other current assets (Note 6(i) and 6(p))	<u>4,615,086</u>	<u>1</u>	<u>10,123,718</u>	<u>1</u>
		<u>564,850,826</u>	<u>84</u>	<u>582,130,864</u>	<u>85</u>
Non-current assets:					
1510	Non-current financial assets at fair value through profit or loss (Note 6(b))	1,588,080	-	611,284	-
1517	Non-current financial assets at fair value through other comprehensive income (Notes 6(c) and 6(i))	1,492,875	-	1,002,211	-
1550	Investments accounted for using the equity method (Note 6(h))	22,534,158	3	351,450	-
1600	Property, plant and equipment (Notes 6(i), 6(l) and 8)	69,736,530	10	83,385,274	12
1755	Right-of-use assets (Notes 6(i) and 6(m))	6,236,459	1	6,581,805	1
1760	Investment property, net (Note 6(n))	33,433	-	39,416	-
1780	Intangible assets (Notes 6(i) and 6(o))	208,186	-	386,975	-
1840	Deferred tax assets (Notes 6(i) and 6(v))	2,820,827	1	3,526,493	1
1915	Prepayments on purchase of equipment (Note 6(i))	6,812,380	1	2,506,384	-
1980	Other non-current financial assets (Notes 6(i), 6(p) and 8)	406,576	-	3,763,709	1
1990	Other non-current assets (Note 6(p))	<u>50,033</u>	<u>-</u>	<u>60,744</u>	<u>-</u>
		<u>111,919,537</u>	<u>16</u>	<u>102,215,745</u>	<u>15</u>
Total assets		\$ <u>676,770,363</u>	<u>100</u>	<u>684,346,609</u>	<u>100</u>

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

PEGATRON CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets (CONT'D)

December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2021		December 31, 2020	
		Amount	%	Amount	%
Liabilities and Equity					
Current liabilities:					
2100	Short-term loans (Notes 6(d), 6(i) and 6(q))	\$ 94,023,304	14	105,242,889	16
2130	Current contract liabilities (Note 6(aa))	1,325,274	-	1,053,313	-
2170	Accounts payable (Notes 6(i) and 7)	266,661,540	40	256,879,266	38
2209	Accrued expenses (Notes 6(i) and 6(u))	25,898,985	4	36,210,492	5
2219	Other payables (Notes 6(i) and 9)	9,683,535	2	9,201,062	1
2230	Current tax liabilities (Notes 6(i))	2,598,928	-	3,097,379	-
2281	Current lease liabilities (Notes 6(i) and 6(t))	1,067,674	-	1,547,060	-
2321	Bonds payable, current portion (Note 6(s))	2,000,000	-	1,000,000	-
2322	Long-term loans payable, current portion (Note 6(r))	1,026,949	-	5,954,625	1
2399	Other current liabilities (Note 6(i))	24,301,864	4	24,126,094	4
		<u>428,588,053</u>	<u>64</u>	<u>444,312,180</u>	<u>65</u>
Non-Current liabilities:					
2527	Non-current contract liabilities (Notes 6(i) and 6(aa))	150,352	-	301,158	-
2530	Bonds payable (Note 6(s))	34,869,595	5	24,478,182	4
2540	Long-term loans (Note 6(r))	12,210,422	2	11,059,833	2
2570	Deferred tax liabilities (Note 6(v))	2,134,397	-	3,126,296	-
2581	Non-current lease liabilities (Notes 6(i) and 6(t))	2,003,326	-	1,044,631	-
2650	Credit balance of investments accounted for using equity method (Note 6(h))	258	-	-	-
2670	Other non-current liabilities (Note 6(i))	2,547,083	-	1,083,807	-
		<u>53,915,433</u>	<u>7</u>	<u>41,093,907</u>	<u>6</u>
		<u>482,503,486</u>	<u>71</u>	<u>485,406,087</u>	<u>71</u>
Total liabilities					
Equity Attributable to Owners of the Parent Company (Note 6(w)):					
3100	Share capital	26,691,316	4	26,628,737	4
Capital surplus:					
3210	Capital surplus, premium on capital stock	78,057,441	12	77,471,560	11
3280	Capital surplus, others (Notes 6(k) and 6(x))	5,263,867	1	5,536,787	1
		<u>83,321,308</u>	<u>13</u>	<u>83,008,347</u>	<u>12</u>
Retained earnings:					
3310	Legal reserve	15,698,039	2	13,706,083	2
3320	Special reserve	15,866,201	2	11,286,050	2
3350	Unappropriated retained earnings	46,661,789	7	44,978,224	6
		<u>78,226,029</u>	<u>11</u>	<u>69,970,357</u>	<u>10</u>
Other equity interest:					
3410	Exchange differences on translation of foreign financial statements (Note 6(k))	(21,363,627)	(3)	(15,808,892)	(2)
3420	Unrealized losses on financial assets measured at fair value through other comprehensive income	444,778	-	(57,309)	-
3491	Deferred compensation cost arising from issuance of restricted stock (Note 6(x))	(712,701)	-	(1,146,659)	-
		<u>(21,631,550)</u>	<u>(3)</u>	<u>(17,012,860)</u>	<u>(2)</u>
3500	Treasury stock	(2,558)	-	-	-
	Equity attributable to the parent company	166,604,545	25	162,594,581	24
36xx	Non-controlling interests (Notes 6(j), 6(k) and 6(w))	27,662,332	4	36,345,941	5
	Total equity	<u>194,266,877</u>	<u>29</u>	<u>198,940,522</u>	<u>29</u>
	Total liabilities and equity	<u>\$ 676,770,363</u>	<u>100</u>	<u>684,346,609</u>	<u>100</u>

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
PEGATRON CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2021 and 2020

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

		For the years ended December 31			
		2021		2020	
		Amount	%	Amount	%
4110	Operating revenue (Notes 6(aa) and 7)	\$ 1,266,144,650	100	1,402,677,996	100
4170	Less: Sales returns and allowances	<u>2,424,468</u>	-	<u>3,345,090</u>	-
	Operating revenue, net	<u>1,263,720,182</u>	100	<u>1,399,332,906</u>	100
5000	Cost of sales (Notes 6(f), 6(t), 6(u), 6(x), 6(y), 6(ab), and 7)	<u>1,217,146,814</u>	96	<u>1,349,728,657</u>	96
	Gross profit from operations	<u>46,573,368</u>	4	<u>49,604,249</u>	4
6000	Operating expenses (Notes 6(t), 6(u), 6(x), 6(y) and 6(ab)):				
6100	Selling expenses	4,718,255	1	4,981,177	-
6200	General and administrative expenses	9,289,178	1	8,878,601	1
6300	Research and development expenses	<u>15,711,475</u>	1	<u>16,681,735</u>	1
	Total operating expenses	<u>29,718,908</u>	3	<u>30,541,513</u>	2
	Net operating income	<u>16,854,460</u>	1	<u>19,062,736</u>	2
	Non-operating income and expenses:				
7100	Interest income (Notes 6(ac) and 7)	1,493,266	-	2,921,350	-
7010	Other income (Note 6(ac))	3,986,493	-	5,182,941	-
7020	Other gains and losses (Notes 6(i), 6(l), 6(o) and 6(ac))	5,412,103	1	4,016,376	-
7050	Finance costs (Notes 6(d), 6(s), 6(t) and 6(ac))	(972,397)	-	(1,776,100)	-
7060	Share of profit of associates and joint ventures accounted for using the equity method (Note 6(h))	1,546,319	-	119,759	-
7590	Miscellaneous disbursements	<u>(194,402)</u>	-	<u>(83,779)</u>	-
	Total non-operating income and expenses	<u>11,271,382</u>	1	<u>10,380,547</u>	-
	Profit before tax	28,125,842	2	29,443,283	2
7950	Less: Tax expenses (Note 6(v))	<u>3,098,748</u>	-	<u>7,023,731</u>	1
	Profit for the year	<u>25,027,094</u>	2	<u>22,419,552</u>	1
8300	Other comprehensive income:				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8311	Gain (losses) on remeasurements of defined benefit plans (Note 6(u))	12,890	-	(20,372)	-
8316	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	522,406	-	92,665	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 6(v))	<u>(456)</u>	-	<u>(1,455)</u>	-
	Total components of other comprehensive income that will not be reclassified to profit or loss	<u>535,752</u>	-	<u>73,748</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	(3,566,168)	-	(4,882,779)	-
8370	Share of other comprehensive (loss) 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))	(256,468)	-	190	-
8399	Income tax related to components of other comprehensive (loss) income that will be reclassified to profit or loss (Note 6(v))	<u>(19,721)</u>	-	<u>5,409</u>	-
	Total components of other comprehensive loss that will be reclassified to profit or loss	<u>(3,802,915)</u>	-	<u>(4,887,998)</u>	-
8300	Other comprehensive loss for the period, net of tax	<u>(3,267,163)</u>	-	<u>(4,814,250)</u>	-
8500	Total comprehensive income for the period	<u>\$ 21,759,931</u>	<u>2</u>	<u>17,605,302</u>	<u>1</u>
	Profit attributable to:				
8610	Owners of the parent company	\$ 20,545,643	2	20,207,598	1
8620	Non-controlling interests	<u>4,481,451</u>	-	<u>2,211,954</u>	-
		<u>\$ 25,027,094</u>	<u>2</u>	<u>22,419,552</u>	<u>1</u>
	Comprehensive income attributable to:				
8710	Owners of the parent company	\$ 17,354,177	2	15,462,872	1
8720	Non-controlling interests	<u>4,405,754</u>	-	<u>2,142,430</u>	-
		<u>\$ 21,759,931</u>	<u>2</u>	<u>17,605,302</u>	<u>1</u>
	Earnings per share, net of tax (Note 6(z))				
9750	Basic earnings per share	<u>\$ 7.71</u>		<u>7.73</u>	
9850	Diluted earnings per share	<u>\$ 7.62</u>		<u>7.64</u>	

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
PEGATRON CORPORATION AND SUBSIDIARIES
Consolidated Statements of Changes in Equity
For the years ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of the parent company										
	Retained earnings					Total other equity interest					
	Share capital	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income				Exchange differences on translation of foreign financial statements	Deferred compensation arising from issuance of restricted stock	Treasury stock	Total equity attributable to owners of the parent company	Non-controlling interests	Total equity
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Total other equity interest	Treasury stock	Total equity attributable to owners of the parent company	Non-controlling interests	Total equity
	\$ 26,110,919	81,052,101	11,774,310	7,868,877	42,156,192	61,799,379	(10,982,396)	(3,000)	157,665,062	35,580,451	193,245,513
Profit for the period	-	-	-	-	20,207,598	20,207,598	-	-	20,207,598	2,211,954	22,419,552
Other comprehensive income (loss) for the period	-	-	-	-	(10,895)	(10,895)	(4,826,496)	-	(4,744,726)	(69,524)	(4,814,250)
Total comprehensive income (loss) for the period	-	-	-	-	20,196,703	20,196,703	(4,733,831)	-	15,462,872	2,142,430	17,605,302
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	1,931,773	-	(1,931,773)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	3,417,173	(3,417,173)	-	-	-	-	-	-
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	-	187	-	-	-	-	-	-	187	(187)	-
Changes in ownership interests in subsidiaries	-	223,566	-	-	(71,752)	(71,752)	-	-	151,814	(151,814)	-
Share-based payment transactions	524,110	-	-	-	(153,680)	(153,680)	-	-	524,110	-	524,110
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(51,730)	(51,730)	-	3,000	(51,946)	-	(51,946)
Expiration of restricted shares of stock issued to employees	-	1,729,417	-	-	-	-	-	-	591,045	-	591,045
Compensation cost arising from restricted shares of stock	-	-	-	-	(1,138,372)	(1,138,372)	-	-	(1,138,372)	-	(1,138,372)
Changes in non-controlling interests	-	-	-	-	(1,146,659)	(1,146,659)	-	-	(1,146,659)	(1,224,939)	(1,224,939)
Balance at December 31, 2020	26,628,737	83,008,347	13,706,083	11,286,050	44,978,224	69,970,357	(15,808,892)	(57,309)	162,594,581	36,345,941	198,940,522
Profit for the period	-	-	-	-	20,545,643	20,545,643	-	-	20,545,643	4,481,451	25,027,094
Other comprehensive income (loss) for the period	-	-	-	-	8,678	8,678	(3,200,144)	-	(3,191,466)	(75,697)	(3,267,163)
Total comprehensive income (loss) for the period	-	-	-	-	20,554,321	20,554,321	(3,200,144)	-	17,354,177	4,405,754	21,759,931
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	1,991,956	-	(1,991,956)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	4,580,151	(4,580,151)	-	-	-	-	-	-
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	-	20,862	-	-	(409,874)	(409,874)	-	-	(389,012)	-	(389,012)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	(159,173)	-	-	-	-	(1,832,185)	-	(1,991,358)	1,991,358	-
Changes in ownership interests in subsidiaries	-	(55,620)	-	-	-	-	-	-	(55,620)	55,620	-
Share-based payments transactions	75,740	-	-	-	-	-	-	-	75,740	-	75,740
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	20,319	20,319	-	-	-	-	-
Expiration of restricted shares of stock issued to employees	-	-	-	-	73,837	73,837	-	-	73,837	-	73,837
Compensation cost arising from restricted shares of stock	-	(13,161)	-	-	15,663	15,663	-	-	(2,558)	-	925,187
Changes in non-controlling interests	-	-	-	-	491,229	491,229	-	-	925,187	(15,136,341)	(15,136,341)
Balance at December 31, 2021	\$ 26,691,316	83,321,308	15,698,030	15,866,201	46,661,789	78,226,029	(21,363,627)	444,778	166,604,545	27,662,332	194,266,877

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
PEGATRON CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	For the years ended December 31	
	2021	2020
Cash flows from operating activities:		
Profit before tax	\$ 28,125,842	29,443,283
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	13,505,149	18,122,646
Amortization expense	145,073	198,069
Expected credit loss	5,372	10,706
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	254,156	(4,285,651)
Interest expense	960,805	1,761,453
Interest income	(1,493,266)	(2,921,350)
Dividend income	(83,521)	(53,005)
Compensation cost arising from share-based payments	1,024,250	696,013
Amortization of issuance costs on bonds payable	5,813	3,843
Share of gain of associates and joint ventures accounted for using the equity method	(1,546,319)	(119,759)
Loss (gain) on lease remeasurement	1,277	(9,468)
(Gain) loss on disposal of property, plant and equipment	(618,733)	366,913
Property, plant and equipment charged to expenses	122,736	124,740
Loss on disposal of intangible assets	334	-
Gain on disposal of investments	(3,958,758)	-
Impairment loss on non-financial assets	65,850	1,185,640
Gain on foreign currency exchange on long-term loans	(309,129)	(309,682)
Government grants income	(69,415)	(41,093)
Other payables	1,635,444	-
Total adjustments to reconcile profit	<u>9,647,118</u>	<u>14,730,015</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease (increase) in financial assets at fair value through profit or loss	1,042,916	(2,913,152)
Decrease (increase) in accounts receivable	(73,663,544)	(17,634,300)
Increase in other receivables	(8,472,445)	(447,755)
Decrease (increase) in inventories	7,602,311	(59,112,597)
Decrease (increase) in other financial assets	10,615,683	(37,378,625)
Decrease (increase) in other current assets	1,565,596	(3,928,842)
Decrease (increase) in other non-current assets	10,711	(10,679)
Total changes in operating assets	<u>(61,298,772)</u>	<u>(121,425,950)</u>
Changes in operating liabilities:		
Increase (decrease) in contract liabilities	298,214	(587,947)
Increase in accrued expenses	53,887,222	38,777,700
Increase (decrease) in accounts payable to related parties	24,232,250	9,001,692
Increase in other payables	8,221,473	2,037,300
Increase in other current liabilities	1,794,242	4,598,020
Increase in other non-current liabilities	1,893,947	111,382
Total changes in operating liabilities	<u>90,327,348</u>	<u>53,938,147</u>
Total changes in operating assets and liabilities	<u>29,028,576</u>	<u>(67,487,803)</u>
Total adjustments	<u>38,675,694</u>	<u>(52,757,788)</u>
Cash inflow (outflow) generated from operations	66,801,536	(23,314,505)
Interest received	1,580,663	2,959,200
Dividends received	107,911	77,395
Interest paid	(954,280)	(1,695,643)
Income taxes paid	(3,992,096)	(7,436,022)
Net cash flows from (used in) operating activities	<u>63,543,734</u>	<u>(29,409,575)</u>

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
PEGATRON CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows (CONT'D)
For the years ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

	For the years ended December 31	
	2021	2020
Cash flows used in investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(41,784)	(230,468)
Proceeds from disposal of financial assets at fair value through other comprehensive income	48,587	176,983
Acquisition of property, plant and equipment	(20,773,366)	(15,062,536)
Proceeds from disposal of property, plant and equipment	1,596,814	608,357
Acquisition of intangible assets	(171,416)	(282,931)
Proceeds from disposal of intangible assets	236	-
Acquisition of right-of-use assets	(13,893)	(652,766)
Proceeds from disposal of right-of-use assets	34,032	-
Disposal of subsidiaries	(18,999,741)	-
Decrease (increase) in other financial assets	3,201,104	(3,282,551)
Increase in prepayments on purchase of equipment	(10,051,061)	(3,541,620)
Net cash flows used in investing activities	(45,170,488)	(22,267,532)
Cash flows from (used in) financing activities:		
(Decrease) increase in short-term loans	(10,151,707)	40,434,103
Proceeds from issuing bonds	12,385,600	4,994,000
Repayments of bonds	(1,000,000)	(3,000,000)
Proceeds from long-term loans	7,663,644	11,711,607
Repayments of long-term loans	(11,114,362)	(3,498,130)
Repayments of lease liabilities	(1,498,769)	(1,793,913)
Cash dividends paid	(13,007,325)	(12,553,366)
Issuance of restricted stock	75,740	524,110
Redemption of restricted stock	(15,719)	(3,832)
Changes in non-controlling interests	(14,163,270)	(466,667)
Net cash flows (used in) from financing activities	(30,826,168)	36,347,912
Effect of exchange rate fluctuations on cash held	(2,519,706)	(4,470,004)
Net decrease in cash and cash equivalents	(14,972,628)	(19,799,199)
Cash and cash equivalents, beginning of the period	125,996,714	145,795,913
Cash and cash equivalents, end of the period	\$ 111,024,086	125,996,714

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 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 year ended December 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 issuance by the Board of Directors on March 10, 2022.

(3) New standards, amendments and interpretations adopted

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

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on its consolidated financial statements:

- 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”

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

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

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.	Effective date to be determined by IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

(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 Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C. (hereinafter referred to as “IFRS endorsed by the FSC”).

(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.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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.

(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, and 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.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

Investor	Subsidiary	Nature of business	Shareholding ratio		Notes
			December 31, 2021	December 31, 2020	
THE COMPANY	UNIHAN HOLDING LTD. (UNIHAN HOLDING)	Investing activities	100.00 %	100.00 %	
UNIHAN HOLDING	CASETEK HOLDINGS LIMITED (CASETEK HOLDINGS)	Investing and trading activities	100.00 %	100.00 %	
CASETEK HOLDINGS	SLITEK HOLDINGS LIMITED	Investing and trading activities	100.00 %	100.00 %	
CASETEK HOLDINGS	CASETEK COMPUTER (SUZHOU) CO., LTD.	Manufacturing, developing and selling computers, computer parts, application systems, and providing after-sales service	100.00 %	100.00 %	
CASETEK HOLDINGS	KAEDAR HOLDINGS LIMITED (KAEDAR HOLDINGS)	Investing and trading activities	100.00 %	100.00 %	
KAEDAR HOLDINGS	KAEDAR ELECTRONICS (KUNSHAN) CO., LTD.	Tooling molds of stainless-steel computer cases	100.00 %	100.00 %	
CASETEK HOLDINGS	KAEDAR TRADING LTD.	Investing and trading activities	100.00 %	100.00 %	
CASETEK HOLDINGS	CORE-TEK (SHANGHAI) LIMITED	Researching and producing spare parts for notebook computers, designing nonmetal tooling, electronic specific equipment and related products, repairing and producing precision equipment and providing after-sales service	100.00 %	100.00 %	
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 %	
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 %	Note 1
AZUREWAVE	EZWAVE TECHNOLOGIES, INC.	Manufacturing office machinery, electronic parts and computer peripherals	100.00 %	100.00 %	Note 1
AZUREWAVE	Azurewave Technologies (USA) Inc.	Market development activities	100.00 %	100.00 %	Note 1
AZUREWAVE	AZURE LIGHTING TECHNOLOGIES, INC.	Selling electronic parts	100.00 %	100.00 %	Note 1
AZUREWAVE	Azwave Holding (Samoa) Inc. (Azwave Samoa)	Investing activities	100.00 %	100.00 %	Note 1
Azwave Samoa	AZUREWAVE TECHNOLOGIES (SHANGHAI) INC.	Designing, manufacturing and trading computer products	100.00 %	100.00 %	Note 1
Azwave Samoa	AZURE LIGHTING TECHNOLOGIES, INC. (YANGZHOU)	Manufacturing and selling LED and relevant lighting products	100.00 %	100.00 %	Note 1
Azwave Samoa	AIGALE CORPORATION (SHANGHAI)	Designing and selling communication equipment and electronic products	100.00 %	100.00 %	Note 1
THE COMPANY	AMA PRECISION INC. (AMA PRECISION)	Designing and developing computer parts	100.00 %	100.00 %	

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investor	Subsidiary	Nature of business	Shareholding ratio		Notes
			December 31, 2021	December 31, 2020	
THE COMPANY	PEGATRON HOLLAND HOLDING B.V. (PHH)	Investing activities	100.00 %	100.00 %	
PHH	PEGATRON Czech s.r.o.	Installing, repairing and selling electronic products	100.00 %	100.00 %	
THE COMPANY	PEGATRON HOLDING LTD. (PEGATRON HOLDING)	Investing activities	100.00 %	100.00 %	
PEGATRON HOLDING	POWTEK HOLDINGS LIMITED (POWTEK)	Investing and trading activities	100.00 %	100.00 %	
POWTEK	POWTEK (SHANGHAI) LTD.	Selling main boards, computer peripherals, notebooks, servers and software, and providing after-sales service	100.00 %	100.00 %	
PEGATRON HOLDING, KINSUS SAMOA	PIOTEK HOLDINGS LTD. (CAYMAN) (PIOTEK CAYMAN)	Investing activities	100.00 %	100.00 %	Note 4
PIOTEK CAYMAN	PIOTEK HOLDING LIMITED (PIOTEK HOLDING)	Investing activities	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 %	Note 4
PIOTEK HOLDING	PIOTEK (H.K.) TRADING LIMITED	Trading activities	100.00 %	100.00 %	Note 4
PEGATRON HOLDING	GRAND UPRIGHT TECHNOLOGY LIMITED	Investing and trading activities	100.00 %	100.00 %	
PEGATRON HOLDING	ASLINK PRECISION CO., LTD. (ASLINK)	Investing and trading activities	100.00 %	100.00 %	
ASLINK	PEGAGLOBE (KUNSHAN) CO., LTD.	Manufacturing GPS, computer electronic devices, mobile phone, high-end server, disk drive, and other related components	100.00 %	100.00 %	
ASLINK	PEGAGLOBE INVESTMENT (JIANGSU) CO., LTD.	Investing activities	100.00 %	-	% Notes 12
PEGATRON HOLDING	DIGITEK GLOBAL HOLDINGS LIMITED (DIGITEK)	Investing and trading activities	100.00 %	100.00 %	
DIGITEK	DIGITEK (CHONGQING) LTD.	Manufacturing, developing, and selling GPS, electronic calculators, and after sale service	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 %	
PEGATRON HOLDING	MAGNIFICENT BRIGHTNESS LIMITED (MAGNIFICENT)	Investing and trading activities	100.00 %	100.00 %	

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investor	Subsidiary	Nature of business	Shareholding ratio		Notes
			December 31, 2021	December 31, 2020	
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 %	
PEGATRON HOLDING	PROTEK GLOBAL HOLDINGS LTD. (PROTEK)	Investing and trading activities	100.00 %	100.00 %	
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 %	
PEGATRON HOLDING	COTEK HOLDINGS LIMITED (COTEK)	Investing and trading activities	100.00 %	100.00 %	
COTEK	COTEK ELECTRONICS (SUZHOU) CO., LTD.	Developing, manufacturing and selling new electronic components, circuit boards and relevant products, and providing after-sales service	100.00 %	100.00 %	
PEGATRON HOLDING	TOP QUARK LIMITED (TOP QUARK)	Investing activities	100.00 %	100.00 %	
TOP QUARK	RUNTOP (SHANGHAI) CO., LTD.	Manufacturing and selling computer parts and peripherals of digital automatic data processors, multimedia computer system accessories, power supply units, network switches, and modems	- %	100.00 %	Note 13
THE COMPANY	ASUSPOWER INVESTMENT CO., LTD.	Investing activities	100.00 %	100.00 %	
THE COMPANY	ASUS INVESTMENT CO., LTD.	Investing activities	100.00 %	100.00 %	
THE COMPANY	ASUSTEK INVESTMENT CO., LTD.	Investing activities	100.00 %	100.00 %	
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	ASROCK INCORPORATION (ASROCK)	Data storage and processing equipment, manufacturing wired and wireless communication equipment, and whole selling of computer equipment and electronic components	54.88 %	55.92 %	Note 2
ASROCK	ASIAROCK TECHNOLOGY LIMITED (ASIAROCK)	Investing and holding activities	100.00 %	100.00 %	
ASIAROCK	ASROCK EUROPE B.V.	Selling database service and trading electronic components	100.00 %	100.00 %	
ASIAROCK	Calrock Holdings, LLC.	Office building leasing	100.00 %	100.00 %	
ASROCK	Leader Insight Holdings Limited (Leader)	Investing and holding activities	100.00 %	100.00 %	
Leader	Firstplace International Ltd. (Firstplace)	Investing and holding activities	100.00 %	100.00 %	
Firstplace	ASRock America, Inc.	Selling database service and trading electronic components	100.00 %	100.00 %	
ASROCK	ASRock Rack Incorporation	Manufacturing and selling computer and related peripherals	59.67 %	62.05 %	Note 5
ASROCK	ASRock Industrial Computer Corporation	Manufacturing and selling computer and related peripherals	65.83 %	66.96 %	Note 6
ASROCK	Soaring Asia Limited	Trading activities	100.00 %	100.00 %	
ASROCK	ASjade Technology Inc.	Information software service	78.57 %	- %	Note 15

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investor	Subsidiary	Nature of business	Shareholding ratio		Notes
			December 31, 2021	December 31, 2020	
ASUSPOWER INVESTMENT AND ASUS INVESTMENT	PEGATRON Mexico, S.A. DE C.V.	Manufacturing consumer electronics and electronic parts	100.00 %	100.00 %	
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	KINSUS INTERCONNECT TECHNOLOGY CORP. (KINSUS)	Manufacturing electronic parts, whole selling and retailing of electronic components, as well as providing business management consultant service	38.58 %	38.57 %	Notes 3 and 4
KINSUS	KINSUS INVESTMENT CO., LTD. (KINSUS INVESTMENT)	Investing activities	100.00 %	100.00 %	Note 4
KINSUS INVESTMENT, ASUSPOWER INVESTMENT AND ASUSTEK INVESTMENT	PEGAVISION CORPORATION	Manufacturing medical appliances	45.21 %	45.21 %	Notes 4 and 7
PEGAVISION CORPORATION	PEGAVISION JAPAN INC.	Selling medical appliances	100.00 %	100.00 %	Notes 4 and 7
PEGAVISION CORPORATION	AQUAMAX CORPORATION	Selling medical appliances	- %	100.00 %	Notes 4, 7 and 11
AQUAMAX CORPORATION	AQUAMAX VISION CORPORATION	Selling medical appliances	100.00 %	100.00 %	Notes 4 and 7
PEGAVISION CORPORATION	PEGAVISION (SHANGHAI) LIMITED	Selling medical appliances	100.00 %	100.00 %	Notes 4 and 7
PEGAVISION (SHANGHAI) LIMITED	Gemvision Technology (Zhejiang) Limited.	Selling medical appliances	100.00 %	100.00 %	Notes 4 and 7
PEGAVISION CORPORATION	Pegavision (Jiangsu) Limited.	Manufacturing and selling medical appliances	100.00 %	- %	Notes 4, 7 and 10
PEGAVISION CORPORATION	Mayin Investment Co., Ltd.	Investing activities	100.00 %	- %	Notes 4, 7 and 11
Mayin Investment Co., Ltd.	BeautyTech Platform Corporation	Selling medical appliances	100.00 %	- %	Notes 4, 7 and 11
Mayin Investment Co., Ltd.	FacialBeau International Corporation	Selling cosmetics	55.00 %	- %	Notes 4, 7 and 11
KINSUS INVESTMENT, ASUSTEK INVESTMENT AND ASUS INVESTMENT	FUYANG TECHNOLOGY CORPORATION	Manufacturing and wholesaling of wires, cables, and electronic components	89.13 %	89.13 %	
FUYANG TECHNOLOGY CORPORATION	FUYANG FLEX HOLDING LTD. (FUYANG HOLDING)	Investing activities	100.00 %	100.00 %	
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 %	
KINSUS	KINSUS CORP. (USA)	Developing and designing new technology and products; analyzing marketing strategy and developing new customers	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
			December 31, 2021	December 31, 2020	
KINSUS	KINSUS HOLDING (SAMOA) LIMITED (KINSUS SAMOA)	Investing activities	100.00 %	100.00 %	Note 4
KINSUS SAMOA	KINSUS HOLDING (CAYMAN) LIMITED (KINSUS CAYMAN)	Investing activities	100.00 %	100.00 %	Note 4
KINSUS CAYMAN	KINSUS INTERCONNECT TECHNOLOGY (SUZHOU) CORP.	Manufacturing and selling circuit boards	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 %	Note 4
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 %	
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	ASUSPOWER CORPORATION	Investing and trading activities	100.00 %	100.00 %	
THE COMPANY, ASUSPOWER CORPORATION	CASETEK HOLDINGS LIMITED (CAYMAN) (CASETEK CAYMAN)	Investing activities	100.00 %	60.02 %	Note 8
CASETEK CAYMAN	RIH LI INTERNATIONAL LIMITED (RIH LI)	Investing activities	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 %	
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 %	
RIH LI	RI-MING (SHANGHAI) CO., LTD. (RI-MING)	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling	- %	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 %	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 %	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 %	Note 9

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investor	Subsidiary	Nature of business	Shareholding ratio		Notes
			December 31, 2021	December 31, 2020	
RIH LI	Luxcase Precision Technology (Yancheng) Co., Ltd. (Luxcase) (Former RI KAI)	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling	- %	100.00 %	Note 9
CASETEK CAYMAN	RI-KUAN METAL CORPORATION (RI-KUAN)	Selling iron and aluminum products	100.00 %	100.00 %	
RI-KUAN	RITENG USA, INC	Market survey	100.00 %	100.00 %	
CASETEK CAYMAN	APLUS PRECISION LIMITED (APLUS)	Investing and trading activities	100.00 %	100.00 %	
APLUS	UNITED NEW LIMITED (UNITED)	Investing and trading activities	100.00 %	100.00 %	
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 %	
CASETEK CAYMAN	MEGA MERIT LIMITED	Trading activities	100.00 %	100.00 %	
CASETEK CAYMAN	CASETEK SINGAPORE PTE. LTD.	Trading activities	- %	100.00 %	Note 9
ASUS INVESTMENT	AS FLY TRAVEL SERVICE LIMITED	Travel agency	100.00 %	100.00 %	
ASUSPOWER INVESTMENT	PEGATRON TECHNOLOGY SERVICE INC. (PTSI)	Sales and repair service center in North America	100.00 %	100.00 %	
PTSI	PEGATRON SERVICOS DE INFORMATICA LTDA.	Maintenance service	100.00 %	100.00 %	
ASUSPOWER INVESTMENT	PEGA INTERNATIONAL LIMITED	Design service and sales	100.00 %	100.00 %	
ASUSPOWER INVESTMENT	PEGATRON JAPAN INC.	Sales and repair service center in Japan	100.00 %	100.00 %	
ASUSPOWER INVESTMENT	PEGATRON LOGISTIC SERVICE INC.	Sales and logistics center in North America	100.00 %	100.00 %	
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	Lumens Digital Optics Inc. (Lumens Optics)	Developing, manufacturing and selling computer data projectors and related peripherals	55.21 %	55.21 %	
Lumens Optics	Lumens Integration Inc.	Selling computer communication products and peripherals	100.00 %	100.00 %	
Lumens Optics	Lumens Digit Image Inc. (SAMOA) (Lumens)	Investing activities	100.00 %	100.00 %	
Lumens	Lumens (Suzhou) Digital Image Inc.	Manufacturing and selling projectors, projection screens and related products	100.00 %	100.00 %	
ASUSPOWER INVESTMENT	Pegatron Service Singapore Pte. Ltd. (PSG)	Sales and repair service center in Singapore	100.00 %	100.00 %	
PSG	PEGATRON SERVICE KOREA LLC.	Sales and repair service center in Korea	100.00 %	100.00 %	
ASUS INVESTMENT	HUA-YUAN INVESTMENT LIMITED	Investing activities	100.00 %	100.00 %	
THE COMPANY	PEGATRON SERVICE AUSTRALIA PTY. LTD.	Sales and repair service center in Australia	100.00 %	100.00 %	

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investor	Subsidiary	Nature of business	Shareholding ratio		Notes
			December 31, 2021	December 31, 2020	
THE COMPANY	PEGATRON USA, INC.	Sales and repair service center in North America	100.00 %	100.00 %	
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 %	
THE COMPANY	PEGATRON VIETNAM COMPANY LIMITED	Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts	100.00 %	100.00 %	
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 %	
THE COMPANY	PEGASUS ACE LIMITED	Investing activities	- %	100.00 %	Note 8
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 %	
THE COMPANY	PEGATRON TECHNOLOGY TEXAS INC.	Sales center in North America	100.00 %	- %	Note 14
THE COMPANY	PEGATRON ELECTRONICS INC.	Sales center in North America	100.00 %	- %	Note 14

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, and approved to issued new restricted shares of stock on September 14, 2021, resulting in the Group's shareholding ratio in ASROCK to decrease from 55.92% to 54.88%.

Note 3 : On 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 38.57% to 38.58%.

Note 4 : Since the Group only held 38.58% of the voting rights of KINSUS INTERCONNECT TECHNOLOGY CORP. (KINSUS), with the remaining 61.42% shares belonging to different shareholders having no intention of exercising their votes collectively, and also, due to the fact that the Group's participation dominated the previous shareholders' meetings, resulting in the Group having a significant control over KINSUS. Therefore, KINSUS has been included in the consolidated financial statements of the Group.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- Note 5 : On March 25 and April 15, 2020, ASROCK RACK INCORPORATION (ARI) purchased 2 thousand and 9 thousand shares from non related parties amounting to \$40 thousand and \$172 thousand, respectively, resulting in the Group's shareholding ratio to increase to 62.05%. In addition, 191 thousand treasury stocks had been cancelled based on a resolution approved during the board meeting of ARI held on April 22, 2021, resulting in the Group's shareholding ratio to increase from 62.05% to 62.43%. Furthermore, a resolution had been approved during the board meeting of ARI held on July 14, 2021 to raise its capital for employee stock options. However, the Group did not increase its shares proportionally in ARI, resulting in the Group's shareholding ratio in ARI to decrease from 62.43% to 59.66%. Also, ARI issued stock dividends to inject its capital with surplus on August 24, 2021, resulting in the Group's shareholding ratio in ARI to increase from 59.66% to 59.67%.
- Note 6 : On January 13, March 23, and May 7, 2020, ASRock Industrial Computer Corporation (ASRock) purchased 30 thousand, 20 thousand, and 21 thousand shares, from non-related parties amounting to \$300 thousand, \$246 thousand, and \$266 thousand, respectively, resulting in the Group's shareholding ratio in ASRock to increase to 67.58%. On July 31, 2020, ASRock approved to issue new shares for employee stock option. However, the Group did not increase its shares proportionally, resulting in its shareholding ratio in ASRock to decrease from 67.58% to 66.28%. Additionally, on September 30, December 7, and December 21, 2020, the Group purchased 105 thousand, 103 thousand, and 36 thousand shares, from non-related parties amounting to \$1,295 thousand, \$1,302 thousand, and \$452 thousand, respectively, resulting its shareholding ratio in ASRock to increase from 66.28% to 66.96%. Furthermore, a resolution to issue new shares for employee stock options was approved during the Board meeting held on June 11, 2021, with the investment amounting to \$6,132 thousand. Since the Group did not purchase the stocks based on its shareholding ratio, the Group's shareholding ratio in ASRock has decreased from 66.96% to 65.83%.
- Note 7 : Since the Group only held 45.21% of rights of PEGAVISION CORPORATION (PEGAVISION), with the remaining 54.79% shares belonging to different shareholders having no intention of exercising their votes collectively, and also, due to the fact that the Group's participation dominated the previous shareholders' meetings, resulting in the Group having a significant control over PEGAVISION, PEGAVISION has been included in the consolidated financial statements of the Group.
- Note 8 : On August 26, 2020, CASETEK HOLDINGS LIMITED (CASETEK) reduced its capital by repurchasing treasury stocks, resulting in the Group's shareholding ratio in CASETEK to increase from 59.41% to 60.02%. Pursuant to a resolution made during the CASETEK's Extraordinary General Meeting on September 30, 2020, CASETEK will complete a triangular merger with Pegatron Corporation and its wholly owned subsidiary, PEGASUS ACE LIMITED. The date of merger was set on January 15, 2021. The Group acquired all non-controlling interests of CASETEK in accordance with the merger agreement. The Group's shareholding ratio in CASETEK increased to 100% since the equity of CASETEK, originally held by ASUSPOWER CORPORATION, was also fully transferred to the ultimate parent company in the process of organizational restructuring, and PEGASUS ACE LIMITED as a dissolved company being merged in the triangular merger.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- Note 9 : To meet its operational needs, the Group had completed the organizational restructuring of its subsidiaries in mainland China by adjusting RI KAI COMPUTER ACCESSORY CO., LTD. (RI KAI) to a domestic holding company. Upon the completion of the reorganization, RI SHAN, RI PEI, RI MING, and SHENG RUI became directly wholly owned by RI KAI. The reorganization had been approved by Investment Board, Ministry of Economic Affairs on January 15, 2021. Furthermore, the Group approved a board resolution on January 29, 2021 to authorize RI KAI to raise its capital, with the record date on February 3, 2021; and to authorize RIH LI INTERNATIONAL LIMITED to waive its pre-emptive right toward the capital increase of RI KAI, which will result in the Group's shareholding ratio in RI KAI to decrease from 100% to 48.17%. In addition, an agreement wherein RI KAI will obtain the physical control over CASETEK SINGAPORE PTE. LTD. had also been made. After the capital increase, the other shareholders of RI KAI have also given the physical decision power over relevant operating activities of RI KAI and CASETEK SINGAPORE PTE. LTD. The Group had lost control over its subsidiaries after the record date of the capital increase. On April 26, 2021, RI KAI was renamed Luxcase Precision Technology (Yancheng) Co., Ltd.
- Note 10 : The subsidiary was established by the Group in the first quarter of 2021.
- Note 11 : To improve its operational efficiency, PEGAVISION CORPORATION approved a resolution during its board meeting held on July 26, 2021 for a structure reorganization by transferring its investment from Aquamax Corporation to Mayin Investment Co. (Mayin), which was established (with all related registration procedures had been completed on August 19, 2021) and a directly wholly-owned subsidiary of PEGAVISION CORPORATION once the reorganization is completed. Furthermore, Mayin directly established a 55% owned subsidiary, FacialBeau International Corporation, with its registration completed on October 22, 2021.
- Note 12 : Subsidiary established by the Group in the second quarter of 2021.
- Note 13 : The subsidiary has been sold to a non-related party, therefore, the Group lost control over the subsidiary.
- Note 14 : The subsidiary was established by the Group in the fourth quarter of 2021.
- Note 15 : The subsidiary was purchased by the Group in the fourth quarter of 2021.

(vii) Subsidiaries excluded from consolidation: None.

(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.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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 is 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.

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

(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.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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 instruments

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

(i) Financial assets

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

1) Financial assets measured at amortized cost

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

- 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.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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.

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.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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.

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)

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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.

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:

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- 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.

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.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Treasury shares

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

4) Financial liabilities

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

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

5) Derecognition of financial liabilities

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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.

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.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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.

(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.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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.

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

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

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

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.

(i) 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.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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.

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.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) 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.

(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.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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.

(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) Provisions

A provision is recognized if, as a result of a past event, the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(q) 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.

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.

(r) Employee benefits

(i) Defined contribution plans

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Defined benefit plans

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

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

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

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

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the 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.

(s) Share-based payment

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

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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.

(t) Income taxes

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

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

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are not recognized for the following:

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

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

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

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

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

(u) 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.

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.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) 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.

(w) 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.

(x) 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.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

- Judgment regarding control of subsidiaries

Due to significant judgments involved and material impact on recognized amounts for consolidated financial report, please refer to Note 4(c) for details.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic:

- Valuation of inventories

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

(6) Explanation of significant accounts

- (a) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash on hand	\$ 446,493	11,630
Cash in banks	57,627,545	69,014,570
Time deposits	52,741,895	53,578,392
Cash equivalents	208,153	3,392,122
	\$ 111,024,086	125,996,714

- (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.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	<u>December 31,</u> <u>2021</u>	<u>December 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	\$ 1,582,906	1,635,802
Shares of stock of unlisted companies	7,704	7,704
Beneficiary certificates	1,724,887	2,770,944
Shares of stock of overseas listed companies	8,263,406	9,437,126
Convertible bonds	92,543	93,738
Non-current mandatorily measured at fair value through profit or loss:		
Non-derivative financial assets		
Shares of stock of listed companies	220,850	218,750
Beneficiary certificates	471,075	328,865
Shares of stock of overseas listed companies	659,176	-
Shares of stock of overseas unlisted companies	<u>236,979</u>	<u>63,669</u>
Total	<u>\$ 13,259,526</u>	<u>14,556,598</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>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Debt investments at fair value through other comprehensive income:		
Beneficiary certificates	\$ 41,784	-
Equity instruments at fair value through other comprehensive income:		
Shares of stock of listed companies	\$ 1,015,796	533,196
Shares of stock of unlisted companies	147,786	149,143
Shares of stock of overseas listed companies	241,285	250,064
Shares of stock of overseas unlisted companies	<u>46,224</u>	<u>69,808</u>
Total	<u>\$ 1,492,875</u>	<u>1,002,211</u>

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

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

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

For the years ended December 31, 2021 and 2020, respectively, the Group has recognized dividend \$16,262 thousand and \$11,373 thousand from equity instruments designated at fair value through other comprehensive income. And the Group has recognized dividends for those equity instruments that have been disposed during 2021 and 2020 for \$0 and \$120 thousand, respectively. Dividends are recognized as other income— non-operating income and expenses. Please refer to Note 6(ac).

For the years ended December 31, 2021 and 2020, the Group had sold its shares as a result of investment strategic. The shares sold had fair values of \$48,587 thousand and \$176,983 thousand, respectively, and the Group realized cumulative gains and losses of \$20,319 thousand and \$3,680 thousand, respectively, which were included in other comprehensive income. The cumulative losses were converted to retained earnings.

The Group realized a cumulative loss of \$150,000 thousand from liquidation of the stock of unlisted companies, which is included in other comprehensive income. The cumulative loss was converted to retained earnings.

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

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

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

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

	December 31, 2021	December 31, 2020
Notes receivables from operating activities	\$ 14,952	6,612
Accounts receivable-measured at amortized cost	249,637,569	224,136,586
Less: Allowance for impairment	<u>119,064</u>	<u>179,507</u>
	<u>\$ 249,533,457</u>	<u>223,963,691</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.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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.

The loss allowance provision was determined as follows:

	December 31, 2021		
	Gross carrying amount	Expected loss rate	Loss allowance provision
Current	\$ 247,929,269	0%~1%	(43,584)
Overdue 0 to 30 days	1,477,274	1%~30%	(43,102)
Overdue 31 to 120 days	137,784	0%~100%	(7,428)
Overdue 121 to 365 days	96,406	2%~100%	(13,162)
Over 365 days past due	<u>11,788</u>	100%	<u>(11,788)</u>
	<u>\$ 249,652,521</u>		<u>(119,064)</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>

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

	For the years ended December 31	
	2021	2020
Balance on January 1	\$ 179,507	1,676,398
Impairment losses recognized	19,354	19,979
Impairment loss reversed	(19,428)	(10,965)
Amounts written off	(49,783)	(1,502,577)
Foreign exchange losses	(5,323)	(3,328)
Effect of disposals of subsidiaries	<u>(5,263)</u>	<u>-</u>
Balance on December 31	<u>\$ 119,064</u>	<u>179,507</u>

The aforesaid financial assets were not pledged as collateral.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

December 31, 2021						
Purchaser	Amount Derecognized	Factoring Line (thousands)	Amount Advanced (thousands) Paid	Collateral	Range of Interest Rate	Significant Factoring Terms
ANZ (Notes 1 and 2)	\$ -	USD 760,000	USD -	None	0.40%~ 0.41%	The accounts receivable factoring is without recourse but the seller still bears the risks except for eligible obligor's insolvency.
December 31, 2020						
Purchaser	Amount Derecognized	Factoring Line (thousands)	Amount Advanced (thousands) Paid	Collateral	Range of Interest Rate	Significant Factoring Terms
ANZ (Notes 1 and 2)	\$ -	USD 760,000	USD -	None	0.52%~ 0.58%	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: Some participating banks had withdrawn from the joint accounts receivable factoring agreement in 2020, resulting in the factoring line decreased to USD\$760,000 thousand.

For the years ended December 31, 2021 and 2020, the Company recognized a fee and interest on bank advance payment of \$629 thousand and \$2,686 thousand, respectively, from the factoring of accounts receivable, which was accounted under finance costs in the statement of comprehensive income. For more information, please refer to Note 6(ac).

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

December 31, 2021						
Purchaser	Amount Derecognized	Factoring Line (thousands)	Amount Advanced (thousands) Paid	Collateral	Range of Interest Rate	Significant Factoring Terms
Mega International Commercial Bank	\$ 602,015	USD 30,000	USD 8,827	None	0.47%~ 0.50%	The accounts receivable factoring is without recourse

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

December 31, 2020						
Purchaser	Amount Derecognized	Factoring Line (thousands)	Amount Advanced (thousands) Paid	Collateral	Range of Interest Rate	Significant Factoring Terms
Mega International Commercial Bank	\$ <u>480,175</u>	USD <u>30,000</u>	USD <u>16,830</u>	None	0.42%~ 0.51%	The accounts receivable factoring is without recourse

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

	December 31, 2021	December 31, 2020
Other receivables	\$ 1,098,166	2,034,360
Other receivables-Related parties	8,546,882	-
Less: Allowance for impairment	<u>16,438</u>	<u>18,871</u>
	<u>\$ 9,628,610</u>	<u>2,015,489</u>

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

(f) Inventories

	December 31, 2021	December 31, 2020
Merchandise	\$ 1,310,360	2,186,008
Finished goods	61,421,960	85,446,020
Work in process	22,894,310	40,765,271
Raw materials	<u>67,539,582</u>	<u>43,681,070</u>
Subtotal	153,166,212	172,078,369
Less: Allowance for inventory market decline and obsolescence	<u>5,105,015</u>	<u>6,935,976</u>
Total	<u>\$ 148,061,197</u>	<u>165,142,393</u>

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The components of cost of goods sold were as follows:

	For the years ended December 31	
	2021	2020
Cost of goods sold	\$ 1,204,532,911	1,331,274,562
(Reversal of) provision on market price decline	(226,454)	413,353
Loss on disposal of inventory	11,197,012	14,436,039
Unallocated manufacturing overhead	1,613,762	3,569,326
Loss on physical inventory	<u>29,583</u>	<u>35,377</u>
	<u>\$ 1,217,146,814</u>	<u>1,349,728,657</u>

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

As of December 31, 2021 and 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:

	December 31, 2021	December 31, 2020
Associates	<u>\$ 22,534,158</u>	<u>351,450</u>
Credit balance of investments accounted for using equity method- associate	<u>\$ 258</u>	<u>-</u>

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

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

Luxcase

	December 31, 2021
Current assets	\$ 99,135,906
Non-current assets	38,002,561
Current liabilities	(90,182,220)
Non-current liabilities	(936,897)
Net assets	\$ 46,019,350
	For the eleven months ended December 31, 2021
Operating revenue	\$ 224,654,064
Gain from continuing operations	\$ 3,562,928
Other comprehensive income	(13,193)
Comprehensive income attributable to shareholders	\$ 3,549,735
	For the eleven months ended December 31, 2021
Shares of net assets of the associate as of January 1, 2021	\$ -
Addition	21,202,915
Net gain attributable to the Group	1,611,478
Comprehensive income attributable to the Group	(256,480)
Change in the ownership interest attributable to the Group	(389,012)
Shares of net assets of associates	22,168,901
Goodwill	103,108
Carrying amount of the associate's equity as of December 31, 2021	\$ 22,272,009

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	December 31, 2021	December 31, 2020
Carrying amount of individually insignificant associates' equity	\$ 261,891	351,450
	For the years ended December 31	
	2021	2020
Attributable to the Group:		
(Loss) profit from continuing operations	\$ (65,159)	119,759
Other comprehensive income	12	190
Total comprehensive (loss) profit	\$ (65,147)	119,949

(i) As of December 31, 2021 and 2020, the aforesaid investments accounted for using equity method were not pledged as collateral.

(i) Loss of control over a subsidiary

The Group approved a board resolution on January 29, 2021 to authorize its wholly-owned indirect subsidiary, Luxcase (Former RI KAI) to raise its capital on the record date of February 3, 2021, and to authorize another indirect subsidiary, RIH LI waived its pre-emptive right toward the capital increase of RI KAI, resulting the Group's shareholding ratio in Luxcase decreased from 100% to 48.17% and lost control over Luxcase. At the record date, the Group remeasured the remaining 48.17% equity. The difference between the fair value and the net book value and the loss reclassified from the accumulated balance previously recognized as other comprehensive loss comprise the net gain on disposal of \$3,773,813 thousand, presented as other gain or losses in the consolidated statement of comprehensive income. For more details, please refer to Notes 6(ac) and 6(ad).

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

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Accounts payable and other payables	(24,117,848)
Accrued expenses	(34,396,433)
Current tax liabilities	(285,597)
Lease liabilities	(200,415)
Other current liabilities	(355,941)
Contract liabilities	(41,997)
Other non-current liabilities	<u>(109,342)</u>
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>December 31, 2021</u>	<u>December 31, 2020</u>
KINSUS and its subsidiaries	Taiwan	61.42 %	61.43 %
ASROCK and its subsidiaries	Taiwan	45.12 %	44.08 %
CASETEK CAYMAN	Taiwan/Cayman	-	39.98 %

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>December 31, 2021</u>	<u>December 31, 2020</u>
Current assets	\$ 26,424,304	21,663,991
Non-current assets	31,961,844	21,119,961
Current liabilities	(13,982,699)	(10,730,750)
Non-current liabilities	<u>(11,414,351)</u>	<u>(2,863,643)</u>
Net assets	<u>\$ 32,989,098</u>	<u>29,189,559</u>
Non-controlling interest	<u>\$ 20,886,824</u>	<u>18,296,937</u>

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	For the years ended December 31	
	2021	2020
Operating revenue	<u>\$ 35,672,763</u>	<u>27,098,474</u>
Net income for the period	\$ 4,492,108	929,443
Other comprehensive loss	(24,269)	(22,831)
Comprehensive income	<u>\$ 4,467,839</u>	<u>906,612</u>
Net income attribute to non-controlling interest	<u>\$ 3,054,312</u>	<u>719,937</u>
Comprehensive income attribute to non-controlling interest	<u>\$ 3,042,230</u>	<u>716,815</u>

	For the years ended December 31	
	2021	2020
Cash flows from operating activities	\$ 10,574,431	5,358,469
Cash flows used in investing activities	(12,895,057)	(2,909,501)
Cash flows from (used in) financing activities	5,999,519	(1,525,522)
Effect of movement in exchange rate	(11,798)	29,383
Net increase in cash and cash equivalents	<u>\$ 3,667,095</u>	<u>952,829</u>
Dividends to non-controlling interest	<u>\$ 468,686</u>	<u>372,936</u>

(ii) Information regarding ASROCK and its subsidiaries

	December 31, 2021	December 31, 2020
Current assets	\$ 15,422,807	11,226,039
Non-current assets	471,143	489,772
Current liabilities	(7,013,600)	(4,325,667)
Non-current liabilities	(91,506)	(81,708)
Net assets	<u>\$ 8,788,844</u>	<u>7,308,436</u>
Non-controlling interest	<u>\$ 4,271,093</u>	<u>3,449,287</u>

	For the years ended December 31	
	2021	2020
Operating revenue	<u>\$ 19,762,672</u>	<u>17,911,584</u>
Net income for the period	\$ 2,459,938	1,508,583
Other comprehensive loss	(111,731)	(199,212)
Comprehensive income	<u>\$ 2,348,207</u>	<u>1,309,371</u>
Net income attribute to non-controlling interest	<u>\$ 1,133,783</u>	<u>746,131</u>
Comprehensive income attribute to non-controlling interest	<u>\$ 1,084,316</u>	<u>658,717</u>

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	For the years ended December 31	
	2021	2020
Cash flows from operating activities	\$ 1,024,292	1,352,024
Cash flows (used in) from investing activities	(516,840)	73,471
Cash flows used in financing activities	(953,233)	(515,592)
Effect of movement in exchange rate	(103,377)	(182,907)
Net (decrease) increase in cash and cash equivalents	<u>\$ (549,158)</u>	<u>726,996</u>
Dividends to non-controlling interest	<u>\$ 459,835</u>	<u>212,721</u>

(iii) Information regarding CASETEK CAYMAN

	December 31, 2020
Current assets	\$ 65,391,986
Non-current assets	27,598,569
Current liabilities	(54,615,386)
Non-current liabilities	(7,203,965)
Net assets	<u>\$ 31,171,204</u>
Non-controlling interest	<u>\$ 12,259,489</u>
	For the year ended December 31, 2020
Operating revenue	<u>\$ 75,597,875</u>
Net income for the period	\$ 1,265,617
Other comprehensive income	195,229
Comprehensive income	<u>\$ 1,460,846</u>
Net income attribute to non-controlling interest	<u>\$ 507,354</u>
Comprehensive income attribute to non-controlling interest	<u>\$ 585,913</u>
	For the year ended December 31, 2020
Cash flows from operating activities	\$ 155,967
Cash flows used in investing activities	(5,797,834)
Cash flows from financing activities	16,249,075
Effect of movement in exchange rate	(578,711)
Net increase in cash and cash equivalents	<u>\$ 10,028,497</u>
Dividend paid to non-controlling interests	<u>\$ 168,074</u>

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(k) Acquisition of non-controlling interests

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

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

	January 15, 2021
Carrying amount of non-controlling interest on acquisition	\$ 12,283,355
Consideration paid to non-controlling interests	(14,274,713)
Exchange differences on translation of foreign financial statements	1,832,185
Capital surplus differences between the consideration and the carrying amounts of the subsidiaries acquired	\$ (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 at 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	210,029	1,122,445	1,505,729	175,447	3,187,065	12,584,348	18,785,063
Disposals and obsolescence	-	(516,939)	(2,545,568)	(151,414)	(2,648,985)	-	(5,862,906)
Reclassifications	3,132,634	2,889,384	5,474,744	(387)	4,298,290	(10,552,868)	5,241,797
Subsidiary disposal	-	(9,042,327)	(22,876,427)	-	(7,290,696)	(2,705,181)	(41,914,631)
Effect of movement in exchange rates	(4,674)	(937,440)	(384,746)	(20,906)	(544,676)	(4,600)	(1,897,042)
Balance at December 31, 2021	\$ 11,856,650	51,500,156	53,338,900	1,313,354	34,999,356	3,058,362	156,066,778
Balance at 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	773,090	1,308,789	6,231,947	159,568	4,359,010	5,537,323	18,369,727
Disposals and obsolescence	-	(403,110)	(3,226,286)	(212,099)	(2,205,923)	-	(6,047,418)
Reclassifications	-	3,028,447	2,042,381	4,147	2,399,454	(5,001,743)	2,472,686
Effect of movement in exchange rates	(9,091)	(1,245,507)	(44,980)	(37,157)	(670,340)	(45,718)	(2,052,793)
Balance at December 31, 2020	\$ 8,518,661	57,985,033	72,165,168	1,310,614	37,998,358	3,736,663	181,714,497
Depreciation and impairment loss:							
Balance at January 1, 2021	\$ -	21,640,958	50,988,697	1,021,535	24,678,033	-	98,329,223
Depreciation for the year	-	2,757,071	4,543,920	167,341	4,456,636	-	11,924,968
Impairment loss (reversal gain)	-	15,200	49,884	(18)	784	-	65,850
Disposals and obsolescence	-	(403,001)	(2,160,233)	(144,626)	(2,176,965)	-	(4,884,825)
Reclassifications	-	(111,947)	37,730	-	(79,565)	-	(153,782)
Subsidiary disposal	-	(1,550,480)	(11,784,858)	-	(4,347,813)	-	(17,683,151)
Effect of movement in exchange rates	-	(466,862)	(370,317)	(20,637)	(410,219)	-	(1,268,035)
Balance at December 31, 2021	\$ -	21,880,939	41,304,823	1,023,595	22,120,891	-	86,330,248

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Land</u>	<u>Buildings</u>	<u>Machinery equipment</u>	<u>Instrument equipment</u>	<u>Other facilities</u>	<u>Construction in progress</u>	<u>Total</u>
Balance at January 1, 2020	\$ -	19,467,445	46,288,167	1,118,844	21,849,079	-	88,723,535
Depreciation for the year	-	3,099,617	7,445,224	145,904	5,484,604	-	16,175,349
Impairment loss	-	-	142,275	4,013	11,985	-	158,273
Reclassifications	-	53,777	(44,449)	-	(149,615)	-	(140,287)
Disposals and obsolescence	-	(380,992)	(2,563,205)	(210,121)	(1,917,830)	-	(5,072,148)
Effect of movement in exchange rates	-	(598,889)	(279,315)	(37,105)	(600,190)	-	(1,515,499)
Balance at December 31, 2020	<u>\$ -</u>	<u>21,640,958</u>	<u>50,988,697</u>	<u>1,021,535</u>	<u>24,678,033</u>	<u>-</u>	<u>98,329,223</u>
Carrying value:							
Balance at December 31, 2021	<u>\$ 11,856,650</u>	<u>29,619,217</u>	<u>12,034,077</u>	<u>289,759</u>	<u>12,878,465</u>	<u>3,058,362</u>	<u>69,736,530</u>
Balance at January 1, 2020	<u>\$ 7,754,662</u>	<u>35,828,969</u>	<u>20,873,939</u>	<u>277,311</u>	<u>12,267,078</u>	<u>3,246,801</u>	<u>80,248,760</u>
Balance at December 31, 2020	<u>\$ 8,518,661</u>	<u>36,344,075</u>	<u>21,176,471</u>	<u>289,079</u>	<u>13,320,325</u>	<u>3,736,663</u>	<u>83,385,274</u>

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

	<u>For the years ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Impairment loss (reversal gain)	<u>\$ 65,850</u>	<u>158,273</u>

- (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) Based on the evaluation of the overall performance of machinery equipment and the consideration of future economic benefits, CASETEK CAYMAN and its subsidiaries had retired some of their dedicated equipment, resulting in loss on disposal of related assets amounting to \$353,082 thousand, recognized under other income and losses in the consolidated statement of comprehensive income. Please refer to Note 6(ac) for related information.
- (iv) 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.
- (v) In October 2021, AZUREWAVE and its subsidiaries disposed a portion of their plants and land use rights, that were used by their production department, based on their board meeting approved in May 2021, resulting in an increase in the gain on disposal of property, plant and equipment by \$105,991 thousand, which was recognized under other gains and losses in the consolidated statement of comprehensive income. Please refer to Note 6(ac) for details.
- (vi) Please refer to Note 6(ac) for gain and loss on the disposal of property, plant and equipment.
- (vii) Please refer to Note 8 for the details of property, plant and equipment pledged as collateral.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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:

	<u>Land</u>	<u>Buildings</u>	<u>Machinery equipment</u>	<u>Transportation equipment</u>	<u>Total</u>
Cost:					
Balance on January 1, 2021	\$ 4,938,146	4,861,404	17,793	4,269	9,821,612
Additions	16,247	2,353,456	-	2,212	2,371,915
Reductions	(50,354)	(1,729,380)	(17,793)	(2,490)	(1,800,017)
Subsidiaries disposal	(753,044)	(365,825)	-	-	(1,118,869)
Reclassification	(993)	-	-	-	(993)
Effect of movement in exchange rates	(98,950)	(104,079)	-	(14)	(203,043)
Balance on December 31, 2021	<u>\$ 4,051,052</u>	<u>5,015,576</u>	<u>-</u>	<u>3,977</u>	<u>9,070,605</u>
Balance on January 1, 2020	\$ 4,186,259	3,837,947	17,793	2,918	8,044,917
Additions	825,198	2,129,911	-	1,779	2,956,888
Reductions	(3,194)	(991,305)	-	(423)	(994,922)
Reclassification	44,565	-	-	-	44,565
Effect of movement in exchange rates	(114,682)	(115,149)	-	(5)	(229,836)
Balance on December 31, 2020	<u>\$ 4,938,146</u>	<u>4,861,404</u>	<u>17,793</u>	<u>4,269</u>	<u>9,821,612</u>
Accumulated depreciation:					
Balance on January 1, 2021	\$ 871,140	2,352,457	13,776	2,434	3,239,807
Depreciation for the year	102,127	1,469,991	4,017	1,012	1,577,147
Reductions	(15,910)	(1,598,424)	(17,793)	(1,894)	(1,634,021)
Subsidiaries disposal	(101,365)	(168,568)	-	-	(269,933)
Reclassification	(213)	-	-	-	(213)
Effect of movement in exchange rates	(18,226)	(60,410)	-	(5)	(78,641)
Balance on December 31, 2021	<u>\$ 837,553</u>	<u>1,995,046</u>	<u>-</u>	<u>1,547</u>	<u>2,834,146</u>
Balance on January 1, 2020	\$ 788,316	1,360,026	6,888	1,085	2,156,315
Depreciation for the year	101,512	1,834,105	6,888	1,779	1,944,284
Reclassification	10,043	-	-	-	10,043
Reductions	(3,194)	(757,358)	-	(422)	(760,974)
Effect of movement in exchange rates	(25,537)	(84,316)	-	(8)	(109,861)
Balance on December 31, 2020	<u>\$ 871,140</u>	<u>2,352,457</u>	<u>13,776</u>	<u>2,434</u>	<u>3,239,807</u>
Carrying amounts:					
Balance on December 31, 2021	<u>\$ 3,213,499</u>	<u>3,020,530</u>	<u>-</u>	<u>2,430</u>	<u>6,236,459</u>
Balance on December 31, 2020	<u>\$ 4,067,006</u>	<u>2,508,947</u>	<u>4,017</u>	<u>1,835</u>	<u>6,581,805</u>

- (i) 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.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(n) Investment property

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

	Buildings
Cost or deemed cost:	
Balance at January 1, 2021	\$ 57,994
Reclassification to property, plant and equipment	(2,890)
Effect of movement in exchange rates	(1,638)
Balance at December 31, 2021	\$ 53,466
Balance at January 1, 2020	\$ 61,013
Effect of movement in exchange rates	(3,019)
Balance at December 31, 2020	\$ 57,994
Depreciation and impairment loss :	
Balance at January 1, 2021	\$ 18,578
Depreciation for the year	3,034
Reclassification to property, plant and equipment	(949)
Effect of movement in exchange rates	(630)
Balance at December 31, 2021	\$ 20,033
Balance at January 1, 2020	\$ 16,517
Depreciation for the year	3,013
Effect of movement in exchange rates	(952)
Balance at December 31, 2020	\$ 18,578
Carrying amounts :	
Balance at December 31, 2021	\$ 33,433
Balance at January 1, 2020	\$ 44,496
Balance at December 31, 2020	\$ 39,416

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

	For the years ended December 31	
	2021	2020
Rental income	\$ -	-
Direct operating expenses arising from investment property that generate rental income	\$ 3,034	2,276

(ii) As of December 31, 2021 and 2020, the fair value of investment property of the Group was \$77,660 thousand and \$79,461 thousand, respectively. The fair value of investment property was based on the market price evaluation of the buildings located in the area.

(iii) As of December 31, 2021 and 2020, the aforesaid investment properties were not pledged as collateral.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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 at January 1, 2021	\$ 1,668,543	1,380,171	3,048,714
Additions	-	171,416	171,416
Disposals	-	(198,105)	(198,105)
Reclassifications	-	(471)	(471)
Subsidiaries disposals	-	(340,638)	(340,638)
Effect of movement in exchange rates	(28,411)	(14,658)	(43,069)
Balance at December 31, 2021	<u>\$ 1,640,132</u>	<u>997,715</u>	<u>2,637,847</u>
Balance at January 1, 2020	\$ 1,720,354	1,433,887	3,154,241
Additions	-	282,931	282,931
Disposals	-	(321,511)	(321,511)
Reclassifications	-	1,182	1,182
Effect of movement in exchange rates	(51,811)	(16,318)	(68,129)
Balance at December 31, 2020	<u>\$ 1,668,543</u>	<u>1,380,171</u>	<u>3,048,714</u>
Amortization and impairment losses:			
Balance at January 1, 2021	\$ 1,627,376	1,034,363	2,661,739
Amortization for the period	-	145,073	145,073
Disposals	-	(197,535)	(197,535)
Reclassifications	-	14	14
Subsidiaries disposals	-	(136,757)	(136,757)
Effect of movement in exchange rates	(27,279)	(15,594)	(42,873)
Balance at December 31, 2021	<u>\$ 1,600,097</u>	<u>829,564</u>	<u>2,429,661</u>
Balance at January 1, 2020	\$ 671,792	1,184,558	1,856,350
Amortization for the period	-	198,069	198,069
Disposals	-	(321,511)	(321,511)
Impairment loss	993,014	658	993,672
Effect of movement in exchange rates	(37,430)	(27,411)	(64,841)
Balance at December 31, 2020	<u>\$ 1,627,376</u>	<u>1,034,363</u>	<u>2,661,739</u>
Carrying value:			
Balance at December 31, 2021	<u>\$ 40,035</u>	<u>168,151</u>	<u>208,186</u>
Balance at January 1, 2020	<u>\$ 1,048,562</u>	<u>249,329</u>	<u>1,297,891</u>
Balance at December 31, 2020	<u>\$ 41,167</u>	<u>345,808</u>	<u>386,975</u>

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Amortization recognized

For the years ended December 31, 2021 and 2020, the amortization of intangible assets had been recognized in accounts of the consolidated statement of comprehensive income as follows :

	For the years ended December 31	
	2021	2020
Cost of sales	\$ 60,472	84,828
Operating expenses	84,601	113,241
	\$ 145,073	198,069

(ii) Goodwill impairment

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

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

- 1) The goodwill generated from the Group's acquisition of RIH LI in 2011 was allocated to mechanics CGU, wherein the growth of operating income from the sales of goods of certain subsidiaries of RIH LI is expected to bring benefits to the Group. However, since the actual growth of operating results were not as expected, the Group had recognized the amount of difference, in which the carrying amount exceeded the recoverable amount, as an impairment loss, resulting in the carrying amount of the CGU to be equal to its recoverable amount.

The recoverable amount of goodwill deriving from the mechanics CGU was based on its value-in-use. Since the goodwill deriving from the mechanics CGU has a recoverable amount lower than the carrying amount, the Group had recognized an impairment loss of \$993,014 thousand for the year ended December 31, 2020. There was no such situation for the year ended December 31, 2021. The recognized impairment loss had lowered the carrying amount of the respective CGU's allocated goodwill, and had been accounted for as other income and losses in the consolidated statement of comprehensive income. For more details, please refer to Note 6(ac).

The key assumptions used to estimate the value in use were as follows:

	December 31, 2020
Discount rate (pretax)	12.97 %

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The discount rate was a pre-tax measure based on the rate of 10-year government bonds issued by the Taiwan government in the same currency as the cash flows, adjusted for a risk premium to reflect both the increased risk of investing generally in equities and the systemic risk of the specific CGU.

Cash flows of five years were included in the discounted cash flow model, which was based on the financial forecast for the following year approved by the management.

Budgeted EBITDA over the financial forecast period was based on expectations of future outcome, taking into account the past experience, adjusted for the anticipated revenue growth. Revenue growth is projected by taking into account the historical growth levels experienced over the past few years.

- (iii) For the year ended December 31, 2020, the Group had recognized an impairment loss of \$658 regarding the part of intangible assets other than goodwill with recoverable amounts being lower than the carrying amounts. Please refer to Notes 6(ac) for the impairment loss recognized under other income and losses in the consolidated statement of comprehensive income. For the year ended December 31, 2021, the Group had not noted any indication of potential impairment loss based on its impairment evaluation.
- (iv) As of December 31, 2021 and 2020, the intangible assets were not pledged as collateral.
- (p) Other financial assets and other assets

Other financial assets and other assets were as follows:

	December 31, 2021	December 31, 2020
Other financial assets - current	\$ 30,316,944	40,943,545
Other financial assets - non-current	406,576	3,763,709
Other current assets	4,615,086	10,123,718
Other non-current assets	<u>50,033</u>	<u>60,744</u>
	<u>\$ 35,388,639</u>	<u>54,891,716</u>

- (i) Other financial assets are assets that do not qualify as cash equivalents which consisted of time deposits, restricted time deposits, callable bonds and guarantee deposits. Please refer to Notes 7 and 8 for details.
- (ii) Other current assets consisted of prepayments, current tax asset, rights to the returned goods and others.
- (iii) Other non-current assets consisted of prepayments on other long-term expenses and others.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(q) Short-term loans

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Unsecured bank loans	\$ 91,808,664	104,171,421
Other unsecured loans	2,214,640	-
Accounts receivable factoring	-	1,071,468
Total	<u>\$ 94,023,304</u>	<u>105,242,889</u>
Range of interest rate	<u>0.32%~4.54%</u>	<u>0.30%~4.25%</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>December 31, 2021</u>	<u>December 31, 2020</u>
Unsecured bank loans	\$ 13,183,370	17,004,672
Secured bank loans	54,001	9,786
	13,237,371	17,014,458
Less: current portion	(1,026,949)	(5,954,625)
Total	<u>\$ 12,210,422</u>	<u>11,059,833</u>
Range of interest rate	<u>0.35%~1.90%</u>	<u>0.35%~3.35%</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 \$11,114,362 thousand and \$3,498,130 thousand for the years ended December 31, 2021 and 2020, respectively. In addition, the Group proceeded from long-term loans of \$7,663,644 thousand and \$11,711,607 thousand for the years ended December 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.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

- 1) Current ratio (current assets/current liabilities): The ratio should not be lower than 100%.
- 2) Total liabilities 【 total liabilities (including contingent liability, excluding minority interests)/total assets excluding intangible assets】 : The ratio should be lower than 100%.
- 3) Interest coverage ratio 【 (profit before tax + depreciation + amortization + interest expense)/ interest expense】 : The ratio should not be lower than 500%.
- 4) Tangible net assets (total assets — total liabilities — intangible assets): The total amount should not be lower than \$15,000,000.

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

The above joint credit line was cancelled in February 2020 and September 2021, respectively. As of December 31, 2020, CASETEK CAYMAN was in compliance with the above financial covenants.

(s) Bonds payable

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

	December 31, 2021	December 31, 2020
Ordinary corporate bonds issued	\$ 36,900,000	25,500,000
Unamortized discount on bonds payable	(30,405)	(21,818)
Bonds payable, end of the year	36,869,595	25,478,182
Less: current portion	(2,000,000)	(1,000,000)
	<u>\$ 34,869,595</u>	<u>24,478,182</u>

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	For the years ended December 31	
	2021	2020
Interest expense	\$ 241,708	217,205

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 thousand, 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:

Item	1st unsecured ordinary bonds issued in 2017
1.Issuing amount	The Bonds are issued at \$7,000,000 thousand, which comprise Tranche A, Tranche B and Tranche C. The issuing amounts of Tranche A, Tranche B and Tranche C are \$3,000,000 thousand, \$2,000,000 thousand, and \$2,000,000 thousand, respectively.
2.Par value	Each unit is valued at \$1,000 thousand.
3.Offering price	The Bonds are issued by par value at the issuance date.
4.Issuance period	Each of Tranche A, Tranche B and Tranche C has 3-year term, 5-year term and 7-year term, respectively. The issuance period of Tranche A commences from 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.

Item	2nd unsecured ordinary bonds issued in 2017
1.Issuing amount	The Bonds are issued at \$8,000,000 thousand, which comprise Tranche A, Tranche B and Tranche C. The issuing amounts of Tranche A, Tranche B and Tranche C are \$1,000,000 thousand, \$4,500,000 thousand, and \$2,500,000 thousand, respectively.
2.Par value	Each unit is valued at \$1,000 thousand.
3.Offering price	The Bonds are issued by par value at the issuance date.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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:

Item	1st unsecured ordinary bonds issued in 2019
1. Issuing amount	The Bonds are issued at \$8,500,000 thousand, which comprise Tranche A, and Tranche B. The issuing amounts of Tranche A and Tranche B are \$6,000,000 thousand and \$2,500,000 thousand, respectively.
2. Par value	Each unit is valued at \$1,000 thousand.
3. Offering price	The Bonds are issued by par value at the issuance date.
4. Issuance period	Each of Tranche A 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.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

On March 26, 2020, the Board of Directors approved to issue unsecured ordinary corporate bonds with the total maximum amount of \$10,000,000 thousand, which have been approved and declared effective by the Taipei Exchange (TPEX) on October 12, 2020 and December 29, 2020, respectively, 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 thousand.
2.Par value	Each unit is valued at \$1,000 thousand.
3.Offering price	The Bonds are issued by par value at the issuance date.
4.Issuance period	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 thousand, which comprise Tranche A, and Tranche B. The issuing amounts of Tranche A, and Tranche B are \$2,200,000 thousand and \$1,300,000 thousand, respectively.
2.Par value	Each unit is valued at \$1,000 thousand.
3.Offering price	The Bonds are issued by par value at the issuance date.
4.Issuance period	Each of Tranche A and Tranche B has 5-year term and 7-year term, respectively. The issuance period of Tranche A commences from January 8, 2021 and matures on January 8, 2026. The issuance period of Tranche B commences from January 8, 2021 and matures on January 8, 2028.
5.Coupon rate	Tranche A, and B bear annual coupon rates of 0.43% and 0.58%, respectively.
6.Repayment	Tranche A, and Tranche B are repayable on maturity.
7.Interest payment	Interests are payable annually at coupon rate from the issuance date. The payment of each bond is rounded to the nearest dollar. If the repayment date and interest payment date are bank closing days, principal and interest shall be paid without extra interest on the next business day. If bondholders receive principal and interest past due the repayment date and interest payment date, there will no calculation of extra interest.
8.Guarantee	The Bonds are unsecured ordinary corporate bonds.

On September 16, 2021, the Company' s Board of Directors approved to issue unsecured ordinary corporate bonds with the total maximum amount of \$20,000,000 thousand, which have been approved and declared effective by the Taipei Exchange (TPEX) on November 23, 2021.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The offering Information and main rights and obligations was as follows :

<u>Item</u>	<u>1st unsecured ordinary bonds issued in 2021</u>
1.Issuing amount	The Bonds are issued at \$8,900,000 thousand, which comprise Tranche A, and Tranche B. The issuing amounts of Tranche A, and Tranche B are \$7,500,000 thousand and \$1,400,000 thousand, respectively.
2.Par value	Each unit is valued at \$1,000 thousand.
3.Offering price	The Bonds are issued by par value at the issuance date.
4.Issuance period	Each of Tranche A and Tranche B has 5-year term and 7-year term, respectively. The issuance period of Tranche A commences from December 2, 2021 and matures on December 2, 2026. The issuance period of Tranche B commences from December 2, 2021 and matures on December 2, 2028.
5.Coupon rate	Tranche A, and B bear annual coupon rates of 0.56% and 0.65%, 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.

(t) Lease liabilities

The Group's lease liabilities were as follows:

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Current	<u>\$ 1,067,674</u>	<u>1,547,060</u>
Non-current	<u>\$ 2,003,326</u>	<u>1,044,631</u>

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

The amounts recognized in profit or loss were as follows:

	<u>For the years ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Interest on lease liabilities	<u>\$ 80,238</u>	<u>119,968</u>
Variable lease payments not included in the measurement of lease liabilities	<u>\$ 44,094</u>	<u>16,598</u>
Income from sub-leasing right-of-use assets	<u>\$ 212</u>	<u>847</u>
Expenses relating to short-term leases	<u>\$ 446,214</u>	<u>369,443</u>
Expenses relating to leases of low-value, excluding short-term leases of low-value assets	<u>\$ 8,401</u>	<u>8,237</u>
Covid-19 - related rent concessions	<u>\$ 5,913</u>	<u>21,765</u>

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	For the years ended December 31	
	2021	2020
Total cash outflow for leases	\$ 2,071,803	2,286,394

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.

(u) Employee benefits

(i) Defined benefit plans

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

	December 31, 2021	December 31, 2020
Present value of defined benefit obligations	\$ 304,145	297,143
Fair value of plan assets	(192,394)	(183,237)
Net defined benefit liabilities	\$ 111,751	113,906
	December 31, 2021	December 31, 2020
Short-term employee benefits liabilities	\$ 367,414	328,118
Cash-settled share-based payment liability	158,988	201,972
Total employee benefit liabilities	\$ 526,402	530,090

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

1) Composition of plan assets

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group's contributions to the pension funds were deposited with Bank of Taiwan. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movements in the present value of the defined benefit obligations for the years ended December 31, 2021 and 2020 were as follows:

	For the years ended December 31	
	2021	2020
Defined benefit obligation, January 1	\$ 297,143	265,807
Current service costs and interest	10,608	5,074
Re-measurements of the net defined benefit liability		
— Actuarial gains arose from changes in demographic assumptions	(565)	2,885
— Actuarial gains arose from changes in financial assumption	(18,117)	23,007
— Experience adjustments	8,289	(32)
Past service costs	7,269	402
Effect of movements in exchange rates	(358)	-
Benefits paid by the plan	(124)	-
Defined benefit obligation, December 31	\$ 304,145	297,143

3) Movements in the fair value of plan assets

The movements in the fair value of the defined benefit plan assets for the years ended December 31, 2021 and 2020 were as follows:

	For the years ended December 31	
	2021	2020
Fair value of plan assets, January 1	\$ 183,237	170,414
Interests revenue	776	1,481
Re-measurements of the net defined benefit liability		
— Experience adjustments	2,497	5,488
Contributions made	5,884	5,854
Fair value of plan assets, December 31	\$ 192,394	183,237

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

4) Expenses recognized in profit or loss

The Group's pension expenses recognized in profit or loss for the years ended December 31, 2021 and 2020 were as follows:

	For the years ended December 31	
	2021	2020
Current service cost	\$ 8,947	2,788
Net interest on net defined benefit liability	885	805
Past service costs	7,269	402
	<u>\$ 17,101</u>	<u>3,995</u>

	For the years ended December 31	
	2021	2020
Operating costs	\$ 8,726	151
Operating expenses	8,375	3,844
	<u>\$ 17,101</u>	<u>3,995</u>

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

The Group's net defined benefit liability recognized in other comprehensive income for the years ended December 31, 2021 and 2020 were as follows:

	For the years ended December 31	
	2021	2020
Cumulative amount, January 1	\$ 110,639	90,267
Recognized during the year	(12,890)	20,372
Cumulative amount, December 31	<u>\$ 97,749</u>	<u>110,639</u>

6) Actuarial assumptions

The followings were the key actuarial assumptions at the reporting date:

	December 31, 2021	December 31, 2020
Discount rate	0.64%~0.82%	0.31%~0.63%
Future salary increase rate	2.00%~3.00%	2.00%~3.00%

Based on the actuarial report, the Group is expected to make a contribution payment of \$5,884 thousand to the defined benefit plans for the one year period after the reporting date.

The weighted-average duration of the defined benefit plans is between 5 and 29 years.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

7) Sensitivity Analysis

In determining the present value of the defined benefit obligation, the Group's management makes judgments and estimates in determining certain actuarial assumptions on the balance sheet date, which includes discount rate and future salary increase rate. Changes in actuarial assumptions may have significant impact on the amount of defined benefit obligation.

As of December 31, 2021 and 2020, the changes in the principal actuarial assumptions will impact on the present value of defined benefit obligation as follows:

	Impact on the present value of defined benefit obligation	
	Increase by 0.50%	Decrease by 0.50%
December 31, 2021		
Discount rate	(22,587)	24,953
Future salary increase rate	24,199	(22,161)
December 31, 2020		
Discount rate	(24,376)	27,094
Future salary increase rate	26,184	(23,843)

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

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

(ii) Defined contribution plans

The Group contributes an amount at the rate of 6% of the employee's monthly wages to the Labor Pension personal account with the Bureau of the Labor Insurance and Council of Labor Affairs in R.O.C. in accordance with the provisions of the Labor Pension Act. The Group's contributions to the Bureau of the Labor Insurance and Social Security Bureau for the employees' pension benefits require no further payment of additional legal or constructive obligations.

The costs of the pension contributions to the Labor Insurance Bureau for the years ended December 31, 2021 and 2020 were amounted to \$4,210,742 thousand and \$4,341,191 thousand, respectively.

(iii) As of December 31, 2021 and 2020, the Group had liabilities of short-term accrued vacation pay, amounting to \$367,414 thousand and \$328,118 thousand.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Income tax

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

	<u>For the years ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Current income tax expense		
Current period incurred	\$ 4,108,903	6,064,459
Prior years income tax adjustment	17,062	(119,943)
Suntax on undistributed earnings	91,385	126,902
Deferred tax expense		
The origination of temporary differences	<u>(1,118,602)</u>	<u>952,313</u>
Income tax expense	<u>\$ 3,098,748</u>	<u>7,023,731</u>

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

	<u>For the years ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Items that will not be reclassified subsequently to profit or loss		
Re-measurements of the net defined benefit plans	<u>\$ (456)</u>	<u>(1,455)</u>
Items that will be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign financial statements	<u>\$ (19,721)</u>	<u>5,409</u>

(iii) Income tax on pre-tax financial income reconciled with income tax expense for the years ended December 31, 2021 and 2020 was as follows:

	<u>For the years ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Profit before income tax	<u>\$ 28,125,842</u>	<u>29,443,283</u>
Income tax on pre-tax financial income calculated at the domestic rates applicable to profits in the country concerned	8,728,590	9,936,039
Permanent differences	(159,716)	(1,204,536)
Changes in unrecognized temporary differences	(5,271,260)	(1,857,769)
Oversea dividends received	194,571	346,631
Prior years income tax adjustment	17,062	(119,943)
Surtax on undistributed earnings	91,385	126,902
Others	<u>(501,884)</u>	<u>(203,593)</u>
Income tax expense	<u>\$ 3,098,748</u>	<u>7,023,731</u>

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

As of December 31, 2021 and 2020, the temporary differences associated with investments in subsidiaries were not recognized as deferred income tax liabilities as the Group has the ability to control the reversal of these temporary differences which are not expected to reverse in the foreseeable future. The related amounts were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
The aggregate temporary differences associated with investments in subsidiaries	\$ <u>86,307,185</u>	<u>73,931,936</u>
Unrecognized deferred tax liabilities	\$ <u>17,261,437</u>	<u>14,786,387</u>

2) Unrecognized deferred tax assets

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Deductible temporary differences	\$ 957,585	2,481,657
Tax losses	<u>878,216</u>	<u>2,150,354</u>
	\$ <u>1,835,801</u>	<u>4,632,011</u>

The ROC Income Tax Act allows the carry forward of net losses, as assessed by the tax authorities, to offset against taxable income. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

As of December 31, 2021, the Group had not recognized the prior years' loss carry-forwards as deferred tax assets, and the expiry years thereof were as follows:

<u>Company Name</u>	<u>Year of occurrence</u>	<u>Unused balance</u>	<u>Expiry year</u>
KINSUS and its subsidiaries	2012~2019	\$ 4,240,864	2022~2029
CASETEK CAYMAN and its subsidiaries	2017~2020	328,817	2022~2025
AZUREWAVE and its subsidiaries	2014~2020	675,581	2024~2030
AMA PRECISION	2012~2020	<u>69,429</u>	2022~2030
		\$ <u>5,314,691</u>	

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Recognized deferred tax assets and liabilities

The movements in deferred tax assets and liabilities for the years ended December 31, 2021 and 2020 were as follows:

	<u>Gain on foreign investments</u>	<u>Others</u>	<u>Total</u>
Deferred tax liabilities:			
Balance at January 1, 2021	\$ 1,536,340	1,589,956	3,126,296
Recognized in (profit) loss	(645,711)	(260,623)	(906,334)
Recognized in other comprehensive income	(19,721)	-	(19,721)
Recognized directly in equity	(49,830)	-	(49,830)
Exchange differences on translation	<u>22,898</u>	<u>(38,912)</u>	<u>(16,014)</u>
Balance at December 31, 2021	<u>\$ 843,976</u>	<u>1,290,421</u>	<u>2,134,397</u>
Balance at January 1, 2020	\$ 1,336,370	591,871	1,928,241
Recognized in (profit) loss	157,380	1,062,347	1,219,727
Recognized in other comprehensive income	5,409	-	5,409
Exchange differences on translation	<u>37,181</u>	<u>(64,262)</u>	<u>(27,081)</u>
Balance at December 31, 2020	<u>\$ 1,536,340</u>	<u>1,589,956</u>	<u>3,126,296</u>

	<u>Provision for Contingent Service Cost</u>	<u>Gain on valuation of inventory</u>	<u>Unrealized expenses</u>	<u>Others</u>	<u>Total</u>
Deferred tax assets:					
Balance at January 1, 2021	\$ 144,942	1,064,650	1,895,202	421,699	3,526,493
Recognized in profit (loss)	1,849	(182,277)	(59,546)	452,242	212,268
Recognized in other comprehensive income	-	-	-	456	456
Recognized directly in equity	-	-	405	(92,685)	(92,280)
Disposal subsidiary	-	(81,362)	(747,709)	-	(829,071)
Exchange differences on translation	<u>-</u>	<u>(18,122)</u>	<u>25,508</u>	<u>(4,425)</u>	<u>2,961</u>
Balance at December 31, 2021	<u>\$ 146,791</u>	<u>782,889</u>	<u>1,113,860</u>	<u>777,287</u>	<u>2,820,827</u>
Balance at January 1, 2020	\$ 134,292	749,321	2,129,725	292,275	3,305,613
Recognized in profit (loss)	10,650	348,658	(222,051)	130,157	267,414
Recognized in other comprehensive income	-	-	-	1,455	1,455
Exchange differences on translation	<u>-</u>	<u>(33,329)</u>	<u>(12,472)</u>	<u>(2,188)</u>	<u>(47,989)</u>
Balance at December 31, 2020	<u>\$ 144,942</u>	<u>1,064,650</u>	<u>1,895,202</u>	<u>421,699</u>	<u>3,526,493</u>

(v) Status of approval of income tax

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

(w) Capital and other equity

(i) Ordinary shares

Reconciliation of shares outstanding for 2021 and 2020 was as follows:

<u>(In thousands of shares)</u>	<u>Ordinary Shares</u>	
	<u>For the years ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Beginning balance at January 1	2,662,874	2,611,092
Issuance of restricted shares of stock	7,574	52,411
Retirement of restricted shares of stock	(1,316)	(629)
Ending balance at December 31	<u>2,669,132</u>	<u>2,662,874</u>

For the years ended December 31, 2021 and 2020, the Company issued 7,574 thousand and 52,411 thousand restricted shares of stock to the employees at par value of \$10 respectively, amounting to \$75,740 thousand and \$524,110 thousand, respectively. The registration procedures have since been completed, and all the shares issued have been collected. For relevant information, please refer to Note 6(x).

For the years ended December 31, 2021 and 2020, the Company had retired 1,316 thousand and 629 thousand shares, respectively, of restricted stock to employees. The authorized capital of the respectively, Company consisted of both 3,000,000 thousand shares, with par value of \$10 per share, and its outstanding capital were consisted of 2,669,132 thousand and 2,662,874 thousand common shares of stock, as of December 31, 2021 and 2020, respectively. All share proceeds from outstanding capital have been collected.

As of December 31, 2021 and 2020, the restricted Company shares of stock issued to employees have expired, of which 256 thousand and 0 thousand shares, respectively, have not been retired.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Global depositary receipts

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

The Company may issue new GDRs with no more than 60,819,020 of the Company's common shares and deliver them to ASUSTeK GDR holders pursuant to the "Guidelines for Offering and Issuing by Issuer of Overseas Securities". As of December 31, 2021 and 2020, the Company has listed, in total, 253 thousand and 709 thousand units of GDRs, respectively, on the Euro MTF market of the Luxembourg Stock Exchange. As each unit of these GDRs represents 5 common shares of the Company, the Company has listed Company shares totaling 1,267 thousand and 3,544 thousand shares of stock, respectively.

1) Voting Rights

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

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

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

(iii) Capital surplus

The components of the capital surplus were as follows:

	December 31, 2021	December 31, 2020
From issuance of share capital	\$ 66,983,778	66,397,897
From conversion of convertible bonds	11,073,663	11,073,663
From treasury stock transactions	47,865	47,865
Difference between consideration and carrying amount of subsidiaries acquired or disposed	2,273,401	2,432,574
Changes in equity of associates accounted for using the equity method	20,862	-
Changes in ownership interest in subsidiaries	1,441,117	1,441,117
Employee stock options	1,304	1,304
Restricted stock to employees	1,069,401	1,204,010
Other	409,917	409,917
	<u>\$ 83,321,308</u>	<u>83,008,347</u>

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

(iv) Retained earnings

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

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

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

1) Legal reserve

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

2) Special reserve

In accordance with the rules issued by the FSC, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholder's equity. For the year 2019 earnings distribution in 2020, the amount to be reclassified to special reserve shall be a portion of current-period earnings and undistributed prior-period earnings. As for the year 2020 earnings distribution in 2021, the amount to be reclassified to special reserve shall be a portion of current-period earnings plus other line items in the retained earnings movements and undistributed prior-period earnings. 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 netreduction of other shareholders' equity shall qualify for additional distributions.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Earnings distribution

The amount of cash dividend on the appropriations of earnings for 2020 had been approved during the board meeting on March 25, 2021. Other distribution items for 2020 had been approved in the general meeting of the shareholders held on August 4, 2021. Furthermore, earnings distribution for 2019 was decided by the resolution adopted, at the general meeting of shareholders held on June 19, 2020. These relevant dividend distribution to shareholders were as follows :

	For the years ended December 31	
	2020	2019
Common stock dividends per share (dollars)		
— Cash	\$ 4.50	4.50

(v) Other equity (net of tax)

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Deferred compensation arising from issuance of restricted stock	Total
Balance at January 1, 2021	\$ (15,808,892)	(57,309)	(1,146,659)	(17,012,860)
Exchange differences on foreign operation	(3,466,082)	-	-	(3,466,082)
Exchange differences on associates accounted for using the equity method	(256,468)	-	-	(256,468)
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	-	522,406	-	522,406
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	(20,319)	-	(20,319)
Deferred compensation cost arising from issuance of restricted stock	-	-	433,958	433,958
Balance at December 31, 2021	\$ (21,363,627)	444,778	(712,701)	(21,631,550)
Balance at January 1, 2020	\$ (10,982,396)	(303,654)	(8,287)	(11,294,337)
Exchange differences on foreign operation	(4,826,686)	-	-	(4,826,686)
Exchange differences on associates accounted for using the equity method	190	-	-	190
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	92,665	-	92,665
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	153,680	-	153,680
Deferred compensation cost arising from issuance of restricted stock	-	-	(1,138,372)	(1,138,372)
Balance at December 31, 2020	\$ (15,808,892)	(57,309)	(1,146,659)	(17,012,860)

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	For the years ended December 31	
	2021	2020
Balance at January 1	\$ 36,345,941	35,580,451
Income attributable to non-controlling interests	4,481,451	2,211,954
Other comprehensive income (loss) attributable to non-controlling interests		
Exchange differences on foreign operation	(80,365)	(61,502)
Remeasurements of defined benefit plans	4,668	(8,022)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	1,991,358	(187)
Changes in ownership interest in subsidiaries	55,620	(151,814)
Changes in non-controlling interests	<u>(15,136,341)</u>	<u>(1,224,939)</u>
Balance at December 31	<u><u>\$ 27,662,332</u></u>	<u><u>36,345,941</u></u>

(x) Share-based payment

Information on share-based payment transactions as of December 31, 2021 and 2020 were as follows:

	Equity-settled share-based payment	
	Restricted stock to employee	
	Issued in 2020	Issued in 2016
Thousand units granted	60,000	40,000
Contractual life	4 years	3 years
Vesting period	Note B	Note A
Actual turnover rate of employees	3.11% and 0.81%	8.65% and 3.10%
Estimated future turnover rate for each or the three years of employees	6.50%~25.51%,	-

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

Note B : Employees are entitled to receive 25%, 25%, 25%, and 25% of the restricted stock in the first, second, third and fourth year, respectively, of their service.

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

On June 19, 2020, the shareholders approved a resolution passed during their meeting to award 60,000 thousand new restricted shares of stock to those full-time employees who meet certain requirement of the Company. The restricted stock has been declared effective by the Securities and Futures Bureau of the Financial Supervisory Commission, R.O.C. On September 22, 2020, the Board of Directors approved to issue 53,103 thousand shares of restricted shares of stock with fair value of NT\$63.2 each at grant date. The record date for the capital increase through issuance of restricted shares of stock was December 8, 2020. The actual issuance number for the capital increase was 52,411 thousand shares. On January 4, 2021, the registration procedures were completed. On May 11, 2021, Board of Directors of the Company approved to issue secondary new restricted shares of stock totaling 7,589 thousand shares with fair value of \$69.3 each at grant date. The record date for the capital increase through issuance of restricted shares of stock was June 11, 2021. The actual issuance number for the capital increase was 7,574 thousand shares. On July 12, 2021, the registration procedures were completed.

Employees with restricted stock awards are entitled to purchase the Company's shares at the price of NT\$10 per share provided that these employees continue to work for the Company for the following three years. 25%, 25%, 25% and 25% of the restricted shares of stock is vested in year 1, 2, 3 and 4, respectively. The restricted stock is kept by a trust, which is appointed by the Company, before it is vested. These shares of stock shall not be sold, pledged, transferred, gifted or by any other means of disposal to third parties during the custody period. These shares of stock are entitled to the right as the holders of common shares once issued, except for those shares kept by a trust or shares that do not meet the vesting condition. If the shares remain unvested after the vesting period, the Company will repurchase all the unvested shares at the issue price and cancel the shares thereafter.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Determining the fair value of equity instruments granted

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

	Equity-settled share-based payment			
	Restricted stock to employee			
	Issued in 2020-2	Issued in 2020-1	Issued in 2016-2	Issued in 2016-1
Fair value at grant date	05/11/2021	09/22/2020	09/15/2017	05/09/2017
Stock price at grant date	\$ 69.30	63.20	88.50	89.70
Exercise price	10.00	10.00	10.00	10.00
Expected life of the option	4 years	4 years	3 years	3 years
Current market price	69.30	63.20	88.50	89.70
Expected volatility	25.25%~28.65%	27.76%~31.92%	22.46%	33.31%
Expected dividend yield	-%	-%	-%	-%
Risk-free interest rate	(Note A)	(Note B)	(Note C)	(Note D)

Note A : The risk-free interest rate is 0.1006% for the 1st year, 0.1486% for the 2nd year, 0.1865% for the 3rd year and 0.2244% for the 4th year.

Note B : The risk-free interest rate is 0.1202% for the 1st year, 0.1690% for the 2nd year, 0.2123% for the 3rd year and 0.2556% for the 4th year.

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

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

(ii) Restricted stock to employee

For the years ended December 31, 2021 and 2020, 1,572 thousand and 329 thousand shares of the restricted shares of stock issued to employees have expired, which were converted to capital surplus of \$15,663 thousand and \$3,076 thousand, respectively. As of December 31, 2021 and 2020, the Company has deferred compensation cost arising from issuance of restricted stock of \$712,701 thousand and \$1,146,659, respectively.

For the years ended December 31, 2021 and 2020, the Company recognized and reversed salary cost of \$73,837 and \$51,730 from the distribution of cash dividends to estimated non-vesting restricted shares of stock distributed to employees from prior period earnings. Such salary cost was credited/debited to retained earnings.

(iii) Expenses recognized in profit or loss

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

	For the years ended December 31	
	2021	2020
Expenses resulting from the issuance of restricted employee stock	\$ 972,947	649,807

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(y) Subsidiary's share-based payments

(i) Restricted stock to employee of AZUREWAVE

On June 16, 2016, pursuant to the resolution of its shareholders during their meeting, AZURE WAVE will issue 5,000 thousand new restricted shares of stock to those full-time employees who meet certain requirements of AZURE WAVE. The restricted shares of stock has been registered with and approved by the Securities and Futures Bureau of the Financial Supervisory Commission, R.O.C. On March 13, 2017, Board of Directors approved to issue all restricted shares of stock with fair value of NT\$14.55 each at grant date. The record date for the capital increase through issuance of restricted shares of stock was May 25, 2017. On June 5, 2017, AZURE WAVE's Board of Directors approved to decrease issued shares to 3,655 thousand shares. Furthermore, the record date for the capital increase through issuance of restricted shares of stock was changed to June 5, 2017.

Employees with restricted stock awards are entitled to purchase shares at the price of NT\$10 per share provided that these employees continue to work for AZURE WAVE for the following three years. 20%, 40% and 40% of the restricted shares of stock is vested in year 1, 2 and 3, respectively. The restricted stock is kept by a trust, which is appointed by AZURE WAVE, before it is vested. These shares of stock shall not be sold, pledged, transferred, gifted, or by any other means of disposed to third parties during the custody period. These shares of stock are entitled to the same right as the holders of common stock once issued, except for those shares kept by a trust or shares that do not meet the vesting condition. If the shares remain unvested after the vesting period, AZURE WAVE will repurchase all the unvested shares at the issue price, and cancel the shares thereafter. For the year ended December 31, 2019, AZUREWAVE also retired 162 thousand shares of restricted employee stock due to the resignation of its employees. Out of the above 162 thousand shares, 60 thousand shares had been cancelled during the year, the remaining 102 thousand shares, were cancelled for the three months ended March 31, 2020.

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 years ended December 31, 2021 and 2020, AZUREWAVE recognized share-based compensation cost of \$0 and \$1,160 thousand, respectively, due to the issuance of restricted employee stock.

(ii) Restricted stock to employee of ASROCK

1) ASROCK

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

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

- A. The overall performance of the company:
- a. The EPS of the company in the previous year is higher than 10, with an overall weight of 100%.
 - b. The EPS of the company in the previous year is between 7.5 and 10, with an overall weight of 50%.
 - c. The EPS of the company in the previous year is less than 7.5, without any overall weight.
- B. Personal performance:
- a. The mid-year assessment is A or above (including A), with a personal weight of 100%.
 - b. The mid-year assessment is between B+~A (excluding A), with a personal weight of 80%.
 - c. The mid-year assessment is between B~B+ (excluding B+), with a personal weight of 60%.
 - d. Mid-year assessment C, without any personal weight.
- C. After subscribing to the new shares that restrict the rights of employees, the term of employment expires after one year, and there should be no violation of laws or regulations, company working rules, business ethics codes, as well as other related regulations and agreements, in the first year, with the existing 40% of the shares are multiplied by the overall weight, then multiplied by the personal weight.
- D. After subscribing to the new shares that restrict the rights of employees, the term of employment expires after two years, and there should be no violation of laws or regulations, company working rules, business ethics codes, as well as other related regulations and agreements, in the second year, with the existing 30% of the shares are multiplied by the overall weight, then multiplied by the personal weight.
- E. After subscribing to the new shares that restrict the rights of employees, the term of employment expires after three years, and there should be no violation of laws or regulations, company working rules, business ethics codes, as well as other related regulations and agreements, in the third year, with the existing 30% of the shares are multiplied by the overall weight, then multiplied by the personal weight.

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

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The aforesaid information of restricted stock to employee was follows:

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

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

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 meet certain requirement of ASROCK RACK INCORPORATION. On March 4, 2019, 1,490 thousand shares were actually issued for such award with fair value of \$5.53 (dollars) per share at the granted date.

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.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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 of units)	-	-	745	745	1,490
Estimated employee turnover rate	-	-	15.00 %	20.00 %	
Vested shares after considering employee turnover rate (In thousands of units)	-	-	633	596	1,229
Fair value	-	-	5.53	5.53	
Service costs	\$ 1,474	1,461	2,601	1,261	6,797

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

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

	For the year ended December 31 2020
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.

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	For the year ended December 31			
	2021		2020	
	Outstanding number of options	Weighted average exercise price	Outstanding number of options	Weighted average exercise price
Outstanding as of January 1 (In thousand units)	1,500	\$ 22	-	-
Granted during the period	-	-	1,500	22
Exercised during the period	(1,450)	22	-	-
Forfeited during the period	(50)	-	-	-
Outstanding as of December 31 (In thousand units)	<u>-</u>	-	<u>1,500</u>	22
Exercisable as of December 31 (In thousand units)	<u>-</u>		<u>-</u>	
Weighted average fair value of the options granted	<u>\$ -</u>		<u>0.11</u>	

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

	Exercise price	Weighted average residual duration (year)
December 31, 2021		
Outstanding option	\$ -	-
December 31, 2020		
Outstanding option	\$ 22	0.91

3) **ASROCK INDUSTRIAL COMPUTER CORPORATION**

On January 15, 2019, and April 20, 2021, the Board of Directors of ASROCK INDUSTRIAL COMPUTER CORPORATION approved a resolution passed during their meeting to award 1,500 thousand and 2,200 thousand employee stock options, respectively. Each option certificate can purchase one ordinary share, delivered by issuing new shares. The option certificates are awarded to those employees who meet certain requirement of ASROCK INDUSTRIAL COMPUTER CORPORATION. Duration is 30 and 42 months. One year after the issuance, the certificate owners can exercise a specific proportion of the option certificates. The exercise price of the option is \$10 (dollars) and \$14.5 (dollars) per share. After the issue of the options, even if ASROCK INDUSTRIAL COMPUTER has changed the total amount of the common shares, the price would not be changed.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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.

<u>Grant date</u>	<u>Total shares issued (In thousands of shares)</u>	<u>Exercise price per share</u>
January 15, 2019	1,500	NT\$10
April 20, 2021	2,200	NT\$12.5

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

	<u>January 15, 2019</u>	<u>April 20, 2021</u>
Expected volatility rate	31.74%	29.61%~31.19%
Risk-free interest rate	0.5741%	0.1185%~0.2523%
Expected duration of option	2.0 years	1.5~3.5 years
Weighted average stock price	NT\$8.10	NT\$12.49
Pricing model	Binomial options pricing model	Binomial options pricing model

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

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

	<u>For the years ended December 31</u>			
	<u>2021</u>		<u>2020</u>	
<u>January 15, 2019</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	(613)	10	(65)	10
Forfeited during the period	(137)	-	(685)	-
Outstanding as of December 31 (In thousand units)	<u>-</u>	10	<u>750</u>	10
Exercisable as of December 31 (In thousand units)	<u>-</u>		<u>-</u>	
Weighted average fair value of the options granted	<u>\$ -</u>		<u>-</u>	

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

As of December 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 (year)</u>
December 31, 2021		
Outstanding option	\$ -	-
December 31, 2020		
Outstanding option	\$ 10	0.54
		<u>For the year ended December 31, 2021</u>
		<u>Outstanding</u>
<u>April 20, 2021</u>		<u>number of options</u>
Outstanding as of January 1 (In thousand units)	-	\$ -
Granted during the period	2,200	12.5
Exercised during the period	-	-
Outstanding as of December 31 (In thousand units)	<u>2,200</u>	12.5
Exercisable as of December 31 (In thousand units)	-	-
Weighted average fair value of the options granted	<u>\$ 1.29</u>	

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

	<u>Exercise price</u>	<u>Weighted average residual duration (year)</u>
December 31, 2021		
Outstanding option	\$12.5	2.80

- 4) ASROCK did not make any cancellations or amendments to share-based payment transactions for the years ended December 31, 2021 and 2020.
- 5) The expenses resulting from share-based payment transactions were as follows:

	<u>For the years ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Expense resulting from equity-settled share-based payment	<u>\$ 42,748</u>	<u>24,440</u>

(iii) Employee stock option of FUYANG TECHNOLOGY CORPORATION

	<u>Equity-settled Employee stock option</u>
Grant date	July 10, 2017
Number of shares granted (In thousands of shares)	10
Contract term	4 years
Vesting conditions	At least 2 years of service after acquisition

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

1) Determining the fair value of equity instruments granted

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

	For the year ended December 31, 2021
<u>Valuation model</u>	Employee stock option issued in 2017
Fair value at grant date	NT\$ 1.54
Stock price at grant date	NT\$ 8.05
Exercise price	NT\$ 10.00
<u>Assumptions</u>	
Dividend yield	-
Expected price volatility	32.81 %
Expected life of the option	4 years
Risk-free interest rate	0.73 %

The expected volatility rate is estimated based on peers' average annualized standard deviation of daily returns. The expected life of the option is in compliance with the issuance regulation of FUYANG TECHNOLOGY CORPORATION. The risk-free interest rate was determined based on government bonds. Service and non-market performance conditions attached to the transactions were not taken into account in determining the fair value.

2) Employee stock options

Information on employee stock options was as follows :

	For the years ended December 31			
	2021		2020	
	Weighted- average exercise price	Units of stock option (In thousand units)	Weighted- average exercise price	Units of stock option (In thousand units)
Outstanding as of January 1	\$ 8.05	8	8.05	8
Exercised during the year	-	-	-	-
Expired during the year	8.05	(8)	-	-
Outstanding as of December 31		-		8
Exercisable as of December 31		-		-

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Expenses resulting from share-based payments

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

	For the years ended December 31	
	2021	2020
Expenses resulting from employee stock option	\$ -	691

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

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

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

1) Determining the fair value of equity instruments granted

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

	For the year ended December 31, 2021
Fair value at grand date	NT\$ 97.7
Stock price at grand date	NT\$ 112.2
Exercise price	NT\$ 78.6
Expected volatility rate	31.44%
Risk-free interest rate	0.3%
Expected duration of option	4.56 years
Weighted average stock price	4.04%

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Employee stock options

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

	For the year ended December 31, 2021	
	Weighted- average exercise price	Units of stock option (In thousand units)
Outstanding as of January 1 (In thousand units)	\$ -	-
Granted during the period	78.6	1,613
Outstanding as of December 31 (In thousand units)	78.6	1,613
Exercisable as of December 31 (In thousand units)	-	-

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

	December 31, 2021
Exercise price	\$78.6
Weighted average residual duration	5.67 years

3) The expenses resulting from share-based payment transactions for the year ended December 31, 2021, was as follows:

	For the year ended December 31, 2021
Expenses resulting from employee stock option	\$ 4,719

(v) Compensated restricted stock to employee of KINSUS

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

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

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

The restricted obligation before vested was as follows:

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

On August 28, 2018, KINSUS issued 4,841 thousand shares of new employee restricted stock, and incurred 184,530 thousand to capital surplus, of restricted stock of KINSUS. As of December 31, 2021, 544 thousand shares of employee restricted stock have expired, resulting in the capital surplus of KINSUS to increase by \$5,442 thousand. Subsequently, as of December 31, 2021, the deferred compensation cost of KINSUS arising from the issuance of its employee restricted stock amounted to \$0.

On March 18, 2019, KINSUS issued a total of 599 thousand shares of employee restricted stock, resulting in its capital surplus - restricted employee stock to increase by \$19,396 thousand. As of December 31, 2021, 51 thousand shares of employee restricted stock have expired, resulting in the capital surplus of KINSUS to increase by \$513 thousand. As of December 31, 2021, the deferred compensation cost of KINSUS arising from the issuance of its employee restricted stock amounted to \$0.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	For the years ended December 31	
	2021	2020
Expense resulting from equity-settled share-based payment	\$ 3,836	19,915

- 3) KINSUS did not make any cancellations or amendments to share-based payment transactions for the years ended December 31, 2021 and 2020.

- (z) Earnings per share

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

	For the years ended December 31	
	2021	2020
Basic earnings per share		
Profit attributable to ordinary shareholders	\$ 20,545,643	20,207,598
Weighted-average number of ordinary shares	2,666,276	2,614,021
	\$ 7.71	7.73
Diluted earnings per share		
Profit attributable to ordinary shareholders (diluted)	\$ 20,545,643	20,207,598
Effect of potentially dilutive ordinary shares	2,666,276	2,614,021
Employee stock bonus	28,292	31,279
Weighted-average number of ordinary shares (diluted)	2,694,568	2,645,300
	\$ 7.62	7.64

- (aa) Revenue from contracts with customers

- (i) Disaggregation of revenue

	For the year ended December 31, 2021		
	DMS	Strategic	Total
		Investment	
	Group		
Primary geographical markets:			
Europe	\$ 559,517,278	10,163,135	569,680,413
U.S.A.	442,761,375	17,636,630	460,398,005
Taiwan	98,256,966	15,577,893	113,834,859
China	23,078,445	31,588,627	54,667,072
Japan	13,064,288	2,578,180	15,642,468
Other countries	47,411,418	2,085,947	49,497,365
	\$ 1,184,089,770	79,630,412	1,263,720,182

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	For the year ended December 31, 2020		
	DMS	Strategic Investment Group	Total
Primary geographical markets:			
Europe	\$ 564,690,756	38,127,886	602,818,642
U.S.A.	494,350,699	32,125,791	526,476,490
Taiwan	82,849,952	12,255,813	95,105,765
China	34,988,867	44,533,820	79,522,687
Japan	26,305,242	1,855,247	28,160,489
Other countries	64,858,926	2,389,907	67,248,833
	\$ 1,268,044,442	131,288,464	1,399,332,906

(ii) Contract balances

	December 31, 2021	December 31, 2020	January 1, 2020
Notes receivable	\$ 14,952	6,612	20,232
Accounts receivable	249,637,569	224,136,586	207,994,571
Less: Allowance for impairment	119,064	179,507	1,676,398
Total	\$ 249,533,457	223,963,691	206,338,405
Contract liabilities	\$ 1,475,626	1,354,471	1,942,418

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 years ended December 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.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020, remuneration of employees of \$1,605,000 thousand and \$1,633,000 thousand, respectively, and remuneration of directors of \$159,000 thousand and \$162,000, respectively, were estimated on the basis of the Company's net profit before tax, excluding the remuneration of employees and directors of each period, multiplied by the percentage of remuneration of employees and directors as specified in the Company's Articles of Incorporation. Such amounts were recognized as operating cost or operating expense for the years ended December 31, 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 December 31, 2021 and 2020.

(ac) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	For the years ended December 31	
	2021	2020
Interest income from bank deposits	\$ 1,493,266	2,921,350

(ii) Other income

The details of other income were as follows:

	For the years ended December 31	
	2021	2020
Subsidy income	\$ 1,749,195	2,995,497
Dividend income	83,521	53,005
Rent income	708,855	895,910
Technical service income	594,336	530,005
Other income	850,586	708,524
	\$ 3,986,493	5,182,941

(iii) Other gains and losses

The details of other gains and losses were as follows:

	For the years ended December 31	
	2021	2020
Gains on disposals of investments	\$ 3,958,758	-
Foreign exchange gains	2,790,744	1,265,538
Gains (losses) on disposal of property, plant and equipment	619,662	(358,641)
Gains (losses) on disposal of intangible assets	(334)	-
(Losses) gains on lease modifications	(1,277)	9,468
Impairment loss on non-financial assets	(65,850)	(1,185,640)
Net (loss) gain on financial assets measured at fair value through profit or loss	(254,156)	4,285,651
Provisions and others	(1,635,444)	-
	\$ 5,412,103	4,016,376

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Finance costs

The details of finance costs were as follows:

	<u>For the years ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Interest expenses	\$ 960,805	1,761,453
Financial expense-bank fees and factoring fees, etc.	11,592	14,647
	<u>\$ 972,397</u>	<u>1,776,100</u>

(ad) Reclassification adjustments of components of other comprehensive income

	<u>For the years ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Cumulative adjustment		
Cumulative foreign exchange difference from current period	\$ (3,759,474)	(4,888,188)
Share of other associates accounted for using equity method	(256,468)	190
Reclassification to profit or loss on the disposal of subsidiaries	213,027	-
Net change in fair value recognized in other comprehensive income	<u>\$ (3,802,915)</u>	<u>(4,887,998)</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.

2) Concentration of credit risk

As of December 31, 2021 and 2020, the accounts receivable from the Group's top three customers were amounted to \$195,354,058 thousand and \$169,485,057 thousand, representing 78% and 76% 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.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The loss allowance provision for the years ended December 31, 2021 and 2020 was determined as follows:

	Other receivables
Balance at January 1, 2021	\$ 18,871
Impairment loss recognized	5,447
Effect of movement in exchange rates	(5,982)
Effect of disposals of subsidiaries	(1,898)
Balance at December 31, 2021	<u>\$ 16,438</u>
Balance at January 1, 2020	\$ 17,002
Impairment loss recognized	2,211
Reversal of impairment loss	(519)
Effect of movement in exchange rates	177
Balance at December 31, 2020	<u>\$ 18,871</u>

(ii) Liquidity risk

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

	Carrying amount	Contractual cash flows	Within 1 year	1-2 years	More than 2 years
December 31, 2021					
Non-derivative financial liabilities					
Secured bank loans	\$ 54,001	54,001	292	2,020	51,689
Unsecured bank loans	104,992,034	105,091,062	92,835,321	2,549,033	9,706,708
Other unsecured loans	2,214,640	2,214,640	2,214,640	-	-
Unsecured ordinary corporate bonds	36,869,595	36,900,000	2,000,000	4,500,000	30,400,000
Non-interest bearing liabilities	302,817,234	302,817,234	300,608,617	2,208,617	-
Lease liabilities	3,071,000	3,071,000	1,067,674	1,253,877	749,449
	<u>\$ 450,018,504</u>	<u>450,147,937</u>	<u>398,726,544</u>	<u>10,513,547</u>	<u>40,907,846</u>
December 31, 2020					
Non-derivative financial liabilities					
Secured bank loans	\$ 9,786	9,786	-	208	9,578
Unsecured bank loans	122,247,561	121,263,893	110,126,046	976,989	10,160,858
Accounts receivable factoring	1,071,468	1,071,468	1,071,468	-	-
Unsecured ordinary corporate bonds	25,478,182	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	2,591,691	2,591,691	1,547,060	555,101	489,530
	<u>\$ 454,464,579</u>	<u>453,502,729</u>	<u>416,035,394</u>	<u>4,307,369</u>	<u>33,159,966</u>

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Market risk

1) Exposure to foreign currency risk

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

(Unit: Foreign currency / NTD in Thousands)

	December 31, 2021			December 31, 2020		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 18,473,725	27.6830	511,408,129	15,542,896	28.497	442,918,136
USD:CNY	77,155	6.3757	2,135,880	1,413,710	6.5249	40,285,818
CNY:USD	5,772,908	0.1568	25,065,704	2,900,784	0.1533	12,668,729
<u>Non-monetary items</u>						
USD:NTD	5,129,509	0.1568	22,272,009	-	-	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	19,096,257	27.6830	528,641,683	16,003,254	28.497	456,036,728
USD:CNY	162,064	6.3757	4,486,413	1,500,657	6.5249	42,763,505
CNY:USD	3,483,471	0.1568	15,125,073	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 December 31, 2021 and 2020 would have increased or decreased the before-tax net income for the years ended December 31, 2021 and 2020 by \$86,321 thousand and \$153,153 thousand, 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 items

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years ended December 31, 2021 and 2020, foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$2,790,744 thousand and \$1,265,538 thousand, respectively.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Interest rate analysis

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

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

If the interest rate increases / decreases by 1%, the Group's net income will decrease /increase by \$111,570 thousand and \$262,606 thousand for the years ended December 31, 2021 and 2020, respectively, assuming all other variable factors remaining constant. This is mainly due to the Group's variable rate borrowing and cash advances for accounts receivable factoring.

(v) Other market price risk

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

<u>Equity price on reporting date</u>	For the years ended December 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%	\$ 44,786	329,131	30,066	340,892
Decrease 3%	\$ (44,786)	(329,131)	(30,066)	(340,892)

(vi) Fair value of financial instruments

1) Fair value hierarchy

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2020				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
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>	-	-	-	-
Subtotal	<u>\$396,683,148</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>	-	-	-	-
Subtotal	<u>\$453,393,111</u>	-	-	-	-

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

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

a) Financial assets and financial liabilities measured at amortized cost

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

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

a) Non-derivative financial instruments

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

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

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

b) Derivative financial instruments

Measurement of the fair value of derivative instruments is based on the valuation techniques generally accepted by market participants such as the discounted cash flow or option pricing models. Fair value of forward currency is usually determined by the forward currency exchange rate.

Fair value of structured financial instruments is determined based on appropriated valuation model or other valuation model, such as Black-Scholes model or Monte Carlo simulation, respectively.

4) Transfers between Level 1 and Level 2

There have been no transfers from each level for the years ended December 31, 2020.

The Group holds an investment in equity shares of Valens Semiconductor Ltd. (Valens), which is classified as fair value through other comprehensive income, with the fair value of \$659,176 thousand and \$63,669 thousand at December 31, 2021, December 31, 2020, respectively. The fair value of the investment was previously categorized as Level 3 in 2020. This was because the shares were not listed on an exchange and there were no recent observable arm's length transactions in the shares. On September 30, 2021, Valens listed its equity shares on an exchange and they are currently actively traded in that market. Because the equity shares now have a published price quotation in an active market, the fair value measurement was transferred from Level 3 to Level 1 of the fair value hierarchy at December 31, 2021

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	(24,814)	-	(24,814)
In other comprehensive income	-	(1,240)	(1,240)
Purchased	404,003	-	445,787
Subsidiaries disposed	-	(23,701)	(23,701)
Transferred from Level 3	(63,669)	-	(63,669)
Ending Balance, December 31, 2021	<u>\$ 715,758</u>	<u>194,010</u>	<u>951,552</u>

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>At fair value through profit or loss</u>	<u>Fair value through other comprehensive income</u>	<u>Total</u>
	<u>Non-derivative mandatorily measured at fair value through profit or loss</u>	<u>Unquoted equity instruments</u>	
Opening balance, January 1, 2020	\$ 347,716	271,751	619,467
Total gains and losses recognized:			
In profit or loss	(41,982)	-	(41,982)
In other comprehensive income	-	(13,665)	(13,665)
Purchased	94,504	-	94,504
Disposal	-	(39,135)	(39,135)
Ending Balance, December 31, 2020	<u>\$ 400,238</u>	<u>218,951</u>	<u>619,189</u>

For the years ended December 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:

	<u>For the years ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Total gains and losses recognized:		
In profit or loss, and presented in “other gains and losses”	\$ <u>(24,814)</u>	<u>(41,982)</u>
In other comprehensive income, and presented in “unrealized gains and losses from financial assets at fair value through other comprehensive income”	\$ <u>(1,240)</u>	<u>(13,665)</u>

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

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

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.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Quantified information of significant unobservable inputs were as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through profit or loss-equity investments without an active market	Market Approach	<ul style="list-style-type: none"> ·The multiplier of price-to-book ratio (As of December 31, 2021 and December 31, 2020, were 2.2~8.9 and 1.2~2.3, respectively.) ·Market liquidity discount (As of December 31, 2021 and December 31, 2020, were 20%) 	The estimated fair value would increase (decrease) if: <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 December 31, 2021 and December 31, 2020, were 1.4~1.6, and 1.4~1.5, respectively.) ·Market illiquidity discount (As of December 31, 2021 and December 31, 2020, were 20%) 	The estimated fair value would increase (decrease) if: <ul style="list-style-type: none"> ·the multiplier were higher (lower) ·the market illiquidity discount were lower (higher).
Financial assets at fair value through profit or loss-private fund	Net Asset Value Method	·Net Asset Value	Not applicable

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

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

	<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>
December 31, 2021						
Financial assets at fair value through profit or loss						
Equity investments without an active market	Multiplier of price-to-book ratio	1%	2,447	(2,447)	-	-
Equity investments without an active market	Market illiquidity discount	1%	2,447	(2,447)	-	-
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	Multiplier of price-to-book ratio	1%	-	-	1,940	(1,940)
Equity investments without an active market	Market illiquidity discount	1%	-	-	1,940	(1,940)

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Inputs	Fluctuation in inputs	Profit or loss		Other comprehensive income	
			Favorable	Unfavorable	Favorable	Unfavorable
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)

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.

(vii) Offsetting of financial assets and financial liabilities

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

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

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

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

December 31, 2020						
Financial assets that are offset which have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial assets (a)	Gross amounts of financial Liabilities Offset (b)	Net amount of financial assets Net amounts presented (c)=(a)-(b)	Amounts not offset in the balance sheet (d)		Net amounts (e)=(c)-(d)
				Financial Instruments (Note)	Cash collateral instruments	
Accounts Receivable and Payable	\$ 16,781,165	12,410,025	4,371,140	-	-	4,371,140
Other financial asset and short-term loan	\$ 14,247,483	14,247,483	-	-	-	-

December 31, 2020						
Financial liabilities that are offset which have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial liabilities (a)	Gross amounts of financial assets offset in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)		Net amounts (e)=(c)-(d)
				Financial Instruments (Note)	Cash collateral instruments	
Accounts Receivable and Payable	\$ 12,410,025	12,410,025	-	-	-	-
Other financial asset and short-term loan	\$ 14,247,483	14,247,483	-	-	-	-

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

(af) Financial risk management

(i) Overview

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

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

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

(ii) Structure of risk management

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board of Directors on its activities.

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from cash, the Group's receivables from customers and investments in equity securities. Also, the Group deposits cash in different financial institutions. The Group manages credit risk exposure related to each financial institution and believes that there is no significant concentration of credit risk on cash and equity securities.

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

1) Accounts receivable and other receivables

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

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

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

2) Investment

The exposure to credit risk for the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Group's finance department. The Group only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Group does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Guarantee

The Group's policies were prepared in accordance with Guidelines for Lending of Capital, Endorsements and Guarantees by Public Companies. Please refer to Note 9 and 13(a) Table 2 for details of endorsements and guarantees provided by the Group as of December 31, 2021 and 2020.

(iv) Liquidity risk

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

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

(v) Market risk

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

1) Currency risk

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

The Group's purchases and sales are denominated mainly in US dollars, which exposes the Group's current and future cash flows to foreign currency assets to the risk of market exchange rate fluctuations in market exchange rates. The group follows the principle of natural hedging, the currency held by the group is consistent with the actual foreign exchange demand of the group's import and export transactions, the Group's overall internal positions (foreign currency income and expense) are selflevelling as the principle, and spot foreign exchange tools are used to avoid exchange rates risk.

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

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Interest rate risk

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

3) Price floating risk on equity instruments

The equity securities held by the Group are classified as financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income. As these assets are measured at fair value, the Group is exposed to the market price fluctuation risk in the equity securities market. The Group's investment portfolios of equity instruments are reviewed regularly by management, and significant investment decision is approved by the Board of Directors.

(ag) Capital management

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

For the year ended December 31, 2021, the Group had used the debt-to-equity ratio, interest bearing liability-to-equity ratio and other financial ratio to maintain an optimal capital structure and raise returns on equity.

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

	December 31, 2021	December 31, 2020
Total liabilities	\$ 482,503,486	485,406,087
Less: cash and cash equivalents	<u>111,024,086</u>	<u>125,996,714</u>
Net debt	<u>\$ 371,479,400</u>	<u>359,409,373</u>
Total capital (Note)	<u>\$ 565,746,277</u>	<u>558,349,895</u>
Debt to equity ratio	<u>65.66%</u>	<u>64.37%</u>

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

Management believes that there were no significant changes in the Group's approach to capital management for the years ended December 31, 2021 and 2020.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ah) Financing activities not affecting current cash flow

For the years ended December 31, 2021 and 2020, reconciliation of liabilities arising from financing activities was as follows:

	January 1, 2021	Cash flows	Non-cash changes		December 31, 2021
			Foreign exchange movement	Other	
Long-term loans	\$ 17,014,458	(3,450,718)	(309,129)	(17,240)	13,237,371
Short-term loans	105,242,889	(10,151,707)	-	(1,067,878)	94,023,304
Bonds payable	25,478,182	11,385,600	-	5,813	36,869,595
Lease liabilities	2,591,691	(1,498,769)	(43,772)	2,021,850	3,071,000
Non-controlling interests	<u>36,345,941</u>	<u>(14,163,270)</u>	<u>1,751,819</u>	<u>3,727,842</u>	<u>27,662,332</u>
Total liabilities from financing activities	<u>\$186,673,161</u>	<u>(17,878,864)</u>	<u>1,398,918</u>	<u>4,670,387</u>	<u>174,863,602</u>

	January 1, 2020	Cash flows	Non-cash changes		December 31, 2020
			Foreign exchange movement	Other	
Long-term loans	\$ 9,192,450	8,213,477	(309,682)	(81,787)	17,014,458
Short-term loans	64,808,786	40,434,103	-	-	105,242,889
Bonds payable	23,480,339	1,994,000	-	3,843	25,478,182
Lease liabilities	2,489,741	(1,793,913)	(37,535)	1,933,398	2,591,691
Non-controlling interests	<u>35,580,451</u>	<u>(466,667)</u>	<u>(61,502)</u>	<u>1,293,659</u>	<u>36,345,941</u>
Total liabilities from financing activities	<u>\$135,551,767</u>	<u>48,381,000</u>	<u>(408,719)</u>	<u>3,149,113</u>	<u>186,673,161</u>

(7) Related-party transactions

(a) Names and relationship with related parties

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

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

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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:

	<u>Sales</u> <u>For the year</u> <u>ended December</u> <u>31, 2021</u>
Associates	\$ 502,939
Other related parties	<u>90,654</u>
	<u>\$ 593,593</u>

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:

	<u>Purchases</u> <u>For the year</u> <u>ended December</u> <u>31, 2021</u>
Associates	<u>\$ 3,421,182</u>

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:

<u>Account</u>	<u>Relationship</u>	<u>December 31,</u> <u>2021</u>
Accounts receivable	Other related parties	\$ 9,709
Other receivables	Associates	<u>288,517</u>
		<u>\$ 298,226</u>

(iv) Payables to Related Parties

The payables to related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>December 31,</u> <u>2021</u>
Accounts payable	Associates	<u>\$ 208,342</u>

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Loans to Related Parties

The loans to related parties were as follows:

	December 31, 2021
Associates - RI SHAN COMPUTER ACCESSORY CO., LTD.	\$ 8,258,365
Range of interest rate	0.92%~1.00%
Interest income	\$ 130,141

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

	For the years ended December 31	
	2021	2020
Short-term employee benefits	\$ 407,685	437,873
Post-employment benefits	4,042	3,997
Share-based payments	163,622	153,645
	\$ 575,349	595,515

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

(8) Pledged assets

As of December 31, 2021 and 2020, book value of pledged assets were as follows :

Asset	Purpose of pledge	December 31, 2021	December 31, 2020
Accounts receivable	Accounts receivable factoring (listed as short-term loans)	\$ -	1,077,681
Other financial asset-restricted deposit	Post-release duty deposits, customs duty, lease deposits, short-term loans, travel agency guarantee, etc.	121,307	111,289
Other financial asset-restricted deposit	Litigation pledge and provisional attachment guarantee	-	61,669
Property, plant and equipment	Bank loans	42,036	61,249
Other financial asset-guarantee deposits	Customs duty guarantee, rental deposits, and deposits for performance guarantee	37,471	191,147
		\$ 200,814	1,503,035

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(9) Commitments and contingencies

(a) Significant commitments and contingencies

(i) Unused standby letters of credit

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
EUR	\$ 813	-
JPY	7,031,091	7,000,234
USD	9,455	7,594

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

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
NTD	<u>\$ 10,490</u>	<u>16,391</u>

(iii) As of December 31, 2021, and 2020, the significant contracts for purchase of properties by the Group amounted to \$14,181,360 thousand and \$13,197,985 thousand, of which \$5,302,235 thousand and \$5,314,270 thousand, respectively, were unpaid.

(iv) As of December 31, 2021, and 2020, the Group provided endorsement guarantee for bank loans, including Group entities, amounting to \$2,353,055 thousand and \$341,958 thousand, respectively.

(v) As of December 31, 2021, and 2020, the Group issued a tariff guarantee of \$773,936 thousand and \$1,804,655 thousand, respectively, to the bank for the purpose of importing goods.

(b) Significant contingent liability

AIG Specialty Insurance Company, as assignee and subrogee of the Group's customer, filed a lawsuit against the Group in the United States District Court for the Northern District of Georgia, seeking damages based on certain quality issue occurred on the products sold by the Group. The Court found that the Group is liable for the products in issue through a summary judgement order. The specific amount of the damages will be decided by the Jury in the subsequent trial proceeding. The Group has reached a settlement with AIG Specialty Insurance Company for USD \$59,000 thousand before December 31, 2021. The group has recognized relevant provision. The Court administratively closed this case till March 14, 2022. As of the release date of the consolidated financial statements, the Group is in the process of negotiating and finalizing the formal settlement agreement with the Plaintiff AIG Specialty Insurance Company.

(10) Losses due to major disasters: None.

(11) Subsequent events: None.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(12) Others

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

By function	For the years ended December 31					
	2021			2020		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Employee benefit						
Salary	\$ 43,921,923	15,687,636	59,609,559	55,097,165	16,514,093	71,611,258
Health and labor insurance	4,660,930	1,016,057	5,676,987	4,197,204	918,595	5,115,799
Pension	3,486,240	741,603	4,227,843	3,634,385	710,801	4,345,186
Others	1,707,028	803,599	2,510,627	2,938,788	972,797	3,911,585
Depreciation	11,527,912	1,974,203	13,502,115	16,304,363	1,815,270	18,119,633
Amortization	60,472	84,601	145,073	84,828	113,241	198,069

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

	<u>For the years ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Depreciation in investment property	<u>\$ 3,034</u>	<u>3,013</u>

(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 December 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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Information on investees:

Please refer to Table 9 for the information on investees for the year ended December 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.

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
ASUSTek Company Inc.		448,506,484	16.80 %

(14) Segment information

(a) General Information

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

(b) Reportable segment profit or loss, segment assets, segment liabilities, and their measurement and reconciliations

The Group uses the internal management report that the chief operating decision maker reviews as the basis to determine resource allocation and make a performance evaluation. The internal management report includes profit before taxation, excluding any extraordinary activity and foreign exchange gains or losses, because taxation, extraordinary activity and foreign exchange gains or losses are managed on a group basis, and hence they are not able to be allocated to each reportable segment. In addition, not all reportable segments include depreciation and amortization of significant non-cash items. The reportable amount is similar to that in the report used by the chief operating decision maker.

The operating segment accounting policies are similar to the ones described in Note 4 "Significant accounting policies" except for the recognition and measurement of pension cost, which is on a cash basis. The Group treated intersegment sales and transfers as third-party transactions. They are measured at market price.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

<u>For the years ended December 31, 2021</u>	<u>DMS</u>	<u>Strategic Investment Group</u>	<u>Adjustment and eliminations</u>	<u>Total</u>
Revenue :				
Revenue from external customers	\$ 1,183,924,821	79,795,361	-	1,263,720,182
Intersegment revenues (loss)	335,299	553,295	(888,594)	-
Total revenue (loss)	<u>\$ 1,184,260,120</u>	<u>80,348,656</u>	<u>(888,594)</u>	<u>1,263,720,182</u>
Share of profit (loss) of associates and joint ventures accounted for using equity method	<u>\$ 9,876,714</u>	<u>1,546,319</u>	<u>(9,876,714)</u>	<u>1,546,319</u>
Reportable segment profit or loss	<u>\$ 22,418,837</u>	<u>15,583,719</u>	<u>(9,876,714)</u>	<u>28,125,842</u>
Assets:				
Investments accounted for using equity method	<u>\$ 62,084,796</u>	<u>22,534,158</u>	<u>(62,084,796)</u>	<u>22,534,158</u>
Reportable segment assets	<u>\$ 608,651,547</u>	<u>132,809,233</u>	<u>(64,690,417)</u>	<u>676,770,363</u>
Reportable segment liabilities	<u>\$ 442,047,003</u>	<u>43,062,104</u>	<u>(2,605,621)</u>	<u>482,503,486</u>
 <u>For the years ended December 31, 2020</u>				
Revenue :				
Revenue from external customers	\$ 1,267,842,416	131,490,490	-	1,399,332,906
Intersegment revenues (losses)	348,757	2,192,502	(2,541,259)	-
Total revenue (loss)	<u>\$ 1,268,191,173</u>	<u>133,682,992</u>	<u>(2,541,259)</u>	<u>1,399,332,906</u>
Share of profit (loss) of associates and joint ventures accounted for using equity method	<u>\$ 1,968,126</u>	<u>1,395,991</u>	<u>(3,244,358)</u>	<u>119,759</u>
Other significant non-monetary items:				
Reportable segment profit or loss	<u>\$ 25,181,868</u>	<u>7,505,773</u>	<u>(3,244,358)</u>	<u>29,443,283</u>
Assets:				
Investments accounted for using equity method	<u>\$ 41,697,501</u>	<u>124,814,885</u>	<u>(166,160,936)</u>	<u>351,450</u>
Reportable segment assets	<u>\$ 571,735,476</u>	<u>278,782,743</u>	<u>(166,171,610)</u>	<u>684,346,609</u>
Reportable segment liabilities	<u>\$ 408,938,082</u>	<u>76,478,680</u>	<u>(10,675)</u>	<u>485,406,087</u>

(c) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers, please refer to Note 6(aa) and segment assets are based on the geographical location of the assets.

<u>Region</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Taiwan	\$ 41,043,222	29,403,708
China	34,678,585	61,150,280
Others	7,315,179	2,725,420
Total	<u>\$ 83,036,986</u>	<u>93,279,408</u>

Non-current assets include property, plant and equipment, right-of-use assets, investment property, intangible assets and other non-current assets, excluding financial instruments, deferred tax assets, and pension fund assets.

Notes to the Consolidated Financial Statements

Table 1: Loans to other parties
December 31, 2021

Number (Note 1)	Name of lender	Name of borrower	Account name (Note 2)	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Nature of loan (Note 3)	Transaction amount for business between two parties (Note 4)	Reasons for short-term financing (Note 5)	Loss allowance	Collateral		Individual funding loan limits (Note 6)	Maximum limit of fund financing (Note 6)
													Item	Value		
1	MAINTEK COMPUTER (SUZHOU) CO., LTD.	COTEK ELECTRONICS (SUZHOU) CO., LTD.	Other Receivables	Y	1,384,150	1,384,150	1,384,150	2.59%	2	-	Fund accommodation	-	-	-	14,964,672	29,929,345
1	MAINTEK COMPUTER (SUZHOU) CO., LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	Other Receivables	Y	2,768,300	-	-	0.92%	2	-	Fund accommodation	-	-	-	11,971,738	29,929,345
2	ASUSPOWER CORPORATION	PEGATRON CORPORATION	Other Receivables	Y	5,877,996	4,650,744	4,650,744	0.00%	2	-	Fund accommodation	-	-	-	5,905,922	5,905,922
2	ASUSPOWER CORPORATION	ASUS INVESTMENT CO., LTD.	Other Receivables	Y	581,343	581,343	581,343	0.00%	2	-	Fund accommodation	-	-	-	1,771,777	3,543,553
2	ASUSPOWER CORPORATION	ASUSPOWER INVESTMENT CO., LTD.	Other Receivables	Y	609,026	609,026	609,026	0.00%	2	-	Fund accommodation	-	-	-	1,771,777	3,543,553
3	CASETEK HOLDINGS LIMITED	PEGATRON CORPORATION	Other Receivables	Y	1,093,479	1,065,796	1,065,796	0.00%	2	-	Fund accommodation	-	-	-	5,724,128	5,724,128
4	KAEDAR TRADING LTD.	PEGATRON VIETNAM COMPANY LIMITED	Other Receivables	Y	498,294	-	-	1.00%	2	-	Fund accommodation	-	-	-	518,308	518,308
4	KAEDAR TRADING LTD.	PEGATRON CORPORATION	Other Receivables	Y	525,977	484,453	484,453	0.00%	2	-	Fund accommodation	-	-	-	518,308	518,308
5	PROTEK (SHANGHAI) LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	Other Receivables	Y	4,152,450	-	-	0.92%	2	-	Fund accommodation	-	-	-	5,537,507	11,075,014
6	RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	Short-Term Accounts Receivable	Y	5,427,438	3,690,658	3,690,658	1.00%	2	-	Business operation	-	-	-	3,448,052	3,448,052
6	RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	RI-PRO PRECISION MODEL (SHANGHAI) CO., LTD.	Long-Term Accounts Receivable	Y	130,259	130,259	130,259	1.00%	2	-	Business operation	-	-	-	8,620,129	8,620,129
7	RIH LI International Limited	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	Short-Term Accounts Receivable	Y	9,689,050	4,567,695	4,567,695	1.00%	2	-	Business operation	-	-	-	14,018,280	14,018,280
8	KAI HE COMPUTER ACCESSORY (SUZHOU) CO., LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	Short-Term Accounts Receivable	Y	347,356	-	-	1.00%	2	-	Business operation	-	-	-	343,021	343,021
9	CASETEK HOLDINGS LIMITED(CAYMAN)	CASETEK SINGAPORE PTE. LTD.	Short-Term Accounts Receivable	Y	4,844,525	-	-	0.00%	2	-	Business operation	-	-	-	14,820,445	14,820,445
10	Azwave Holding (Samoa) Inc.	AIGALE CORPORATION (SHANGHAI)	Other Receivables	Y	27,683	27,683	-	0.00%	2	-	Cash flow adequacy	-	-	-	846,875	846,875

Note 1: The number column is organized as follows:

(1) Number 0 represents the issuer.

(2) Consolidated subsidiaries are organized in order from number 1.

Note 2 : If the nature of accounts receivable(including affiliated enterprises and related parties), shareholder transactions, advance payments, temporary payments, etc., are loans, the amount will be disclosed in the table.

Note 3 : Reference for the Nature of loan column

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

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

Note 4 : Fill in business contact amount if nature of loan conforms to situation 1.

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

Note 6 : Calculation for the maximum limit of fund financing

Notes to the Consolidated Financial Statements

Maximum limit of fund financing

According to our(MAINTEK COMPUTER (SUZHOU) CO., LTD.) policy for loans granted, the maximum limit of fund financing to all parties is 100% of our(MAINTEK COMPUTER (SUZHOU) CO., LTD.) net assets.

While granting loans to the Company, Taiwan subsidiaries and subsidiaries which are not wholly-owned by the Company are as follows: maximum limit of fund financing to which is 40% of MAINTEK COMPUTER (SUZHOU) CO., LTD.'s net assets.

According to our(ASUSPOWER CORPORATION) policy for loans granted, the maximum limit of fund financing to all parties is 60% of our(ASUSPOWER CORPORATION) net assets.

While granting loans to the Company and foreign subsidiaries which are not wholly-owned by the Company are as follows: maximum limit of fund financing to which is 100% of ASUSPOWER CORPORATION's net assets.

According to our(CASETEK HOLDINGS LIMITED) policy for loans granted, the maximum limit of fund financing to all parties is 30% of our(CASETEK HOLDINGS LIMITED) net assets.

While granting loans to the Company and foreign subsidiaries which are not wholly-owned by the Company are as follows: maximum limit of fund financing to which is 100% of CASETEK HOLDINGS LIMITED's net assets.

According to our(KAEDAR TRADING LIMITED) policy for loans granted, the maximum limit of fund financing to all parties is 30% of our(KAEDAR TRADING LIMITED) net assets.

While granting loans to the Company and foreign subsidiaries which are not wholly-owned by the Company are as follows: maximum limit of fund financing to which is 100% of KAEDAR TRADING LIMITED's net assets.

According to our(PROTEK (SHANGHAI) LTD.) policy for loans granted, the maximum limit of fund financing to all parties is 30% of our(PROTEK (SHANGHAI) LTD.) net assets.

While granting loans to the Company and foreign subsidiaries which are not wholly-owned by the Company are as follows: maximum limit of fund financing to which is 100% of PROTEK (SHANGHAI) LTD.'s net assets.

According to our(RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.) policy for loans granted, except for foreign subsidiaries whose voting shares are directly or indirectly wholly-owned by the Company and CASETEK HOLDINGS LIMITED(CAYMAN),

when there is a short-term financing need, the maximum limit of fund financing to which is 100% of our(RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.) net assets, the maximum limit of fund financing to all other parties is 40% of our(RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.) net assets.

According to our(RIH LI International Limited) policy for loans granted, except for foreign subsidiaries whose voting shares are directly or indirectly wholly-owned by the Company and CASETEK HOLDINGS LIMITED(CAYMAN),

when there is a short-term financing need, the maximum limit of fund financing to which is 100% of our(RIH LI International Limited) net assets, the maximum limit of fund financing to all other parties is 40% of our(RIH LI International Limited) net assets.

According to our(KAI HE COMPUTER ACCESSORY (SUZHOU) CO., LTD.) policy for loans granted, except for foreign subsidiaries whose voting shares are directly or indirectly wholly-owned by the Company and CASETEK HOLDINGS LIMITED(CAYMAN),

when there is a short-term financing need, the maximum limit of fund financing to which is 100% of our(KAI HE COMPUTER ACCESSORY (SUZHOU) CO., LTD.) net assets, the maximum limit of fund financing to all other parties is 40% of our(KAI HE COMPUTER ACCESSORY (SUZHOU) CO., LTD.) net assets.

According to our(CASETEK HOLDINGS LIMITED(CAYMAN)) policy for loans granted, the maximum limit of fund financing to all parties is 40% of our(CASETEK HOLDINGS LIMITED(CAYMAN)) net assets.

According to our(AZWAVE HOLDING (SAMOA) INC.) policy for loans granted to foreign subsidiaries whose voting shares are directly or indirectly wholly-owned by the Company is as follows: maximum limit of fund financing to which is 40% of our net assets.

Maximum limit of fund financing to single party

According to our(MAINTEK COMPUTER (SUZHOU) CO., LTD.) policy for loans granted, the maximum limit of fund financing to single party is 50% of our(MAINTEK COMPUTER (SUZHOU) CO., LTD.) net assets.

While granting loans to the Company, Taiwan subsidiaries and subsidiaries which are not wholly-owned by the Company are as follows: maximum limit of fund financing to which is 40% of MAINTEK COMPUTER (SUZHOU) CO., LTD.'s net assets.

While granting loans to the Company and foreign subsidiaries which are not wholly-owned by the Company are as follows: maximum limit of fund financing to which is 100% of MAINTEK COMPUTER (SUZHOU) CO., LTD.'s net assets.

According to our(ASUSPOWER CORPORATION) policy for loans granted, the maximum limit of fund financing to a single party is 30% of our(ASUSPOWER CORPORATION) net assets.

While granting loans to the Company and foreign subsidiaries which are not wholly-owned by the Company are as follows: maximum limit of fund financing to which is 100% of ASUSPOWER CORPORATION's net assets.

According to our(CASETEK HOLDINGS LIMITED) policy for loans granted, the maximum limit of fund financing to a single party is 15% of our(CASETEK HOLDINGS LIMITED) net assets.

While granting loans to the Company and foreign subsidiaries which are not wholly-owned by the Company are as follows: maximum limit of fund financing to which is 100% of CASETEK HOLDINGS LIMITED's net assets.

According to our(KAEDAR TRADING LIMITED) policy for loans granted, the maximum limit of fund financing to a single party is 15% of our(KAEDAR TRADING LIMITED) net assets.

While granting loans to the Company and foreign subsidiaries which are not wholly-owned by the Company are as follows: maximum limit of fund financing to which is 100% of KAEDAR TRADING LIMITED's net assets.

According to our(PROTEK (SHANGHAI) LTD.) policy for loans granted, the maximum limit of fund financing to a single party is 15% of our(PROTEK (SHANGHAI) LTD.) net assets.

While granting loans to the Company and foreign subsidiaries which are not wholly-owned by the Company are as follows: maximum limit of fund financing to which is 100% of PROTEK (SHANGHAI) LTD.'s net assets.

According to our(RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.) policy for loans granted, except for foreign subsidiaries whose voting shares are directly or indirectly wholly-owned by the Company and CASETEK HOLDINGS LIMITED(CAYMAN),

when there is a short-term financing need, the maximum limit of fund financing to which is 100% of our(RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.) net assets, the maximum limit of fund financing to other single party is 40% of our(RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.) net assets.

According to our(RIH LI International Limited) policy for loans granted, except for foreign subsidiaries whose voting shares are directly or indirectly wholly-owned by the Company and CASETEK HOLDINGS LIMITED(CAYMAN), when there is a short-term financing need,

the maximum limit of fund financing to which is 100% of our(RIH LI International Limited) net assets, the maximum limit of fund financing to other single party is 40% of our(RIH LI International Limited) net assets.

According to our(KAI HE COMPUTER ACCESSORY (SUZHOU) CO., LTD.) policy for loans granted, except for foreign subsidiaries whose voting shares are directly or indirectly wholly-owned by the Company and CASETEK HOLDINGS LIMITED(CAYMAN),

when there is a short-term financing need, the maximum limit of fund financing to which is 100% of our(KAI HE COMPUTER ACCESSORY (SUZHOU) CO., LTD.) net assets, the maximum limit of fund financing to other single party is 40% of our(KAI HE COMPUTER ACCESSORY (SUZHOU) CO., LTD.) net assets.

According to our(CASETEK HOLDINGS LIMITED(CAYMAN)) policy for loans granted, the maximum limit of fund financing to which is 40% of our(CASETEK HOLDINGS LIMITED(CAYMAN)) net assets.

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

Note 7 : If the amounts were based on foreign currencies, please refer to the spot exchange rate on the financial statement date. (exchange rate on December 31, 2021 was USD/NTD: 27.683 ; CNY/NTD: 4.34195)

Notes to the Consolidated Financial Statements

Table 2: Guarantees and endorsements for other parties
December 31, 2021

Expressed in thousands of NTD

No. (Note 1)	Name of guarantor	Counter-party of guarantee and endorsement Relationship with the Company (Note 2)	Limitation on amount of guarantees and endorsements for a specific enterprise (Note 3)	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date (Note 4) (Note 5)	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (Note 3)	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/guarantees to third parties on behalf of parent company	Endorsements/guarantees to third parties on behalf of companies in Mainland
1	AZURE WAVE TECHNOLOGIES, INC.	AZURE LIGHTING TECHNOLOGIES, INC. (2)	1,042,683	470,611	138,415	-	-	6.64%	1,042,683	Y	N	Y
2	ASROCK INCORPORATION	ASIAROCK TECHNOLOGY LIMITED (2)	5,789,798	2,224,360	2,214,640	1,660,980	-	26.78%	5,789,798	Y	N	N

Note 1 : The number column is organized as follow:

- (1) Number 0 represents the issuer.
- (2) Subsidiaries are numbered in order from number 1.

Note 2 : Relationship with the endorser / guarantor:

- (1) Having business relationship.
- (2) The endorser / guarantor parent company directly and indirectly holds more than 50% of voting shares of the endorsed / guaranteed subsidiary.
- (3) The endorser / guarantor subsidiary which directly and indirectly be held more than 50% voting shares by the endorsed / guaranteed parent company.
- (4) The endorser / guarantor company and the endorsed / guaranteed party both be held more than 90% by the parent company.
- (5) Company that is mutually protected under contractual requirements based on the needs of the contractor.
- (6) Company that is endorsed by its shareholders in accordance with its shareholding ratio because of the joint investment relationship.
- (7) Performance guarantees for pre-sale contracts under the Consumer Protection Act.

Note 3 : Ceiling on total endorsements / guarantees

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

According to ASROCK INCORPRATION's policy of endorsements and guarantees, the total endorsements and guarantees of the Company to others should not exceed 70% of the Company's net assets.

Ceiling on endorsements/ guarantees provided for a single party

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

According to ASROCK INCORPRATION's policy of endorsements and guarantees, the endorsements and guarantees of the Company to the wholly-owned corporate should not exceed 70% of the Company's net assets.

Note 4 : If the amounts were based on foreign currencies, please refer to the spot exchange rate on the financial statement date. (exchange rate on December 31, 2021 is USD/NTD: 27.683)

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

Notes to the Consolidated Financial Statements

Table 3: Securities held as of December 31, 2021 (excluding investment in subsidiaries, associates and joint ventures)
December 31, 2021

Name of holder	Marketable securities (Note 1)			Relationship with company (Note 2)	Account title	Ending balance				Maximum Ownership	Note
	Category	Name				Shares	Carrying value (Note 3)	Percentage of ownership (%)	Fair value (Note 3)		
PEGATRON CORPORATION	Stock	ABILITY ENTERPRISE CO.,LTD.	-	financial asset measured at fair value through other comprehensive income-Non current	33,135,300	1,015,597	11.52%	1,015,597	11.74%		
"	Stock	Fubon Financial Holding Co., Ltd. Preferred Shares B	-	financial asset measured at fair value through profit or loss-Non current	3,500,000	220,850	0.53%	220,850	0.53%		
"	Fund	China Renewable Energy Fund, LP(CREF)	-	financial asset measured at fair value through profit or loss-Non current	-	471,075	N/A	471,075	N/A		
"	Stock	TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY	-	financial asset measured at fair value through profit or loss-Current	470,000	289,050	0.00%	289,050	0.00%		
"	Stock	DELTA ELECTRONICS, INC.	-	financial asset measured at fair value through profit or loss-Current	290,000	79,750	0.01%	79,750	0.01%		
"	Stock	MEDIATEK INC.	-	financial asset measured at fair value through profit or loss-Current	155,000	184,450	0.01%	184,450	0.01%		
"	Stock	Airtac International Group	-	financial asset measured at fair value through profit or loss-Current	12,603	12,855	0.01%	12,855	0.03%		
ASUSPOWER CORPORATION	Stock	Tesla, Inc.	-	financial asset measured at fair value through profit or loss-Current	100	2,925	0.00%	2,925	0.00%		
PROTEK (SHANGHAI) LTD.	Stock	LUXSHARE ICT CO., LTD.	-	financial asset measured at fair value through profit or loss-Current	39,845,105	8,253,001	0.56%	8,253,001	0.57%		
"	Stock	Contemporary Amperex Technology Co. Limited	-	financial asset measured at fair value through profit or loss-Current	3,000	7,479	0.00%	7,479	0.00%		
"	Bond	LUXSHARE ICT CO., LTD.(Convertible Bond)	-	financial asset measured at fair value through profit or loss-Current	170,816	92,543	N/A	92,543	N/A		
"	Stock	Ark Semiconductor Corp. Ltd.	-	financial asset measured at fair value through profit or loss-Non current	-	147,631	6.34%	147,631	6.34%		
ASUSPOWER INVESTMENT CO., LTD.	Stock	SPORTON INTERNATIONAL INC.	-	financial asset measured at fair value through profit or loss-Current	272,265	59,082	0.28%	59,082	0.28%		
"	Stock	WIN SEMICONDUCTORS CORP.	-	financial asset measured at fair value through profit or loss-Current	395,000	147,928	0.09%	147,928	0.09%		
"	Stock	Topoint Technology Co., Ltd.	-	financial asset measured at fair value through other comprehensive income-Non current	-	-	0.00%	-	0.78%		
"	Stock	ABILITY ENTERPRISE CO., LTD.	-	financial asset measured at fair value through other comprehensive income-Non current	6,495	199	0.00%	199	0.00%		
"	Stock	ZOWIE Technology Corporation	-	financial asset measured at fair value through other comprehensive income-Non current	90,973	-	0.33%	-	0.46%		
"	Stock	Syntronix CO., LTD.	-	financial asset measured at fair value through other comprehensive income-Non current	6,778	-	0.02%	-	0.02%		
"	Stock	Valens Semiconductor Ltd.	-	financial asset measured at fair value through profit or loss-Non current	3,092,412	659,176	3.15%	659,176	4.03%		
"	Stock	Cognito Health Inc	-	financial asset measured at fair value through other comprehensive income-Non current	1,136,363	-	1.61%	-	1.61%		

Notes to the Consolidated Financial Statements

Expressed in thousands of NTD

Name of holder	Marketable securities (Note 1)		Relationship with company (Note 2)	Account title	Ending balance			Fair value (Note 3)	Maximum Ownership	Note
	Category	Name			Shares	Carrying value (Note 3)	Percentage of ownership (%)			
ASUS INVESTMENT CO., LTD.	Stock	SPEED TECH CORPORATION	-	financial asset measured at fair value through profit or loss-Current	8,000,000	659,200	4.70%	659,200	4.73%	
"	Stock	TAIWAN UNION TECHNOLOGY CORPORATION	-	financial asset measured at fair value through profit or loss-Current	277,000	28,254	0.10%	28,254	0.10%	
"	Stock	GLOBAL PMX CO., LTD.	-	financial asset measured at fair value through profit or loss-Current	46,000	8,326	0.04%	8,326	0.04%	
"	Stock	TONG HSING ELECTRONIC INDUSTRIES ,LTD.	-	financial asset measured at fair value through profit or loss-Current	45,000	13,388	0.03%	13,388	0.03%	
"	Stock	Lightel Technlogies Inc.	-	financial asset measured at fair value through other comprehensive income-Non current	2,000,000	46,224	7.66%	46,224	7.66%	
"	Stock	PT Sat Nusapersada Tbk	-	financial asset measured at fair value through other comprehensive income-Non current	531,434,100	241,285	10.00%	241,285	10.00%	
"	Fund	New Economy Ventures LP	-	financial asset measured at fair value through other comprehensive income-Non current	-	41,784	N/A	41,784	N/A	
"	Stock	Neuroblade	-	financial asset measured at fair value through profit or loss-Non current	33,268	55,921	0.80%	55,921	0.80%	
"	Stock	Reed Semiconductor	-	financial asset measured at fair value through profit or loss-Non current	819,616	33,427	2.07%	33,427	2.07%	
ASUSTEK INVESTMENT CO., LTD.	Stock	ACCTON TECHNOLOGY CORPORATION	-	financial asset measured at fair value through profit or loss-Current	9,000	2,340	0.00%	2,340	0.01%	
KINSUS INTERCONNECT TECHNOLOGY CORP.	Fund	Mega Diamond Money Market Fund	-	financial asset measured at fair value through profit or loss-Current	21,355,432	270,736	N/A	270,736	N/A	
"	Fund	Jih Sun Money Market	-	financial asset measured at fair value through profit or loss-Current	17,776,549	266,419	N/A	266,419	N/A	
KINSUS INVESTMENT CO., LTD.	Fund	Taishin Ta-Chong Money Market Fund	-	financial asset measured at fair value through profit or loss-Current	829,070	11,897	N/A	11,897	N/A	
"	Stock	Ethos Original Co., Ltd.	-	financial asset measured at fair value through other comprehensive income-Non current	5,000,000	50,000	7.49%	50,000	7.49%	
"	Stock	Li Chang Finery Inc.	-	financial asset measured at fair value through other comprehensive income-Non current	20,408	1,000	0.63%	1,000	0.70%	
Mayin Investment Co., Ltd	Fund	Mega Diamond Money Market Fund	-	financial asset measured at fair value through profit or loss-Current	946,873	12,004	N/A	12,004	N/A	
PEGAVISION CORPORATION	Fund	FSITC Money Market	-	financial asset measured at fair value through profit or loss-Current	3,556,527	55,024	N/A	55,024	N/A	
Lumens Digital Optics Inc. (Lumens Optics)	Fund	Fuh Hwa Money Market	-	financial asset measured at fair value through profit or loss-Current	71,899,897	1,047,215	N/A	1,047,215	N/A	
"	Fund	CAPITAL MONEY MARKET FUND	-	financial asset measured at fair value through profit or loss-Current	3,779,372	61,592	N/A	61,592	N/A	
HUA-YUAN INVESTMENT LIMITED	Stock	Chicony Power Technology Co. Ltd.	-	financial asset measured at fair value through profit or loss-Current	418,644	32,696	0.11%	32,696	0.16%	
"	Stock	Ethos Original Co., Ltd.	-	financial asset measured at fair value through other comprehensive income-Non current	5,000,000	50,617	7.49%	50,617	7.49%	
"	Stock	Fusheng Precision CO., LTD.	-	financial asset measured at fair value through profit or loss-Current	220,000	42,680	0.17%	42,680	0.61%	

Notes to the Consolidated Financial Statements

Expressed in thousands of NTD

Name of holder	Marketable securities (Note 1)		Relationship with company (Note 2)	Account title	Ending balance					
	Category	Name			Shares	Carrying value (Note 3)	Percentage of ownership (%)	Fair value (Note 3)	Maximum Ownership	Note
HUA-YUAN INVESTMENT LIMITED	Stock	NEW SMART TECHNOLOGY CO., LTD.	-	financial asset measured at fair value through profit or loss-Current	500,000	7,704	2.50%	7,704	4.05%	
"	Stock	KING YUAN ELECTRONICS CO., LTD.	-	financial asset measured at fair value through profit or loss-Current	75,000	3,360	0.01%	3,360	0.03%	
"	Stock	Excellence Optoelectronics Inc	-	financial asset measured at fair value through profit or loss-Current	330,000	9,108	0.18%	9,108	0.18%	
"	Stock	BizLink Holding Inc.	-	financial asset measured at fair value through profit or loss-Current	40,000	10,440	0.03%	10,440	0.03%	
RIH KUAN METAL CORPORATION	Stock	Ethos Original Co., Ltd.	-	financial asset measured at fair value through other comprehensive income-Non current	5,000,000	46,169	7.49%	46,169	7.49%	

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

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

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

Notes to the Consolidated Financial Statements

Table 4: Individual securities acquired or disposed of with accumulated amount exceeding the lower of TWD300 million or 20% of the capital stock
December 31, 2021

Expressed in thousands of NTD															
Name of company	Marketable securities			Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
	Category	Name	Account name			Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
PEGATRON CORPORATION	Stock	PEGATRON VIETNAM COMPANY LIMITED	Equity investments under equity method	-	-	-	849,297	-	2,103,421 (Note 4)	-	-	48,780 (Note 3)	-	2,665,892	
PEGATRON CORPORATION	Stock	PEGATRON TECHNOLOGY INDIA	Equity investments under equity method	-	-	54,994,500	211,238	1,044,895,500	4,071,910 (Note 4)	-	-	238,046 (Note 2) 193,157 (Note 3)	1,099,890,000	3,760,945	
PEGATRON CORPORATION	Stock	CASETEK HOLDINGS LIMITED(CAYMAN)	Equity investments under equity method	-	-	4,808,794	396,426	-	6,374,782 (Note 2)	-	-	329,046 (Note 2) 2,299,111 (Note 3)	1	37,051,112	
PEGATRON CORPORATION	Stock	Pegatron Holding Ltd.	Equity investments under equity method	-	-	961,906,463	87,961,996	30,000,000	20,862 (Note 9) 163,139,578 (Note 4) 245,016,974 (Note 7)	412,965,345	-	409,874 (Note 8) (Note 7)	991,906,463	93,235,505	
ASUS INVESTMENT CO., LTD.	Stock	PEGATRON Mexico, S.A. DE C.V.	Equity investments under equity method	-	-	-	176,989	-	330,913 (Note 4) 43,464 (Note 2)	-	-	6,790 (Note 3)	-	544,576	
PEGAVISION CORPORATION	Fund	Yuanta Wan Tai Money Market	financial asset measured at fair value through profit or loss-Current	-	-	33,387,513	509,270	28,763,573	439,000 (Note 4)	62,151,086	948,577	948,270 (Note 6)	307	-	
Lumens Digital Optics Inc. (Lumens Optics)	Fund	Fuh Hwa Money Market	financial asset measured at fair value through profit or loss-Current	-	-	73,096,336	1,063,113	84,543,799	1,231,000 (Note 4)	85,740,238	1,248,467	1,236,966 (Note 6) 9,932 (Note 5)	11,501	71,899,897	

Note 1 : If the securities is invested in foreign currency, the amount in the table has been transferred to NTD. (The exchange rate as of December 31, 2021: USD/NTD: 27.683)

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

Note 3 : The amount is exchange gains or losses.

Note 4 : Which is investment added this year.

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

Note 6 : Which is disposal of investment this year.

Note 7 : Which is effect of the corporate restructuring this year.

Note 8 : Which is adjustments on accumulated loss.

Note 9 : Which is adjustments on capital surplus.

Notes to the Consolidated Financial Statements

Table 5: Acquisition of individual real estate with amount exceeding the lower of TWD300 million or 20% of the capital stock
December 31, 2021

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	
							Owner	Relationship with the Company	Date of transfer	Amount			Others
PEGATRON VIETNAM COMPANY LIMITED	Plant	2021.01.27	2,161,895	On the basis of the contract	Jianxing Vietnam Construction Development Co., Ltd.	None	None	None	None	None	After bargaining, the price will be approved by the chairman of the board of directors to determine.	For production and business use	None
PEGATRON VIETNAM COMPANY LIMITED	Plant (electrical and air-conditioning engineering)	2021.05.05	712,122	On the basis of the contract	MIC-TECH (VN) CO., LTD. (MARKTECH)	None	None	None	None	None	After bargaining, the price will be approved by the chairman of the board of directors to determine.	For production and business use	None
PEGATRON TECHNOLOGY INDIA PRIVATE LIMITED	Plant use rights	2021.01.28	381,779	On the basis of the contract	Chengalpattu Logistics Parks Private Limited , Mahindra World City Developers Private Limited	None	None	None	None	None	After bargaining, the price will be approved by the chairman of the board of directors to determine.	For business use	None
KINSUS INTERCONNECT TECHNOLOGY CORP.	Land and buildings (including machinery equipment and clean room)	2021.02.05	4,409,385	On the basis of the contract	WINTEK CORPORATION	None	None	None	None	None	Tender	For capacity expansion and company operation planning.	None
KINSUS INTERCONNECT TECHNOLOGY CORP.	Buildings	2021.10.25 2021.11.10	1,536,000	On the basis of the contract	Fan Da Construction Co., Ltd	None	None	None	None	None	Bargain	For capacity expansion and company operation planning.	None

Note 1 : If the securities is invested in foreign currency, the amount in the table has been transferred to NTD. (The exchange rate as of December 31, 2021: INR/NTD: 0.3715216 ; VND/NTD: 0.00121764)

Notes to the Consolidated Financial Statements

Table 6: Disposal of individual real estate with amount exceeding the lower of TWD300 million or 20% of the capital stock
December 31, 2021

Name of company	Type of property	Transaction date	Acquisutu date	Book value	Transaction amount	Status of payment	Gain from disposal	Counter-party	Nature of relationship	Price reference	Expressed in thousands of NTD	
											Purpose of acquisition and condition	Other terms
KAI HE COMPUTER ACCESSORY (SUZHOU) CO., LTD.	Land use rights , houses and buildings	2021.03.25	Febuary 2004 to October 2012	104,980	464,589	Execute in accordance with the terms of the contract	359,609	Suzhou Heyuan Biomedical Technology Development Co., Ltd.	Non-related party	Bargain	Asset activation	None

Note 1 : If the securities is invested in foreign currency, the amount in the table has been transferred to NTD. (The exchange rate as of December 31, 2021:CNY/NTD: 4.34195)

Notes to the Consolidated Financial Statements

Table 7: Related-party transactions for purchases and sales with amounts exceeding the lower of TWD100 million or 20% of the capital stock
December 31, 2021

Expressed in thousands of NTD

Name of company	Related party	Nature of relationship	Transaction		Percentage of total purchases (sales)	Transactions with terms different from others		Notes/accounts receivables (payables)		Note
			Purchases (sales)	Amount		Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivables (payables)	
PEGATRON CORPORATION	ASIAROCK TECHNOLOGY LIMITED	Note 2	Purchase	(342,455)	(0.03%)	Note 4	Open Account 90 days	-	140,512	0.03%
PEGATRON CORPORATION	PEGATRON Czech s.r.o.	Note 2	Sale	(1,124,803)	(0.10%)		120 days on delivery	-	313,594	0.07%
PEGATRON CORPORATION	AZURE WAVE TECHNOLOGIES, INC.	Note 2	Sale	156,039	0.01%		Open Account 60 days	-	(22,785)	(0.01%)
PEGATRON CORPORATION	PEGAGLOBE (KUNSHAN) CO., LTD.	Note 2	Sale	50,444,423	4.39%	Note 4	Open Account 60 days	-	(84,342,828)	(18.39%)
PEGATRON CORPORATION	MAINTEK COMPUTER (SUZHOU) CO., LTD.	Note 2	Purchase	17,025,928	1.48%	Note 4	Open Account 60 days	-	-	- %
PEGATRON CORPORATION	MAINTEK COMPUTER (SUZHOU) CO., LTD.	Note 2	Sale	(959,521)	(0.08%)	Note 4	Open Account 60 days	-	12,658,305	2.64%
PEGATRON CORPORATION	DIGITEK (CHONGQING) LTD.	Note 2	Sale	2,050,329	0.18%	Note 4	Open Account 60 days	-	(49,357,663)	(10.76%)
PEGATRON CORPORATION	PROTEK (SHANGHAI) LTD.	Note 2	Sale	22,469,483	1.95%	Note 4	Open Account 60 days	-	(74,677,470)	(16.29%)
PEGATRON CORPORATION	CASETEK COMPUTER (SUZHOU) CO., LTD.	Note 2	Purchase	336,486	0.03%		Open Account 60 days	-	(42,235)	(0.01%)
PEGATRON CORPORATION	COTEK ELECTRONICS (SUZHOU) CO., LTD.	Note 2	Purchase	(543,513)	(0.05%)		Open Account 60 days	-	2,027,331	0.42%
PEGATRON CORPORATION	COTEK ELECTRONICS (SUZHOU) CO., LTD.	Note 2	Purchase	4,480,308	0.39%	Note 4	Open Account 60 days	-	(1,513,047)	(0.33%)
PEGATRON CORPORATION	POWTEK (SHANGHAI) LTD.	Note 2	Purchase	(8,488,945)	(0.73%)		120 days on delivery	-	2,774,444	0.58%
PEGATRON CORPORATION	PT. PEGATRON TECHNOLOGY INDONESIA	Note 2	Sale	1,887,335	0.16%	Note 4	120 days on delivery	-	(5,232,825)	(1.14%)
PEGATRON CORPORATION	PEGATRON TECHNOLOGY INDIA PRIVATE LIMITED	Note 2	Sale	(584,310)	(0.05%)	Note 4	Open Account 60 days	-	908,037	0.08%
PEGATRON CORPORATION	PEGATRON VIETNAM COMPANY LIMITED	Note 2	Purchase	(127,326)	(0.01%)	Note 4	Open Account 60 days	-	408,828	0.03%
PEGATRON CORPORATION	PEGATRON TECHNOLOGY SERVICE INC.	Note 2	Sale	(110,246)	(0.01%)		90 days on delivery	-	21,432	0.00%
PEGATRON CORPORATION	Rida Intelligent Manufacture Technology (Rugao) Co., Ltd.	Note 2	Purchase	189,644	0.02%		Open Account 60 days	-	(132,164)	(0.03%)
PEGATRON TECHNOLOGY SERVICE INC.	PEGATRON CORPORATION	Note 1	Sale	110,246	20.47%		90 days on delivery	-	(21,432)	(76.82%)
PEGATRON VIETNAM COMPANY LIMITED	PEGATRON CORPORATION	Note 1	Sale	127,326	36.34%		90 days on delivery	-	(408,828)	(50.81%)
PT. PEGATRON TECHNOLOGY INDONESIA	PEGATRON CORPORATION	Note 1	Purchase	(1,887,335)	(8.19%)		120 days on delivery	-	5,232,825	100.00%
PEGATRON TECHNOLOGY INDIA PRIVATE LIMITED	PEGATRON CORPORATION	Note 1	Purchase	584,310	100.00%		Open Account 60 days	-	(908,037)	(76.64%)
PEGATRON Czech s.r.o.	PEGATRON CORPORATION	Note 1	Sale	1,124,803	74.40%		120 days on delivery	-	(313,594)	(79.38%)
Rida Intelligent Manufacture Technology (Rugao) Co., Ltd.	PEGATRON CORPORATION	Note 1	Sale	(189,644)	N/A		Open Account 60 days	-	132,164	N/A
POWTEK (SHANGHAI) LTD.	PEGATRON CORPORATION	Note 3	Purchase	8,488,945	81.82%		120 days on delivery	-	(2,774,444)	(57.07%)
POWTEK (SHANGHAI) LTD.	COTEK ELECTRONICS (SUZHOU) CO., LTD.	Note 1	Purchase	1,874,027	18.06%		120 days on delivery	-	(2,087,510)	(273.76%)
PROTEK (SHANGHAI) LTD.	PEGATRON CORPORATION	Note 1	Sale	(22,469,483)	(5.72%)		Open Account 60 days	-	74,677,470	84.70%
PROTEK (SHANGHAI) LTD.	PEGAGLOBE (KUNSHAN) CO., LTD.	Note 3	Sale	(35,436,119)	(9.02%)		Open Account 60 days	-	13,124,996	14.89%
PROTEK (SHANGHAI) LTD.	PEGAGLOBE (KUNSHAN) CO., LTD.	Note 3	Purchase	681,797	0.20%		Open Account 60 days	-	(55,714)	(0.05%)
PROTEK (SHANGHAI) LTD.	COTEK ELECTRONICS (SUZHOU) CO., LTD.	Note 3	Sale	267,595	0.08%		Open Account 60 days	-	(21,407)	(0.02%)
PEGAGLOBE (KUNSHAN) CO., LTD.	PEGATRON CORPORATION	Note 1	Purchase	(50,444,423)	(15.93%)		Open Account 60 days	-	84,342,828	98.74%
PEGAGLOBE (KUNSHAN) CO., LTD.	PROTEK (SHANGHAI) LTD.	Note 3	Purchase	(681,797)	(0.22%)		Open Account 60 days	-	55,714	0.07%
PEGAGLOBE (KUNSHAN) CO., LTD.	PROTEK (SHANGHAI) LTD.	Note 3	Sale	35,436,119	11.85%		Open Account 60 days	-	(13,124,996)	(16.10%)
MAINTEK COMPUTER (SUZHOU) CO., LTD.	COTEK ELECTRONICS (SUZHOU) CO., LTD.	Note 3	Purchase	1,902,705	0.63%		Open Account 60 days	-	(1,281,550)	(1.55%)
MAINTEK COMPUTER (SUZHOU) CO., LTD.	COTEK ELECTRONICS (SUZHOU) CO., LTD.	Note 3	Purchase	(3,713,139)	(1.18%)		Open Account 60 days	-	1,779,896	2.59%
MAINTEK COMPUTER (SUZHOU) CO., LTD.	CASETEK COMPUTER (SUZHOU) CO., LTD.	Note 3	Purchase	3,869,905	1.29%		Open Account 60 days	-	(976,633)	(1.18%)
MAINTEK COMPUTER (SUZHOU) CO., LTD.	PEGATRON CORPORATION	Note 1	Purchase	(17,025,928)	(5.41%)		Open Account 60 days	-	-	- %
MAINTEK COMPUTER (SUZHOU) CO., LTD.	PEGATRON CORPORATION	Note 1	Sale	959,521	2.06%		Open Account 60 days	-	(12,658,305)	(15.31%)
COTEK ELECTRONICS (SUZHOU) CO., LTD.	MAINTEK COMPUTER (SUZHOU) CO., LTD.	Note 3	Purchase	(1,902,705)	(13.41%)		Open Account 60 days	-	1,281,550	24.01%
COTEK ELECTRONICS (SUZHOU) CO., LTD.	MAINTEK COMPUTER (SUZHOU) CO., LTD.	Note 3	Purchase	3,713,139	33.12%		Open Account 60 days	-	(1,779,896)	(33.58%)
COTEK ELECTRONICS (SUZHOU) CO., LTD.	CASETEK COMPUTER (SUZHOU) CO., LTD.	Note 3	Purchase	(167,286)	(1.18%)		Open Account 60 days	-	54,061	1.01%
COTEK ELECTRONICS (SUZHOU) CO., LTD.	CASETEK COMPUTER (SUZHOU) CO., LTD.	Note 3	Sale	141,970	1.27%		Open Account 60 days	-	(26,412)	(0.50%)
COTEK ELECTRONICS (SUZHOU) CO., LTD.	PEGATRON CORPORATION	Note 1	Purchase	543,513	4.90%		Open Account 60 days	-	(2,027,331)	(38.25%)
COTEK ELECTRONICS (SUZHOU) CO., LTD.	PEGATRON CORPORATION	Note 1	Purchase	(4,480,308)	(31.57%)		Open Account 60 days	-	1,513,047	28.35%
COTEK ELECTRONICS (SUZHOU) CO., LTD.	PROTEK (SHANGHAI) LTD.	Note 3	Purchase	(267,595)	(1.89%)		Open Account 60 days	-	21,407	0.40%
COTEK ELECTRONICS (SUZHOU) CO., LTD.	DIGITEK (CHONGQING) LTD.	Note 3	Sale	(435,805)	(3.07%)		Open Account 60 days	-	62,512	1.17%
COTEK ELECTRONICS (SUZHOU) CO., LTD.	POWTEK (SHANGHAI) LTD.	Note 3	Sale	(1,874,027)	(13.21%)		Open Account 60 days	-	2,087,510	39.11%

Notes to the Consolidated Financial Statements

Expressed in thousands of NTD

Name of company	Related party	Nature of relationship	Transaction		Percentage of total purchases (sales)	Transactions with terms different from others			Notes/accounts receivables (payables)	
			Purchases (sales)	Amount		Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivables (payables)
DIGITEK (CHONGQING) LTD.	KAI-CHUAN ELECTRONICS (CHONGQING) CO., LTD.	Note 3	Purchase	1,093,641	1.08%	Open Account 60 days	-	-	(187,550)	(0.35%)
DIGITEK (CHONGQING) LTD.	PEGATRON CORPORATION	Note 1	Sale	(2,050,329)	(2.01%)	Open Account 60 days	-	-	49,357,663	99.79%
DIGITEK (CHONGQING) LTD.	CASETEK COMPUTER (SUZHOU) CO., LTD.	Note 3	Sale	227,579	0.22%	Open Account 60 days	-	-	(39,702)	(0.07%)
DIGITEK (CHONGQING) LTD.	COTEK ELECTRONICS (SUZHOU) CO., LTD.	Note 3	Purchase	435,805	0.43%	Open Account 60 days	-	-	(62,512)	(0.13%)
CASETEK COMPUTER (SUZHOU) CO., LTD.	MAINTEK COMPUTER (SUZHOU) CO., LTD.	Note 3	Purchase	(3,869,905)	(77.71%)	Open Account 60 days	-	-	976,633	75.29%
CASETEK COMPUTER (SUZHOU) CO., LTD.	PEGATRON CORPORATION	Note 1	Sale	(336,486)	(6.76%)	Open Account 60 days	-	-	42,235	3.26%
CASETEK COMPUTER (SUZHOU) CO., LTD.	DIGITEK (CHONGQING) LTD.	Note 3	Sale	(227,579)	(4.57%)	Open Account 60 days	-	-	39,702	3.06%
CASETEK COMPUTER (SUZHOU) CO., LTD.	COTEK ELECTRONICS (SUZHOU) CO., LTD.	Note 3	Sale	167,286	5.14%	Open Account 60 days	-	-	(54,061)	(4.21%)
CASETEK COMPUTER (SUZHOU) CO., LTD.	COTEK ELECTRONICS (SUZHOU) CO., LTD.	Note 3	Purchase	(141,970)	(2.85%)	Open Account 60 days	-	-	26,412	2.04%
KAI-CHUAN ELECTRONICS (CHONGQING) CO., LTD.	DIGITEK (CHONGQING) LTD.	Note 3	Purchase	(1,093,641)	(75.74%)	Open Account 60 days	-	-	187,550	59.69%
PIOTEK COMPUTER (SUZHOU) CO., LTD.	PIOTEK (HK) TRADING LIMITED	Note 3	Purchase	(131,168)	(5.61%)	Open Account 60 days	Incomparable due to different product specification	No comparable non-related party	7,170	1.07%
PIOTEK (HK) TRADING LIMITED	PIOTEK COMPUTER (SUZHOU) CO., LTD.	Note 3	Sale	131,168	100.00%	Open Account 60 days	Incomparable due to different product specification	No comparable non-related party	(7,170)	(100.00%)
INSUS INTERCONNECT TECHNOLOGY CORP.	KINSUS INTERCONNECT TECHNOLOGY (SUZHOU) CORP	Note 2	Sale	3,133,718	25.66%	Open Account 60 days	Incomparable due to different product specification	Open Account 30-90 days	(611,152)	(25.18)%
KINSUS INTERCONNECT TECHNOLOGY (SUZHOU) CORP	INSUS INTERCONNECT TECHNOLOGY CORP.	Note 1	Sale	(3,133,718)	(84.85%)	Open Account 60 days	Incomparable due to different product specification	No comparable non-related party	611,152	86.20%
PEGAVISION CORPORATION	Pegavision Japan Inc.	Note 2	Sale	(1,850,825)	(35.85%)	Open Account 90 days	Same as other clients	Telex transfer-Open Account 90 days	301,885	35.20%
PEGAVISION CORPORATION	Gemvision Technology (Zhejiang) Limited.	Note 2	Purchase	(211,692)	(4.10%)	Open Account 180 days	Same as other clients	Telex transfer-Open Account 90 days	85,662	9.99%
PEGAVISION CORPORATION	AQUAMAX CORPORATION	Note 2	Purchase	(411,064)	(7.96%)	Open Account 120 days	Same as other clients	Telex transfer-Open Account 90 days	139,387	16.25%
Pegavision Japan Inc.	PEGAVISION CORPORATION	Note 1	Sale	1,850,825	100.00%	Open Account 90 days	No other comparable vendors	No other comparable vendors	(301,885)	(100.00%)
Gemvision Technology (Zhejiang) Limited.	PEGAVISION CORPORATION	Note 1	Purchase	211,692	100.00%	Open Account 180 days	No other comparable vendors	No other comparable vendors	(85,662)	(100.00%)
AQUAMAX CORPORATION	PEGAVISION CORPORATION	Note 1	Purchase	411,064	96.97%	Open Account 120 days	No other comparable vendors	No other comparable vendors	(139,387)	(99.40%)
MEGA MERIT LIMITED	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	Note 3	Purchase	471,114	97.20%	Open Account 60-90 days	-	-	(1,495)	(5.49%)
MEGA MERIT LIMITED	CASETEK SINGAPORE PTE. LTD.	Note 3	Sale	(158,242)	(17.59%)	Open Account 60-90 days	-	-	-	- %
RIH KUAN METAL CORPORATION	CASETEK SINGAPORE PTE. LTD.	Note 3	Sale	(470,834)	(11.47%)	Open Account 60-90 days	-	-	-	- %
RIH KUAN METAL CORPORATION	RI-MING (SHANGHAI) CO., LTD	Note 3	Purchase	648,339	18.44%	Open Account 90-120 days	-	-	55	0.27%
RIH KUAN METAL CORPORATION	Luxcase Precision Technology (Yancheng) Co., Ltd.	Note 3	Purchase	1,254,905	35.69%	Open Account 60-90 days	-	-	-	- %
RIH KUAN METAL CORPORATION	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	Note 3	Purchase	1,592,611	45.30%	Open Account 60-90 days	-	-	(24,195)	(100.00%)
ASROCK INCORPORATION	ASIAROCK TECHNOLOGY LIMITED	Note 2	Purchase	10,345,855	95.84%	Open Account 60 days	No other comparable vendors	No other comparable vendors	(543,189)	(81.74%)
ASROCK INCORPORATION	ASROCK AMERICA, INC.	Note 2	Sale	(3,731,808)	(25.67%)	Open Account 90 days	Same as other clients	Same as other clients	767,816	44.94%
ASROCK INCORPORATION	ASROCK EUROPE B.V.	Note 2	Sale	(3,896,085)	(26.80%)	Open Account 45 days	Same as other clients	Same as other clients	59,480	3.48%
ASRock Industrial Computer Corporation	ASIAROCK TECHNOLOGY LIMITED	Note 3	Purchase	337,206	43.32%	Open Account 60 days	No other comparable vendors	No other comparable vendors	(99,914)	(26.13%)
ASRock Industrial Computer Corporation	ASROCK EUROPE B.V.	Note 3	Sale	(168,933)	(13.60%)	Open Account 60 days	Same as other clients	Same as other clients	9,435	8.33%
ASRock Rack Incorporation	ASIAROCK TECHNOLOGY LIMITED	Note 3	Purchase	2,032,823	80.94%	Open Account 60 days	No other comparable	No other comparable	(102,159)	(21.52%)
ASRock Rack Incorporation	ASROCK EUROPE B.V.	Note 3	Sale	(159,217)	(5.03%)	Open Account 60 days	Same as other clients	Same as other clients	28,321	5.77%
ASRock Rack Incorporation	ASROCK AMERICA, INC.	Note 3	Sale	(352,551)	(11.14%)	Open Account 90 days	Same as other clients	Same as other clients	121,325	24.73%
ASIAROCK TECHNOLOGY LIMITED	PEGATRON CORPORATION	Note 1	Purchase	342,455	1.93%	Open Account 90 days	Same as other clients	Same as other clients	(140,512)	(3.50%)

Notes to the Consolidated Financial Statements

Expressed in thousands of NTD

Name of company	Related party	Nature of relationship	Transaction		Percentage of total purchases (sales)	Transactions with terms different from others		Notes/accounts receivables (payables)		Note	
			Purchases (sales)	Amount		Payment terms	Unit price	Payment terms	Ending balance		Percentage of total notes/accounts receivables (payables)
ASIA ROCK TECHNOLOGY LIMITED	ASROCK INCORPORATION	Note 1	Sale	(10,345,855)	(73.30%)	Open Account 60 days	No other comparable vendors	No other comparable vendors	543,189	61.29%	
ASIA ROCK TECHNOLOGY LIMITED	ASRock Industrial Computer Corporation	Note 3	Sale	(337,206)	(2.39%)	Open Account 60 days	No other comparable vendors	No other comparable vendors	99,914	11.27%	
ASIA ROCK TECHNOLOGY LIMITED	ASRock Rack Incorporation	Note 3	Sale	(2,032,823)	(14.40%)	Open Account 60 days	No other comparable vendors	No other comparable vendors	102,159	11.53%	
ASROCK AMERICA, INC.	ASROCK INCORPORATION	Note 1	Purchase	3,731,808	91.37%	Open Account 90 days	No other comparable vendors	No other comparable vendors	(767,816)	(86.35%)	
ASROCK AMERICA, INC.	ASRock Rack Incorporation	Note 3	Purchase	352,551	8.63%	Open Account 90 days	No other comparable vendors	No other comparable vendors	(121,325)	(13.65%)	
ASROCK EUROPE B.V.	ASROCK INCORPORATION	Note 1	Purchase	3,896,085	92.23%	Open Account 45 days	No other comparable vendors	No other comparable vendors	(59,480)	(61.17%)	
ASROCK EUROPE B.V.	ASRock Industrial Computer Corporation	Note 3	Purchase	168,933	4.00%	Open Account 60 days	No other comparable vendors	No other comparable vendors	(9,435)	(9.70%)	
ASROCK EUROPE B.V.	ASRock Rack Incorporation	Note 3	Purchase	159,217	3.77%	Open Account 60 days	No other comparable vendors	No other comparable vendors	(28,321)	(29.13%)	
AZURE WAVE TECHNOLOGIES (SHANGHAI) INC.	AZURE WAVE TECHNOLOGIES, INC.	Note 1	Sale	(1,984,542)	(45.00%)	Open Account 30-60 days	Same as non-related party	shorter than non-related party	527,505	26.00%	
AZURE WAVE TECHNOLOGIES, INC.	PEGATRON CORPORATION	Note 1	Sale	(156,039)	(2.00%)	Open Account 60-90 days	Same as non-related party	Same as non-related party	22,785	1.00%	
AZURE WAVE TECHNOLOGIES, INC.	AZURE WAVE TECHNOLOGIES (SHANGHAI) INC.	Note 2	Purchase	1,984,542	30.00%	Open Account 30-60 days	Same as non-related party	shorter than non-related party	(522,177)	(23.00%)	
Lumens Digital Optics Inc. (Lumens Optics)	Lumens Integration Inc.	Note 2	Sale	(389,791)	(34.00%)	Depend on funding need Open Account 75 days	-	-	116,452	69.00%	
Lumens Integration Inc.	Lumens Digital Optics Inc. (Lumens Optics)	Note 1	Purchase	389,791	96.00%	Depend on funding need Open Account 75 days	-	-	(116,452)	(99.00%)	

Note 1 : Parent company

Note 2 : Subsidiary measured by equity method.

Note 3 : Affiliate

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

Notes to the Consolidated Financial Statements

Table 8: Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of capital stock
December 31, 2021

Expressed in thousands of NTD

Name of company	Related party	Nature of relationship	Ending balance	Turnover rate		Overdue		Amounts received in subsequent period	Loss allowance
						Amount	Action taken		
PEGATRON CORPORATION	COTEK ELECTRONICS (SUZHOU) CO., LTD.	Subsidiary measured by equity method	2,027,331	2.77	Times	-	-	-	-
"	PROTEK (SHANGHAI) LTD.	Subsidiary measured by equity method	102,069,459	3.40	Times	-	-	-	-
"	POWTEK (SHANGHAI) LTD.	Subsidiary measured by equity method	2,774,444	4.10	Times	-	-	-	-
"	PEGAGLOBE (KUNSHAN) CO., LTD.	Subsidiary measured by equity method	65,386,390	3.20	Times	-	-	-	-
"	DIGITEK (CHONGQING) LTD.	Subsidiary measured by equity method	52,659,300	2.94	Times	-	-	-	-
"	PEGATRON Czech s.r.o.	Subsidiary measured by equity method	313,594	7.17	Times	-	-	-	-
"	ASIAROCK TECHNOLOGY LIMITED	Subsidiary measured by equity method	140,512	2.83	Times	-	-	806	-
"	PT. PEGATRON TECHNOLOGY INDONESIA	Subsidiary measured by equity method	7,259,536	3.01	Times	-	-	-	-
"	MAINTEK COMPUTER (SUZHOU) CO., LTD.	Subsidiary measured by equity method	12,658,305 (Note 2)	3.99	Times	-	-	-	-
"	PEGATRON TECHNOLOGY INDIA PRIVATE LIMITED	Subsidiary measured by equity method	908,037	2.01	Times	-	-	-	-
"	PEGATRON VIETNAM COMPANY LIMITED	Subsidiary measured by equity method	408,828	1.92	Times	-	-	-	-
ASUSPOWER CORPORATION	PEGATRON CORPORATION	Parent Company	4,650,744	N/A	(Note 1)	-	-	-	-
"	ASUS INVESTMENT CO., LTD.	Affiliate	581,343	N/A	(Note 1)	-	-	-	-
"	ASUSPOWER INVESTMENT CO., LTD.	Affiliate	609,026	N/A	(Note 1)	-	-	-	-
CASETEK HOLDINGS LIMITED	PEGATRON CORPORATION	Parent Company	1,065,796	N/A	(Note 1)	-	-	-	-
KAEDAR TRADING LTD.	PEGATRON CORPORATION	Parent Company	484,453	N/A	(Note 1)	-	-	-	-
DIGITEK (CHONGQING) LTD.	PEGATRON CORPORATION	Parent Company	49,357,663	3.29	Times	-	-	8,595,997	-
COTEK ELECTRONICS (SUZHOU) CO., LTD.	PEGATRON CORPORATION	Parent Company	1,513,047	4.47	Times	-	-	691,085	-
"	MAINTEK COMPUTER (SUZHOU) CO., LTD.	Affiliate	1,281,550	2.71	Times	-	-	-	-
"	POWTEK (SHANGHAI) LTD.	Affiliate	2,087,510	1.80	Times	-	-	-	-
"	Pegatron Electronics Inc.	Affiliate	281,034	1.58	Times	-	-	-	-
PEGAGLOBE (KUNSHAN) CO., LTD.	PEGATRON CORPORATION	Parent Company	84,342,828	3.17	Times	-	-	18,823,396	-
PROTEK (SHANGHAI) LTD.	PEGATRON CORPORATION	Parent Company	74,677,470	6.44	Times	-	-	12,417,816	-
"	PEGAGLOBE (KUNSHAN) CO., LTD.	Affiliate	13,124,996	2.08	Times	-	-	-	-
"	PEGATRON TECHNOLOGY INDIA PRIVATE LIMITED	Affiliate	216,939	-	Times	-	-	-	-
MAINTEK COMPUTER (SUZHOU) CO., LTD.	COTEK ELECTRONICS (SUZHOU) CO., LTD.	Affiliate	1,779,896	3.04	Times	-	-	-	-
"	COTEK ELECTRONICS (SUZHOU) CO., LTD.	Affiliate	1,384,150	N/A	(Note 1)	-	-	-	-
PT. PEGATRON TECHNOLOGY INDONESIA	PEGATRON CORPORATION	Parent Company	5,232,825	4.51	Times	-	-	1,981,356	-
CASETEK COMPUTER (SUZHOU) CO., LTD.	MAINTEK COMPUTER (SUZHOU) CO., LTD.	Affiliate	976,633	4.95	Times	-	-	-	-
KAI-CHUAN ELECTRONICS (CHONGQING) CO., LTD.	DIGITEK (CHONGQING) LTD.	Affiliate	187,550	6.84	Times	-	-	-	-
CASETEK HOLDINGS LIMITED(CAYMAN)	MEGA MERIT LIMITED	Subsidiary measured by equity method	172,991	N/A	(Note 1)	-	-	-	-
RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	Affiliate	3,690,670	N/A	(Note 1)	-	-	-	-
"	RI-PRO PRECISION MODEL (SHANGHAI) CO., LTD	Affiliate	130,249	N/A	(Note 1)	-	-	-	-
Rida Intelligent Manufacture Technology (Rugao) Co., Ltd.	PEGATRON CORPORATION	Parent Company	132,164	2.87	Times	-	-	36,206	-
RIH LI International Limited	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	Subsidiary measured by equity method	4,567,695	N/A	(Note 1)	-	-	-	-
"	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	Subsidiary measured by equity method	203,636	N/A	(Note 1)	-	-	-	-
ASIAROCK TECHNOLOGY LIMITED	ASROCK AMERICA, INC.	Subsidiary measured by equity method	767,816	3.38	Times	-	-	100,904	-
ASIAROCK TECHNOLOGY LIMITED	ASIAROCK TECHNOLOGY LIMITED	Parent Company	543,189	7.11	Times	-	-	378,577	-
"	ASRock Rack Incorporation	Affiliate	102,159	6.43	Times	-	-	367	-
ASRock Rack Incorporation	ASROCK AMERICA, INC.	Affiliate	121,325	3.40	Times	-	-	-	-
KINSUS INTERCONNECT TECHNOLOGY (SUZHOU) CORP	KINSUS INTERCONNECT TECHNOLOGY CORP.	Parent Company	611,152	6.98	Times	-	-	-	-
PEGAVISION CORPORATION	Pegavision Japan Inc.	Subsidiary measured by equity method	301,885	5.64	Times	-	-	-	-
"	AQUAMAX CORPORATION	Subsidiary measured by equity method	139,387	5.82	Times	-	-	-	-
Lumens Digital Optics Inc. (Lumens Optics)	Lumens Integration Inc.	Subsidiary measured by equity method	116,452	3.78	Times	-	-	-	-
FUYANG TECHNOLOGY CORPORATION	FUYANG ELECTRONICS (SUZHOU) CO., LTD.	Subsidiary measured by equity method	190,250	0.00	Times	-	-	-	-
AZURE LIGHTING TECHNOLOGIES, INC.	AZURE WAVE TECHNOLOGIES, INC.	Parent Company	527,505	4.97	Times	-	-	473,380	-

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

Note 2 : Offsetting of account receivables and payables.

Notes to the Consolidated Financial Statements

Table 9: Information on investees
December 31, 2021

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2021			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2021	December 31, 2020	Shares	Percentage of ownership	Carrying value			
				Expressed in thousands of NTD							
PEGATRON CORPORATION	ASUSPOWER INVESTMENT CO., LTD.	Taipei	Investment holding	13,033,429	13,033,429	932,844,700	100.00%	10,343,374	1,393,189	1,393,189	
"	ASUS INVESTMENT CO., LTD.	Taipei	Investment holding	16,184,982	16,184,982	979,254,600	100.00%	11,660,148	1,685,201	1,685,201	
"	ASUSTEK INVESTMENT CO., LTD.	Taipei	Investment holding	14,593,543	14,593,543	951,278,300	100.00%	7,613,944	775,275	775,275	
"	Pegatron Holding Ltd.	Cayman Islands	Investment holding	34,318,691	33,462,716	991,906,463	100.00%	93,235,505	7,032,726	7,032,726	
"	PEGATRON USA, INC.	CA, USA	Repairing and marketing center in Northern America	16,085	16,085	50,000	100.00%	17,179	109	109	
"	PEGATRON HOLLAND HOLDING B.V.	Wijchen, NETHERLANDS	Investment holding	1,278,287	1,278,287	-	100.00%	2,894,729	213,612	213,612	
"	AMA PRECISION INC.	Taipei	Research and design of computer components	408,394	408,394	33,500,000	100.00%	433,482	1,717	1,717	
"	AZURE WAVE TECHNOLOGIES, INC.	New Taipei City	Manufacture of office machine, electrical components, computer and related products. Sale of precision instrument and photographic equipment.	525,750	525,750	35,750,000	23.76%	492,197	308,878	73,400	
"	Unihan Holding Ltd.	Cayman Islands	Investment holding	5,823,962	5,823,962	170,110,010	100.00%	5,734,488	252,739	252,739	
"	CASETEK HOLDINGS LIMITED(CAYMAN)	Cayman Islands	Investment holding	14,717,122	442,409	1	100.00%	37,051,112	6,374,782	6,374,782	
"	PEGATRON SERVICE AUSTRALIA PTY. LTD.	Australia	Investment holding	139,088	139,088	6,000,000	100.00%	201,423	31,064	31,064	
"	PT. PEGATRON TECHNOLOGY INDONESIA	Indonesia	Data storage and processing equipment, manufacturing wired and wireless communication	1,249,369	1,249,369	39,999	100.00%	1,246,851	84,163	84,163	
"	PEGATRON VIETNAM COMPANY LIMITED	Vietnam	Manufacturing and selling consumer electronics, computers, related peripherals, communication	2,973,516	870,095	-	100.00%	2,665,892	(238,046)	(238,046)	
"	PEGATRON TECHNOLOGY HAI PHONG COMPANY LIMITED	Vietnam	Manufacturing and selling consumer electronics, computers, related peripherals, communication	429,459	178,755	-	100.00%	221,520	(132,030)	(132,030)	
"	PEGATRON TECHNOLOGY INDIA PRIVATE LIMITED	India	Manufacturing and selling consumer electronics, computers, related peripherals, communication	4,287,623	215,713	1,099,890,000	99.99%	3,760,945	(329,079)	(329,046)	
"	Pegatron Technology Texas Inc.	TX, USA	Sales and repair service center in North America	27,813	-	100	100.00%	(9,563)	(37,669)	(37,669)	
"	Pegatron Electronics Inc.	TX, USA	Sales and repair service center in North America	278,125	-	1,000	100.00%	277,907	1,089	1,089	
ASUSPOWER INVESTMENT CO., LTD.	STARLINK ELECTRONICS CORPORATION	New Taipei City	Manufacture of computer components and industrial plastics. Sale and manufacture of electronic materials.	135,144	135,144	15,000,000	50.00%	241,645	5,831	Not required to disclose	
"	KINSUS INTERCONNECT TECHNOLOGY CORP.	Taoyuan	Manufacture of computer components. Sale and manufacture of electronic materials. Enterprise management consulting.	727,473	727,473	55,556,221	12.32%	3,581,096	3,858,984	Not required to disclose	
"	ASROCK INCORPORATION	Taipei	Manufacture of data processing equipment, storage equipment and wireless communication equipment. Installation and sale of computer and electronic materials.	82,626	82,626	2,791,000	2.27%	186,907	2,381,060	Not required to disclose	
"	AZURE WAVE TECHNOLOGIES, INC.	New Taipei City	Manufacture of office machine, electrical components, computer and related products. Sale of precision instrument and photographic equipment.	154,000	154,000	7,000,000	4.65%	96,313	308,878	Not required to disclose	
"	Lumens Digital Optics Inc. (Lumens Optics)	Hsinchu	Development, manufacture and sale of projector and related product.	508,932	508,932	10,043,490	50.22%	1,106,358	175,046	Not required to disclose	
"	PEGAVISION CORPORATION	Taoyuan	Manufacture of medical equipment	70,721	70,721	5,480,121	7.83%	429,490	1,248,574	Not required to disclose	
"	ASUSPOWER CORPORATION	Virgin Islands	Investment holding and commercial affairs	3,752,682	3,752,682	109,000,000	31.23%	1,844,419	(520)	Not required to disclose	
"	PEGATRON TECHNOLOGY SERVICE INC.	Kentucky, USA	Repairing and marketing center in Northern America	94,475	94,475	2,800	100.00%	1,151,855	35,161	Not required to disclose	
"	PEGATRON LOGISTIC SERVICE INC.	CA, USA	Transferring and marketing center in Northern America	30	30	1,000	100.00%	11,014	-	Not required to disclose	
"	Huawei Investment Co., Ltd.	Taipei	Investment holding	48,780	48,780	-	48.78%	262,149	(130,059)	Not required to disclose	
"	PEGA INTERNATIONAL LIMITED	Taipei	Design service and commercial affairs	31,885	31,885	-	100.00%	27,003	(5,815)	Not required to disclose	
"	PEGATRON JAPAN Inc.	Japan	Repairing and marketing center in Japan	27,287	27,287	-	100.00%	483,206	176,779	Not required to disclose	
"	PEGATRON Mexico, S.A. DE C.V.	Chihuahua, Mexico	Manufacturing consumer electronics and electronic parts	456,761	231,424	-	40.51%	370,832	73,060	Not required to disclose	
"	PEGATRON SERVICE SINGAPORE PTE. LTD.	Singapore	Repairing and marketing center in Singapore	23,990	23,990	1,000,000	100.00%	380,623	47,001	Not required to disclose	
"	PT. PEGATRON TECHNOLOGY INDONESIA	Indonesia	Data storage and processing equipment, manufacturing wired and wireless communication equipment, and whole selling of computer equipment and electronic components	31	31	1	0.00%	32	111,033	Not required to disclose	

Notes to the Consolidated Financial Statements

Expressed in thousands of NTD

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2021			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2021	December 31, 2020	Shares	Percentage of ownership	Carrying value			
ASUS INVESTMENT CO., LTD.	PEGATRON TECHNOLOGY INDIA PRIVATE LIMITED	India	Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts	429	22	110,000	0.01%	376	(329,079)	Not required to disclose	
"	STARLINK ELECTRONICS CORPORATION	New Taipei City	Manufacture of computer components and industrial plastics. Sale and manufacture of electronic materials.	90,000	90,000	9,000,000	30.00%	144,987	5,831	Not required to disclose	
"	KINSUS INTERCONNECT TECHNOLOGY CORP.	Taoyuan	Manufacture of computer components. Sale and manufacture of electronic materials. Enterprise management consulting.	938,098	938,098	60,128,417	13.34%	3,875,832	3,858,984	Not required to disclose	
"	ASROCK INCORPORATION	Taipei	Manufacture of data storage, data processing equipment and communication equipment. Sale of computer equipment and electronic material.	155,718	155,718	57,217,754	46.55%	3,831,708	2,381,060	Not required to disclose	
"	Lumens Digital Optics Inc. (Lumens Optics)	Hsinchu	Development, manufacture and sale of projector and related product.	7,338	7,338	587,079	2.94%	64,671	175,046	Not required to disclose	
"	ASUSPOWER CORPORATION	Virgin Islands	Investment holding and commercial affairs	3,488,741	3,488,741	103,000,000	29.51%	1,742,838	(520)	Not required to disclose	
ASUS INVESTMENT CO., LTD.	ASFLY TRAVEL SERVICE LIMITED	Taipei	Travel industry	6,000	6,000	-	100.00%	5,768	2,558	Not required to disclose	
"	HUA-YUAN INVESTMENT LIMITED	Taipei	Investment holding	500,000	500,000	-	100.00%	592,256	57,443	Not required to disclose	
"	PEGATRON Mexico, S.A. DE C.V.	Chihuahua, Mexico	Manufacturing consumer electronics and electronic parts	700,851	369,938	-	59.49%	544,576	73,060	Not required to disclose	
"	FUYANG TECHNOLOGY CORPORATION	Hsinchu	Manufacture of wire, cable and electronic components. Sale of electronic material.	464,711	464,711	32,088,436	17.83%	162,530	78,080	Not required to disclose	
ASUSTEK INVESTMENT CO., LTD.	STARLINK ELECTRONICS CORPORATION	New Taipei City	Manufacture of computer components and industrial plastics. Sale and manufacture of	60,000	60,000	6,000,000	20.00%	96,658	5,831	Not required to disclose	
"	KINSUS INTERCONNECT TECHNOLOGY CORP.	Taoyuan	Manufacture of computer components. Sale and manufacture of electronic materials. Enterprise	794,252	794,252	58,233,091	12.92%	3,753,660	3,858,984	Not required to disclose	
"	ASROCK INCORPORATION	Taipei	Manufacture of data processing equipment, storage equipment and wire communication equipment.	223,939	223,939	7,453,405	6.06%	499,137	2,381,060	Not required to disclose	
"	AZURE WAVE TECHNOLOGIES, INC.	New Taipei City	Manufacture of office machine, electrical components, computer and related products. Sale	98,487	98,487	6,696,930	4.45%	92,170	308,878	Not required to disclose	
"	Lumens Digital Optics Inc. (Lumens Optics)	Hsinchu	Development, manufacture and sale of projector and related product.	5,117	5,117	409,427	2.05%	45,101	175,046	Not required to disclose	
"	PEGAVISION CORPORATION	Taoyuan	Manufacture of medical equipment	64,292	64,292	4,934,434	7.05%	386,723	1,248,574	Not required to disclose	
"	ASUSPOWER CORPORATION	Virgin Islands	Investment holding and commercial affairs	4,652,885	4,652,885	137,000,000	39.26%	2,318,665	(520)	Not required to disclose	
"	FUYANG TECHNOLOGY CORPORATION	Hsinchu	Manufacture of wire, cable and electronic components. Sale of electronic materials.	929,422	929,422	64,176,872	35.65%	324,970	78,080	Not required to disclose	
PEGATRON SERVICE SINGAPORE PTE. LTD.	PEGATRON SERVICE KOREA LLC.	Korea	Repairing and marketing center in Korea	41,525	41,525	360,000	100.00%	217,791	23,774	Not required to disclose	
Pegatron Holding Ltd.	MAGNIFICENT BRIGHTNESS LIMITED	Virgin Islands	Investment holding and commercial affairs	7,208,123	7,208,123	177,961,090	100.00%	29,800,103	2,445,680	Not required to disclose	
"	PROTEK GLOBAL HOLDINGS LTD.	Virgin Islands	Investment holding and commercial affairs	8,288,249	8,288,249	308,100,000	100.00%	36,736,002	1,528,656	Not required to disclose	
"	ASLINK PRECISION CO., LTD.	Cayman Islands	Investment holding and commercial affairs	6,234,398	5,403,908	229,711,968	100.00%	16,287,020	2,163,438	Not required to disclose	
"	DIGITEK GLOBAL HOLDINGS LIMITED	Virgin Islands	Investment holding and commercial affairs	1,357,810	1,357,810	49,050,000	100.00%	6,616,116	583,306	Not required to disclose	
"	COTEK HOLDINGS LIMITED	Virgin Islands	Investment holding and commercial affairs	1,910,542	1,910,542	81,275,000	100.00%	1,841,989	312,200	Not required to disclose	
"	TOP QUARK LIMITED	HongKong	Investment holding	293,287	293,287	9,550,000	100.00%	271,440	151,360	Not required to disclose	
"	POWTEK HOLDINGS LIMITED	Virgin Islands	Investment holding and commercial affairs	363,907	363,907	8,050,000	100.00%	1,287,519	157,837	Not required to disclose	
"	PIOTEK HOLDINGS LTD.(CAYMAN)	Cayman Islands	Investment holding	2,554,407	2,554,407	92,000,000	49.00%	75,476	(482,797)	Not required to disclose	
"	GRAND UPRIGHT TECHNOLOGY LTD.	Samoa	Investment holding and commercial affairs	36,714	36,714	5,000,000	100.00%	308,115	(45,307)	Not required to disclose	
KINSUS INTERCONNECT TECHNOLOGY CORP.	KINSUS CORP. (USA)	CA, USA	Design substrate, analyze market strategy, development new customer and new technology.	13,842	13,842	500,000	100.00%	66,944	8,359	Not required to disclose	
"	KINSUS HOLDING (SAMOA) LIMITED	Samoa	Investment holding	4,603,924	4,603,924	166,308,720	100.00%	2,378,249	329,154	Not required to disclose	
"	KINSUS INVESTMENT CO., LTD.	Taoyuan	Investment holding	1,600,000	1,600,000	160,000,000	100.00%	2,678,046	407,075	Not required to disclose	
KINSUS INVESTMENT CO., LTD.	PEGAVISION CORPORATION	Taoyuan	Manufacture of medical equipment	252,455	252,455	21,233,736	30.33%	1,664,138	1,248,574	Not required to disclose	
"	FUYANG TECHNOLOGY CORPORATION	Hsinchu	Manufacture of wire, cable and electronic components. Sale of electronic material.	929,422	929,422	64,176,872	35.65%	325,005	78,080	Not required to disclose	
KINSUS HOLDING (SAMOA) LIMITED	KINSUS HOLDING (CAYMAN) LIMITED	Cayman Islands	Investment holding	1,993,176	1,993,176	72,000,000	100.00%	2,317,122	575,377	Not required to disclose	
"	PIOTEK HOLDINGS LTD.(CAYMAN)	Cayman Islands	Investment holding	2,610,756	2,610,756	95,755,000	51.00%	78,564	(482,789)	Not required to disclose	
PIOTEK HOLDINGS LTD. (CAYMAN)	PIOTEK HOLDING LIMITED	Virgin Islands	Investment holding	3,871,213	3,871,213	139,840,790	100.00%	154,028	(482,789)	Not required to disclose	
PIOTEK HOLDING LIMITED	PIOTEK (H.K.) TRADING LIMITED	HongKong	Commercial affairs	720	720	200,000	100.00%	64,723	(5,572)	Not required to disclose	
PEGAVISION CORPORATION	AQUAMAX CORPORATION	Taoyuan	Sale of medical equipment	-	40,000	-	- %	0	18,766	Not required to disclose	
"	PEGAVISION JAPAN INC.	Japan	Sale of medical equipment	2,381	2,381	198	100.00%	59,801	21,135	Not required to disclose	
"	Mayin Investment Co., Ltd.	Taoyuan	Investment holding	120,003	-	12,000,000	100.00%	164,344	44,525	Not required to disclose	
Mayin Investment Co., Ltd.	AQUAMAX CORPORATION	Taoyuan	Selling medical appliances	40,000	-	4,000,000	100.00%	56,036	18,766	Not required to disclose	
Mayin Investment Co., Ltd.	FacialBeau International Corporation	Taoyuan	Selling cosmetics	27,500	-	2,750,000	55.00%	27,331	(307)	Not required to disclose	
AQUAMAX CORPORATION	Aquamax Vision Corporation	CA, USA	Sale of medical equipment	30,451	16,610	11,000,000	100.00%	12,346	(16,325)	Not required to disclose	

Notes to the Consolidated Financial Statements

Expressed in thousands of NTD

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2021			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2021	December 31, 2020	Shares	Percentage of ownership	Carrying value			
FUYANG TECHNOLOGY CORPORATION	FUYANG FLEX HOLDING LTD.	Cayman Islands	Investment holding and commercial affairs	1,357,292	1,357,292	44,000,000	100.00%	29,647	(206,617)	Not required to disclose	
ASIA ROCK TECHNOLOGY LIMITED	ASRock Rack Incorporation	Taipei	Manufacture and sale of computer related products	291,278	291,278	27,296,220	59.67%	418,174	66,691	Not required to disclose	
"	ASIA ROCK TECHNOLOGY LIMITED	Virgin Islands	Investment holding	1,320,886	1,320,886	40,000,000	100.00%	3,599,438	107,324	Not required to disclose	
"	Leader Insight Holdings Ltd.	Virgin Islands	Investment holding	71,559	71,559	2,100,000	100.00%	102,306	68,350	Not required to disclose	
"	ASRock Industrial Computer Corporation	Taipei	Manufacture and sale of computer related products	239,683	239,683	23,895,700	65.83%	399,697	156,396	Not required to disclose	
"	ASJade Technology Inc.	Taipei	Information software service	103,125	0	8,250,000	78.57%	101,294	(2,331)	Not required to disclose	
"	Yabo Trading Co., Ltd.	HongKong	International trade	532	532	150,000	100.00%	533	-	Not required to disclose	
ASIA ROCK TECHNOLOGY LIMITED	ASROCK EUROPE B.V.	Nijmegen, NETHERLANDS	Sale of data storage devices and electronic materials	5,371	5,371	200,000	100.00%	667,437	108,030	Not required to disclose	
"	CalRock Holdings, LLC.	CA, USA	Renting offices	55,366	55,366	2,000,000	100.00%	59,611	(1,132)	Not required to disclose	
"	Orbweb Inc. (BVI)	Virgin Islands	Installation of computer equipment and sale of computer related product.	27,683	27,683	4,000,000	27.59%	-	(2,682)	Not required to disclose	
Leader Insight Holdings Ltd.	First place International Ltd.	Virgin Islands	Investment holding	56,750	56,750	2,050,000	100.00%	102,263	68,350	Not required to disclose	
Firstplace International Ltd.	ASROCK AMERICA, INC.	CA, USA	Sale of data storage devices and electronic materials	55,366	55,366	2,000,000	100.00%	101,335	68,350	Not required to disclose	
Lumens Digital Optics Inc. (Lumens Optics)	Lumens Integration Inc.	CA, USA	Purchase and sale on computer product and computer related product.	33,524	33,524	1,222,000	100.00%	5,351	(23,196)	Not required to disclose	
"	Lumens Digit Image Inc.	Samoa	Investment holding	6,921	6,921	250,000	100.00%	19,916	3,800	Not required to disclose	
PEGATRON TECHNOLOGY SERVICE INC.	PEGATRON SERVIÇOS DE INFORMÁTICA LTDA.	Brasil	Repairing service	17,994	17,994	-	100.00%	6,408	(92)	Not required to disclose	
Unihan Holding Ltd.	CASETEK HOLDINGS LIMITED	Virgin Islands	Investment holding and commercial affairs	4,537,265	4,537,265	115,375,668	100.00%	5,724,128	253,980	Not required to disclose	
CASETEK HOLDINGS LIMITED	SLITEK HOLDINGS LIMITED	Samoa	Investment holding and commercial affairs	33,496	33,496	1,210,000	100.00%	908	(1,738)	Not required to disclose	
"	KAEDAR HOLDINGS LIMITED	HongKong	Investment holding and commercial affairs	692,075	692,075	25,000,000	100.00%	985,386	(243,048)	Not required to disclose	
"	KAEDAR TRADING LTD.	Samoa	Investment holding and commercial affairs	138,415	138,415	5,000,000	100.00%	518,308	(50,908)	Not required to disclose	
AZURE WAVE TECHNOLOGIES, INC.	Azwave Holding (Samoa) Inc.	Samoa	Investment holding	2,173,438	1,888,113	70,177,000	100.00%	2,117,187	194,603	Not required to disclose	
"	EZWAVE TECHNOLOGIES, INC.	New Taipei City	Information product service industry	5,015	5,015	500,000	100.00%	(23,110)	(714)	Not required to disclose	
"	AZURE LIGHTING TECHNOLOGIES, INC.	New Taipei City	Sale of electronic materials	25,000	25,000	2,000,000	100.00%	38,406	6,291	Not required to disclose	
"	Azurewave Technologies (USA) INC.	CA, USA	Market development	19,820	19,820	650,000	100.00%	2,154	408	Not required to disclose	
CASETEK HOLDINGS LIMITED(CAYMAN)	RIH LI International Limited	Samoa	Investment holding	21,220,018	27,702,491	581,331,000	100.00%	35,264,410	5,824,587	Not required to disclose	
"	RIH KUAN METAL CORPORATION	Taipei	Sales of iron and aluminum products	279,090	279,090	30,000,000	100.00%	604,202	70,417	Not required to disclose	
"	APLUS PRECISION LIMITED	Cayman Islands	Investing and trading	890,137	890,137	38,300,000	100.00%	857,808	376,410	Not required to disclose	
"	MEGA MERIT LIMITED	Samoa	Trading activities	27,683	27,683	1,000,000	100.00%	49,930	18,527	Not required to disclose	
APLUS PRECISION LIMITED	UNITED NEW LIMITED	Samoa	Investing and trading	1,060,259	1,060,259	38,300,000	100.00%	857,808	376,410	Not required to disclose	
RIH KUAN METAL CORPORATION	Riteng USA, Inc.	CA, USA	Market Research	6,367	6,367	230,000	100.00%	7,257	(423)	Not required to disclose	

Note 1 : Income and expenses for each statement of comprehensive income are translated at average exchange rates of 2021, the others are translated at the spot exchange rate on the financial statement date.

Notes to the Non-Consolidated Financial Statements

Table 10: Information on investments in Mainland China
December 31, 2021

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

Expressed in thousands of NTD												
Name of investee	Main businesses and products	Total amount of capital surplus	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2021	Amount remitted from Taiwan to Mainland China / Amount remitted back to Taiwan for the year ended December 31, 2021		Accumulated outflow of investment from Taiwan as of December 31, 2021	Net income of investee for the year ended December 31, 2021	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2021 [Note2, (2)]	Book value of investments in Mainland China as of December 31, 2021	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2021
					Remitted to Mainland China	Remitted back to Taiwan						
MAINTEK COMPUTER (SUZHOU) CO., LTD. (Note 5)	Manufacture, develop and research and sale of power supplier, new electronic component, computer case, and computer system. Repair of laptop, motherboard and related product.	6,328,057 USD 228,590,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	4,894,354 USD 176,800,000	-	-	4,894,354 USD 176,800,000	2,445,742 USD 87,355,676	100%	2,445,742 USD 87,355,676	29,929,345 USD 1,081,145,284	-
PROTEK (SHANGHAI) LTD.	Develop and research, manufacture, assemble, repair, sale and design of satellite communication equipment, satellite navigation receive equipment and essential component. Sale of cellphone, medium and large sized computer, portable computer, printing machine and electrical component.	8,526,364 USD 308,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	8,526,364 USD 308,000,000	-	-	8,526,364 USD 308,000,000	1,528,722 USD 54,602,060	100%	1,528,722 USD 54,602,060	36,916,714 USD 1,333,551,776	-
PIOTEK COMPUTER (SUZHOU) (Note 7)	Develop and research, manufacture and sale of new type of precision electrical component, circuit board and related product. The company also provides after sale service.	4,614,756 USD 166,700,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	1,258,089 USD 45,446,280	-	-	1,258,089 USD 45,446,280	(477,212) (USD 17,044,788)	68.68%	(327,729) (USD 11,705,645)	61,333 USD 2,215,540	-
COTEK ELECTRONICS	Develop, manufacture and sale of new electrical component, plug and corresponding precision mold. The company also provides after sale service.	2,242,323 USD 81,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	1,910,127 USD 69,000,001	-	-	1,910,127 USD 69,000,001	312,080 USD 11,146,698	100%	312,080 USD 11,146,698	1,764,604 USD 63,743,233	-
RUNTOP (SHANGHAI) CO., LTD. (Note 20)	Manufacture and sale of computer components, digital automatic data processing machine, accessories of multimedia computer, power supplier, network switch and data machine.	193,781 USD 7,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	291,903 USD 10,544,482	-	-	291,903 USD 10,544,482	- USD 0	0%	- USD 0	- USD 0	-
POWTEK (SHANGHAI) LTD.	Sale of computer motherboard, computer, laptop, service machine and computer related items. The company also provides after sales service.	221,464 USD 8,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	363,907 USD 13,145,510	-	-	363,907 USD 13,145,510	157,904 USD 5,639,936	100%	157,904 USD 5,639,936	1,287,228 USD 46,498,867	-
DIGITEK (CHONGQING) LTD.	Research and development, manufacture, sale of satellite communication equipment, satellite navigation receive equipment, cellphone, internet related equipment, computer, video decoding equipment, car-used electrical equipment and component. The company also provides export, proxy, repair services.	1,356,467 USD 49,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	1,356,467 USD 49,000,000	-	-	1,356,467 USD 49,000,000	583,363 USD 20,836,254	100%	583,363 USD 20,836,254	6,630,011 USD 239,497,563	-
PEGAGLOBE (KUNSHAN) CO., LTD.	Manufacture of satellite navigation receiving equipment, cellphone, core equipment, internet detection equipment, large and medium sized computer, easy to carry computers, high end service equipment, large volume light driver and their component.	5,370,502 USD 194,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	5,370,502 USD 194,000,000	-	-	5,370,502 USD 194,000,000	2,152,745 USD 76,890,559	100%	2,152,745 USD 76,890,559	15,488,868 USD 559,508,303	-
Pegaglobe Investment (Jiangsu) Co., Ltd	Investing activities with own capital : Equity investment	830,490 USD 30,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	-	830,490 USD 30,000,000	-	830,490 USD 30,000,000	10,845 USD 387,348	100%	10,845 USD 387,348	841,213 USD 30,387,348	-
CASETEK COMPUTER (SUZHOU) (Note 18)	Manufacture, development and research and sale of computer, computer system and its component. The company also provides after sale service.	1,550,248 USD 56,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	1,550,248 USD 56,000,000	-	-	1,550,248 USD 56,000,000	533,275 USD 19,047,230	100%	533,275 USD 19,047,230	2,630,383 USD 95,017,979	-
KAEDAR ELECTRONICS (KUNSHAN) CO., LTD. (Note 21)	Manufacture of plastic injection products.	484,453 USD 17,500,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	678,430 USD 24,507,092	-	-	678,430 USD 24,507,092	(195,420) (USD 6,979,907)	100%	(195,420) (USD 6,979,907)	548,525 USD 19,814,524	-

Notes to the Non-Consolidated Financial Statements

Expressed in thousands of NTD

Name of investee	Main businesses and products	Total amount of capital surplus	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2021	Amount remitted from Taiwan to Mainland China /Amount remitted back to Taiwan for the year ended December 31, 2021		Accumulated outflow of investment from Taiwan as of December 31, 2021	Net income of investee for the year ended December 31, 2021	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2021 [Note2, (2)]	Book value of investments in Mainland China as of December 31, 2021	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2021
					Remitted to Mainland China	Remitted back to Taiwan						
CORE-TEK (SHANGHAI)LIMITED	Research, manufacture and sale of laptop components and precisionequipment. Design non-metal molds and electronic devices. Thecompany also provides after sale service and consulting service.	332,196 USD 12,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	332,196 USD 12,000,000	-	-	332,196 USD 12,000,000	3,257 USD 116,345	100%	3,257 USD 116,345	206,592 USD 7,462,788	-
KAI-CHUAN ELECTRONICS (CHONGQING) CO., LTD.	Research and develop, manufacture and inspect computer andimplication system. Manufacture molds, precision molds, plasticcomponents. Sale of automatic products.	276,830 USD 10,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	276,830 USD 10,000,000	-	-	276,830 USD 10,000,000	12,950 USD 462,551	100%	12,950 USD 462,551	313,401 USD 11,321,056	-
Zhangjiagang East High-tech LTD.	Process, sale and transportation of steel.	166,098 USD 6,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	33,220 USD 1,200,000	-	-	33,220 USD 1,200,000	-	20%	-	-	-
FUYANG ELECTRONICS (SUZHOU) CO., LTD. (Note 13)	Research and develop, manufacture, test, repair and sale ofMultilayer flexible board and computer number signal processor.	1,218,052 USD 44,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	1,218,052 USD 44,000,000	-	-	1,218,052 USD 44,000,000	(206) (USD 7,372)	67.22%	(139) (USD 4,955)	28 USD 999	-
HONGJIE (SHANGHAI)) PACKING LIMITED (Note 14)	Manufacture of all kinds of paper boxes, paper materials, paperplastics, cushioning material, tray, etc.	138,415 USD 5,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	25,822 USD 932,769	-	-	25,822 USD 932,769	-	-	-	-	-
HONGJIE (SUZHOU) PACKING LIMITED (Note 14)	Manufacture of all kinds of paper boxes, paper materials, paperplastics, cushioning material, tray, etc.	368,460 USD 13,309,984	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	166,811 USD 6,025,762	-	-	166,811 USD 6,025,762	-	-	-	-	-
Suzhou Eslite Packaging LTD. (Note 14)	Manufacture of all kinds of paper boxes, paper materials, paperplastics, cushioning material, tray, etc.	141,183 USD 5,100,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	32,028 USD 1,156,954	-	-	32,028 USD 1,156,954	-	-	-	-	-
HONGJIE (CHONGQING) PACKING LIMITED (Note 14)	Manufacture of all kinds of paper boxes, paper materials, paperplastics, cushioning material, tray, etc.	13,842 USD 500,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	2,118 USD 76,500	-	-	2,118 USD 76,500	-	-	-	-	-
Hongruisheng (Chengdu) packaging LTD. (Note 12)	Manufacture of all kinds of paper boxes, paper materials, paperplastics, cushioning material, tray, etc.	72,253 USD 2,610,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	17,523 USD 633,000	-	-	17,523 USD 633,000	-	-	-	-	-
Heilongjiang Hongjie Packaging LTD. (Note 11)	Manufacture of all kinds of paper boxes, paper materials, paperplastics, cushioning material, tray, etc.	68,100 USD 2,460,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	12,258 USD 442,800	-	-	12,258 USD 442,800	-	-	-	-	-
Suzhou Lianshuo Electronics LTD. (Note 6)	Manufacture of plugs	193,350 USD 6,984,441	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	211,947 USD 7,656,224	-	-	211,947 USD 7,656,224	-	-	-	-	-
Shanghai Yiding Electronics LTD. (Note 8)	Research and develop, manufacture and sale of portable microcomputer, laptop and related products.	858,173 USD 31,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	542,587 USD 19,600,000	-	-	542,587 USD 19,600,000	-	-	-	-	-

Notes to the Non-Consolidated Financial Statements

Expressed in thousands of NTD

Name of investee	Main businesses and products	Total amount of capital surplus	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2021	Amount remitted from Taiwan to Mainland China /Amount remitted back to Taiwan for the year ended December 31, 2021		Accumulated outflow of investment from Taiwan as of December 31, 2021	Net income of investee for the year ended December 31, 2021	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2021 [Note2, (2)]	Book value of investments in Mainland China as of December 31, 2021	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2021
					Remitted to Mainland China	Remitted back to Taiwan						
Jinhong Precision Mold (Suzhou) Co., Ltd. (Note 10)	Design, process, sale and manufacture of non-metal molds. Manufacture and sale of precision molds, standard molds, plastic and hardware.	24,915 USD 900,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	47,476 USD 1,715,000	-	-	47,476 USD 1,715,000	-	-	-	-	-
Honghua Technology (Suzhou) LTD. (Note 9)	Manufacture, research and develop, process non-metal molds, precision molds, standard molds, hardware components, new version of photoelectric trigger, disk driver and their components. Manufacture of number camera, essential components and providing after sale service.	177,171 USD 6,400,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	86,814 USD 3,136,000	-	-	86,814 USD 3,136,000	-	-	-	-	-
KAI HE COMPUTER ACCESSORY (SUZHOU) CO., LTD (Note 19)	Designing, manufacturing and selling electronic components and providing after-sales services, idle equipments leasing, commission agency, trading services,	1,494,882 USD 54,000,000	Through setting up company in the third area, the Company then reinvest in the investee in	-	468,547 USD 16,925,453	-	468,547 USD 16,925,453	372,333 USD 13,298,782	100%	372,333 USD 13,298,782	857,553 USD 30,977,616	-
RI TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD. (Note 19)	Designing, manufacturing and selling electronic components and providing after-sales services, idle equipments leasing, commission agency, trading services and their relevant corresponding services.	4,290,837 USD 154,999,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	-	8,544,996 USD 308,673,038	-	8,544,996 USD 308,673,038	166,975 USD 5,963,931	100%	170,778 USD 6,099,756	8,620,129 USD 311,387,103	-
RI PRO PRECISION MODEL (SHANGHAI) CO., LTD. (Note 19)	Designing, manufacturing and selling electronic components and providing after-sales services, idle equipments leasing, commission agency, trading services and their relevant corresponding services.	83,049 USD 3,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	-	17,460 USD 630,695	-	17,460 USD 630,695	(6,177) (USD 220,631)	100%	(6,177) (USD 220,631)	10,406 USD 375,886	-
Luxcase Precision Technology (Yancheng) Co., Ltd. (Note 19)	Designing, manufacturing and selling electronic components and providing after-sales services, idle equipments leasing, commission agency, trading services and their relevant corresponding services.	25,877,226 USD 934,769,575	Through investing in the third area, the Company then reinvest in the investee in Mainland China.	-	17,779,993 USD 642,271,181	-	17,779,993 USD 642,271,181	4,292,131 USD 153,303,988	48.17%	1,611,478 USD 57,557,888	22,272,009 USD 804,537,402	-

2. Limitation on investment in Mainland China

Accumulated Investment in Mainland China as of December 31, 2021 (Note 16 and 19)	Investment Amounts Authorized by Investment Commission, MOEA (Note 15, 19 and 21)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 4)
57,324,018 USD 2,070,729,981	61,138,372 USD 2,208,516,847	116,560,126

Notes to the Non-Consolidated Financial Statements

US dollar exchange rate : year end exchange rate 27.683 ; average exchange rate 27.99752

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

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

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

- (1) If the company is under preparation status, there is no income or loss.
- (2) The basis for investment income (loss) recognition can be classified to three categories:
 1. Financial statements are audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.
 2. Financial statements which were based on the audited and attested by R.O.C. parent company's CPA.
 3. Others: The financial statements of significant subsidiaries were audited by CPA; and the self-assessed financial statements of non-significant subsidiaries were not audited by CPA.

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

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

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

Note 6 : Suzhou Lianshuo Electronics LTD. has completed liquidation process. As of December 31, 2021, the funds have not been remitted.

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

Note 8 : The Group has disposed of shares of Indeed Holdings Limited(indirectly invested in Shanghai Yiding Electronics LTD.). As of December 31, 2021, the funds have not been remitted.

Note 9 : Honghua Technology (Suzhou) LTD. has completed liquidation process. As of December 31, 2021, the funds have not been remitted.

Note 10 : The Group has disposed shares of Jinhong Precision Mold Industrial (Suzhou) Co., Ltd. . As of December 31, 2021, the funds have not been remitted.

Note 11 : The Group has disposed shares of Heilongjiang Hongjie Packaging LTD. . As of December 31, 2021, the funds have not been remitted.

Note 12 : Hongruisheng (Chengdu) packaging LTD. has completed liquidation process. As of December 31, 2021, the funds have not been remitted.

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

Note 14 : The Group has disposed all shares of E-Packaging. As of December 31, 2021, the funds have not been remitted.

Note 15 : Due to the reinvestment of the Group's investee, China renewable Energy Fund, LP (CREF), in Mainland China, the Group increased its line of credit to USD26,869,078, with the approval from the Investment Commission of MOEA.

Note 16 : The difference of USD17,211,240 between the accumulated amounts of remittance from Taiwan to Mainland China as of December 31, 2021 was the actual amount of investment in Mainland China made by China Renewable Energy Fund, LP(CREF) and Ark Semiconductor Corp. Ltd.

Note 17 : The company, which hasn't contributed yet, applied for the approval of the capital contribution of Pegaglobe Investment(Jiangsu)Co.,Ltd, resulting in the contribution amount, approved by the Investment Commission of MOEA, increased by USD 70,000,000.

Note 18 : CASETEK COMPUTER (SUZHOU) CO., LTD. remitted USD24,000,000 to CASETEK HOLDINGS LIMITED. the remittance have not been remitted back to Taiwan as of December 31, 2021

Note 19 : The merger of CASETEK HOLDINGS LIMITED (CAYMAN) has been approved and completed by the Investment Commission of MOEA, and is included in the investment amount and quota in Mainland China after its accounting and distribution.

Note 20 : The Group has disposed all shares of RUNTOP (SHANGHAI) CO., LTD. As of December 31, 2021, the funds have not been remitted.

Note 21 : Due to the investment of the Group's subsidiary, Ark Semiconductor Corp. Ltd, the Group increased its line of credit to USD5,339,028, with the approval from the Investment Commission of MOEA.

Note 22 : KAEDAR ELECTRONICS (KUNSHAN) CO., LTD. remitted RMB97,200,000 to KAEDAR HOLDINGS LIMITED. the remittance have not been remitted back to Taiwan as of December 31, 2021

Notes to the Consolidated Financial Statements

Table 11: Business relationships and significant intercompany transactions
December 31, 2021

							Expressed in thousands of NTD	
No. (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Transaction		Percentage of consolidated total operating revenues or total assets (Note 3)	
					Amount	Transaction terms		
0	PEGATRON CORPORATION	ASIAROCK TECHNOLOGY LIMITED	1	Sales	342,455	Open Account 90 days	0.03%	
0	PEGATRON CORPORATION	ASIAROCK TECHNOLOGY LIMITED	1	Account Receivables	140,512	Open Account 90 days	0.02%	
0	PEGATRON CORPORATION	PEGATRON Czech s.r.o.	1	Sales	1,124,803	120 days on delivery	0.09%	
0	PEGATRON CORPORATION	PEGATRON Czech s.r.o.	1	Account Receivables	313,594	120 days on delivery	0.05%	
0	PEGATRON CORPORATION	COTEK ELECTRONICS (SUZHOU) CO., LTD.	1	Account Receivables	2,027,331	Open Account 90 days	0.30%	
0	PEGATRON CORPORATION	PROTEK (SHANGHAI) LTD.	1	Account Receivables	102,069,459	Open Account 60 days	15.08%	
0	PEGATRON CORPORATION	MAINTEK COMPUTER (SUZHOU) CO., LTD.	1	Sales	959,521	Open Account 90 days	0.08%	
0	PEGATRON CORPORATION	MAINTEK COMPUTER (SUZHOU) CO., LTD.	1	Account Receivables	12,658,305	Open Account 90 days	1.87%	
0	PEGATRON CORPORATION	COTEK ELECTRONICS (SUZHOU) CO., LTD.	1	Sales	543,513	Open Account 90 days	0.04%	
0	PEGATRON CORPORATION	PEGAGLOBE (KUNSHAN) CO., LTD.	1	Account Receivables	65,386,390	Open Account 90 days	9.66%	
0	PEGATRON CORPORATION	DIGITEK (CHONGQING) LTD.	1	Account Receivables	52,659,300	Open Account 60 days	7.78%	
0	PEGATRON CORPORATION	PT. PEGATRON TECHNOLOGY INDONESIA	1	Account Receivables	7,259,536	120 days on delivery	1.07%	
0	PEGATRON CORPORATION	POWTEK (SHANGHAI) LTD.	1	Sales	8,488,945	120 days on delivery	0.67%	
0	PEGATRON CORPORATION	POWTEK (SHANGHAI) LTD.	1	Account Receivables	2,774,444	120 days on delivery	0.41%	
0	PEGATRON CORPORATION	PEGATRON TECHNOLOGY INDIA PRIVATE LIMITED	1	Sales	584,310	Open Account 60 days	0.05%	
0	PEGATRON CORPORATION	PEGATRON TECHNOLOGY INDIA PRIVATE LIMITED	1	Account Receivables	908,037	Open Account 60 days	0.13%	
0	PEGATRON CORPORATION	PEGATRON VIETNAM COMPANY LIMITED	1	Sales	127,326	Open Account 60 days	0.01%	
0	PEGATRON CORPORATION	PEGATRON VIETNAM COMPANY LIMITED	1	Account Receivables	408,828	Open Account 60 days	0.06%	
0	PEGATRON CORPORATION	PEGATRON TECHNOLOGY SERVICE INC.	1	Sales	110,246	90 days on delivery	0.01%	
1	PT. PEGATRON TECHNOLOGY INDONESIA	PEGATRON CORPORATION	2	Account Receivables	5,232,825	120 days on delivery	0.77%	
1	PT. PEGATRON TECHNOLOGY INDONESIA	PEGATRON CORPORATION	2	Sales	1,887,335	120 days on delivery	0.15%	
2	PROTEK (SHANGHAI) LTD.	PEGATRON CORPORATION	2	Sales	22,469,483	Open Account 60 days	1.78%	
2	PROTEK (SHANGHAI) LTD.	PEGATRON CORPORATION	2	Account Receivables	74,677,470	Open Account 60 days	11.03%	
2	PROTEK (SHANGHAI) LTD.	PEGAGLOBE (KUNSHAN) CO., LTD.	3	Sales	35,436,119	Open Account 60 days	2.80%	
2	PROTEK (SHANGHAI) LTD.	PEGAGLOBE (KUNSHAN) CO., LTD.	3	Account Receivables	13,124,996	Open Account 60 days	1.94%	
2	PROTEK (SHANGHAI) LTD.	PEGATRON TECHNOLOGY INDIA PRIVATE LIMITED	3	Account Receivables	216,939	Open Account 60 days	0.03%	
3	PEGAGLOBE (KUNSHAN) CO., LTD.	PEGATRON CORPORATION	2	Sales	50,444,423	Open Account 60 days	3.99%	
3	PEGAGLOBE (KUNSHAN) CO., LTD.	PEGATRON CORPORATION	2	Account Receivables	84,342,828	Open Account 60 days	12.46%	
3	PEGAGLOBE (KUNSHAN) CO., LTD.	PROTEK (SHANGHAI) LTD.	3	Sales	681,797	Open Account 60 days	0.05%	
4	MAINTEK COMPUTER (SUZHOU) CO., LTD.	PEGATRON CORPORATION	2	Sales	17,025,928	Open Account 60 days	1.35%	
4	MAINTEK COMPUTER (SUZHOU) CO., LTD.	COTEK ELECTRONICS (SUZHOU) CO., LTD.	3	Sales	3,713,139	Open Account 60 days	0.29%	
4	MAINTEK COMPUTER (SUZHOU) CO., LTD.	COTEK ELECTRONICS (SUZHOU) CO., LTD.	3	Account Receivables	1,779,896	Open Account 60 days	0.26%	
4	MAINTEK COMPUTER (SUZHOU) CO., LTD.	COTEK ELECTRONICS (SUZHOU) CO., LTD.	3	Other Receivables	1,384,150	Mutual Agreement	0.20%	
5	COTEK ELECTRONICS (SUZHOU) CO., LTD.	PEGATRON CORPORATION	2	Sales	4,480,308	Open Account 60 days	0.35%	
5	COTEK ELECTRONICS (SUZHOU) CO., LTD.	PEGATRON CORPORATION	2	Account Receivables	1,513,047	Open Account 60 days	0.22%	
5	COTEK ELECTRONICS (SUZHOU) CO., LTD.	MAINTEK COMPUTER (SUZHOU) CO., LTD.	3	Sales	1,902,705	Open Account 60 days	0.15%	
5	COTEK ELECTRONICS (SUZHOU) CO., LTD.	MAINTEK COMPUTER (SUZHOU) CO., LTD.	3	Account Receivables	1,281,550	Open Account 60 days	0.19%	
5	COTEK ELECTRONICS (SUZHOU) CO., LTD.	PROTEK (SHANGHAI) LTD.	3	Sales	267,595	Open Account 60 days	0.02%	
5	COTEK ELECTRONICS (SUZHOU) CO., LTD.	CASETEK COMPUTER (SUZHOU) CO., LTD.	3	Sales	167,286	Open Account 60 days	0.01%	
5	COTEK ELECTRONICS (SUZHOU) CO., LTD.	DIGITEK (CHONGQING) LTD.	3	Sales	435,805	Open Account 60 days	0.03%	
5	COTEK ELECTRONICS (SUZHOU) CO., LTD.	POWTEK (SHANGHAI) LTD.	3	Sales	1,874,027	Open Account 60 days	0.15%	
5	COTEK ELECTRONICS (SUZHOU) CO., LTD.	POWTEK (SHANGHAI) LTD.	3	Account Receivables	2,087,510	Open Account 60 days	0.31%	
5	COTEK ELECTRONICS (SUZHOU) CO., LTD.	Pegatron Electronics Inc.	3	Account Receivables	281,034	Open Account 60 days	0.04%	
6	DIGITEK (CHONGQING) LTD.	PEGATRON CORPORATION	2	Sales	2,050,329	Open Account 60 days	0.16%	
6	DIGITEK (CHONGQING) LTD.	PEGATRON CORPORATION	2	Account Receivables	49,357,663	Open Account 60 days	7.29%	
7	KAI-CHUAN ELECTRONICS (CHONGQING) CO., LTD.	DIGITEK (CHONGQING) LTD.	3	Sales	1,093,641	Open Account 60 days	0.09%	
7	KAI-CHUAN ELECTRONICS (CHONGQING) CO., LTD.	DIGITEK (CHONGQING) LTD.	3	Account Receivables	187,550	Open Account 60 days	0.03%	
8	CASETEK COMPUTER (SUZHOU) CO., LTD.	MAINTEK COMPUTER (SUZHOU) CO., LTD.	3	Sales	3,869,905	Open Account 60 days	0.31%	
8	CASETEK COMPUTER (SUZHOU) CO., LTD.	MAINTEK COMPUTER (SUZHOU) CO., LTD.	3	Account Receivables	976,633	Open Account 60 days	0.14%	
8	CASETEK COMPUTER (SUZHOU) CO., LTD.	DIGITEK (CHONGQING) LTD.	3	Sales	227,579	Open Account 60 days	0.02%	
8	CASETEK COMPUTER (SUZHOU) CO., LTD.	COTEK ELECTRONICS (SUZHOU) CO., LTD.	3	Sales	141,970	Open Account 60 days	0.01%	
8	CASETEK COMPUTER (SUZHOU) CO., LTD.	PEGATRON CORPORATION	2	Sales	336,486	Open Account 60 days	0.03%	
9	PIOTEK COMPUTER (SUZHOU) CO., LTD.	PIOTEK (H.K.) TRADING LIMITED	3	Sales	131,168	Open Account 60 days	0.01%	
10	KINSUS INTERCONNECT TECHNOLOGY (SUZHOU) CORP	KINSUS INTERCONNECT TECHNOLOGY CORP.	2	Sales	3,133,718	Open Account 30 days	0.25%	
10	KINSUS INTERCONNECT TECHNOLOGY (SUZHOU) CORP	KINSUS INTERCONNECT TECHNOLOGY CORP.	2	Account Receivables	611,152	Open Account 30 days	0.09%	
11	PEGAVISION CORPORATION	Pegavision Japan Inc.	1	Sales	1,850,825	Open Account 90 days	0.15%	
11	PEGAVISION CORPORATION	Pegavision Japan Inc.	1	Account Receivables	301,885	Open Account 90 days	0.04%	
11	PEGAVISION CORPORATION	GEMVISION TECHNOLOGY (ZHEJIANG) LIMITED	1	Sales	211,692	Open Account 180 days	0.02%	
11	PEGAVISION CORPORATION	AQUAMAX CORPORATION	1	Sales	411,064	Open Account 180 days	0.03%	
11	PEGAVISION CORPORATION	AQUAMAX CORPORATION	1	Account Receivables	139,387	Open Account 180 days	0.02%	
12	MEGA MERIT LIMITED	CASETEK SINGAPORE PTE. LTD.	3	Sales	158,242	Open Account 60-90 days	0.01%	
13	CASETEK HOLDINGS LIMITED(CAYMAN)	MEGA MERIT LIMITED	1	Other Receivables	172,991	Mutual Agreement	0.03%	
14	RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	3	Short-term Receivables	3,690,670	Mutual Agreement	0.55%	
14	RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	RI-PRO PRECISION MODEL (SHANGHAI) CO., LTD	3	Long-term Receivables	130,249	Mutual Agreement	0.02%	
15	Rida Intelligent Manufacture Technology (Rugao) Co., Ltd.	PEGATRON CORPORATION	2	Sales	189,644	Open Account 60 days	0.02%	
15	Rida Intelligent Manufacture Technology (Rugao) Co., Ltd.	PEGATRON CORPORATION	2	Account Receivables	132,164	Open Account 60 days	0.02%	
16	RIH KUAN METAL CORPORATION	CASETEK SINGAPORE PTE. LTD.	3	Sales	470,834	Open Account 60-90 days	0.04%	
17	RIH LI International Limited	RI SHAN COMPUTER ACCESSORY (JIA SHAN)	1	Short-term Receivables	4,567,695	Mutual Agreement	0.67%	
17	RIH LI International Limited	RI SHAN COMPUTER ACCESSORY (JIA SHAN)	1	Short-term Receivables	203,636	Mutual Agreement	0.03%	
18	FUYANG TECHNOLOGY CORPORATION	FUYANG ELECTRONICS (SUZHOU) CO., LTD.	1	Account Receivables	190,250	Open Account 60 days	0.03%	
19	ASIAROCK TECHNOLOGY LIMITED	ASROCK AMERICA, INC.	1	Sales	3,731,808	Open Account 90 days	0.30%	
19	ASIAROCK TECHNOLOGY LIMITED	ASROCK AMERICA, INC.	1	Account Receivables	767,816	Open Account 90 days	0.11%	
19	ASIAROCK TECHNOLOGY LIMITED	ASROCK EUROPE B.V.	1	Sales	3,896,085	Open Account 45 days	0.31%	
20	ASIAROCK TECHNOLOGY LIMITED	ASIAROCK TECHNOLOGY LIMITED	2	Sales	10,345,855	Open Account 60 days	0.82%	
20	ASIAROCK TECHNOLOGY LIMITED	ASIAROCK TECHNOLOGY LIMITED	2	Account Receivables	543,189	Open Account 60 days	0.08%	
20	ASIAROCK TECHNOLOGY LIMITED	ASRock Industrial Computer Corporation	3	Sales	337,206	Open Account 60 days	0.03%	
20	ASIAROCK TECHNOLOGY LIMITED	ASRock Rack Incorporation	3	Sales	2,032,823	Open Account 60 days	0.16%	
20	ASIAROCK TECHNOLOGY LIMITED	ASRock Rack Incorporation	3	Account Receivables	102,159	Open Account 60 days	0.02%	
21	ASRock Rack Incorporation	ASROCK AMERICA, INC.	3	Sales	352,551	Open Account 90 days	0.03%	
21	ASRock Rack Incorporation	ASROCK AMERICA, INC.	3	Account Receivables	121,325	Open Account 90 days	0.02%	
21	ASRock Rack Incorporation	ASROCK EUROPE B.V.	3	Sales	159,217	Open Account 60 days	0.01%	
22	ASRock Industrial Computer Corporation	ASROCK EUROPE B.V.	3	Sales	168,933	Open Account 60 days	0.01%	
23	AZURE WAVE TECHNOLOGIES, INC.	PEGATRON CORPORATION	2	Sales	156,039	Open Account 60 days	0.01%	
24	ASUSPOWER CORPORATION	PEGATRON CORPORATION	2	Other Receivables	4,650,744	Mutual Agreement	0.69%	
24	ASUSPOWER CORPORATION	ASUSPOWER INVESTMENT CO., LTD.	2	Other Receivables	609,026	Mutual Agreement	0.09%	
24	ASUSPOWER CORPORATION	ASUS INVESTMENT CO., LTD.	2	Other Receivables	581,343	Mutual Agreement	0.09%	
25	CASETEK HOLDINGS LIMITED	PEGATRON CORPORATION	2	Other Receivables	1,065,796	Mutual Agreement	0.16%	

Notes to the Consolidated Financial Statements

No. (Note 1)	Company name	Counterparty	Transaction				Percentage of consolidated total operating revenues or total assets (Note 3)
			Relationship (Note 2)	General ledger account	Amount	Transaction terms	
26	KAEDAR TRADING LTD.	PEGATRON CORPORATION	2	Other Receivables	484,453	Mutual Agreement	0.07%
27	AZURE LIGHTING TECHNOLOGIES, INC.	AZURE WAVE TECHNOLOGIES, INC.	2	Sales	1,984,542	Open Account 30-60 days	0.16%
27	AZURE LIGHTING TECHNOLOGIES, INC.	AZURE WAVE TECHNOLOGIES, INC.	2	Account Receivables	527,505	Open Account 30-60 days	0.08%
28	Lumens Digital Optics Inc. (Lumens Optics)	Lumens Integration Inc.	1	Sales	389,791	Open Account 60-90 days	0.03%
28	Lumens Digital Optics Inc. (Lumens Optics)	Lumens Integration Inc.	1	Account Receivables	116,452	Open Account 60-90 days	0.02%

Note 1: The information of transactions between the Company and the consolidated subsidiaries should be noted in "Number" column.

(1) Number 0 represents the Company.

(2) The consolidated subsidiaries are numbered in order from number

1.

Note 2: The transaction relationships with the counterparties are as follows:

(1) The Company to the consolidated subsidiary.

(2) The consolidated subsidiary to the Company.

(3) The consolidated subsidiary to another consolidated subsidiary.

Note 3: In calculating the ratio, the transaction amount is divided by consolidated total assets for balance sheet accounts and is divided by consolidated total revenues for income statement accounts.

Note 4: We only disclose Revenue and Accounts Receivables amount for significant inter-company transactions.

Note 5: All the transactions which amount is lower than materiality will not be disclosed.