

PEGATRON CORPORATION AND SUBSIDIARIES**Consolidated Financial Statements****With Independent Auditors' Review Report
For the Nine Months Ended September 30, 2022 and 2021**

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

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Independent Auditors' Review Report

To the Board of Directors of Pegatron Corporation:

Introduction

We have reviewed the accompanying consolidated balance sheets of Pegatron Corporation and its subsidiaries as of September 30, 2022 and 2021, and the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2022 and 2021, and changes in equity and cash flows for the nine months ended September 30, 2022 and 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Basis for Qualified Conclusion

As stated in Note 4(b), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect total assets amounting to \$88,408,508 thousand and \$49,076,333 thousand, constituting 13.40% and 8.47% of consolidated total assets as of September 30, 2022 and 2021, respectively, total liabilities amounting to \$19,105,505 thousand and \$16,021,168 thousand, constituting 4.28% and 4.06% of consolidated total liabilities as of September 30, 2022 and 2021, respectively, and total comprehensive gain (loss) amounting to \$2,256,319 thousand, \$(142,043) thousand, \$2,493,963 thousand and \$70,810 thousand, constituting 13.55%, (3.78)%, 7.37% and 0.57% of consolidated total comprehensive income for the three months and nine months ended September 30, 2022 and 2021, respectively.

Furthermore, as stated in Note 6(h), the other equity accounted investments of Pegatron Corporation and its subsidiaries in its investee companies of \$25,525,685 thousand and \$20,588,908 thousand as of September 30, 2022 and 2021, respectively, and its equity in net earnings on these investee companies of \$1,323,446 thousand, \$299,631 thousand, \$2,464,132 thousand and \$606,691 thousand for the three months and nine months ended September 30, 2022 and 2021, respectively, were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews and the review reports of other auditors (please refer to Other Matter paragraph), nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Pegatron Corporation and its subsidiaries as of September 30, 2022 and 2021, and of its consolidated financial performance for the three months and nine months ended September 30, 2022 and 2021, and its consolidated cash flows for the nine months ended September 30, 2022 and 2021 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Other Matter

We did not review the financial statements of certain consolidated subsidiaries, with total assets of \$88,607,404 thousand and \$72,803,700 thousand, representing 13.43% and 12.56% of the related consolidated total assets as of September 30, 2022 and 2021, and net sales of \$18,174,637 thousand, \$16,739,615 thousand, \$52,715,077 thousand and \$47,915,772 thousand, representing 5.15%, 5.19%, 5.49% and 5.90% of the related consolidated total net sales for the three months and nine months ended September 30, 2022 and 2021, respectively. Those financial statements were reviewed by other auditors whose reports have been furnished to us, and our review, insofar as it relates to the amounts included for certain consolidated subsidiaries, are based solely on the reports of the other auditors.

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

KPMG

Taipei, Taiwan (Republic of China)
November 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 review such consolidated financial statements are those generally accepted and applied in the Republic of China.

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE GENERALLY ACCEPTED AUDITING STANDARDS
AS OF SEPTEMBER 30, 2022 AND 2021

PEGATRON CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

September 30, 2022, December 31, 2021, and September 30, 2021

(Expressed in Thousands of New Taiwan Dollars)

Assets		September 30, 2022		December 31, 2021		September 30, 2021	
		Amount	%	Amount	%	Amount	%
Current assets:							
1100	Cash and cash equivalents (Note 6(a))	\$ 132,628,437	20	111,024,086	16	143,517,648	25
1110	Current financial assets at fair value through profit or loss (Note 6(b))	8,187,236	1	11,671,446	2	9,171,572	1
1170	Accounts receivable, net (Notes 6(d), 6(aa) and 7)	170,346,922	26	249,533,457	37	133,521,275	23
1200	Other receivables, net (Notes 6(e) and 7)	1,749,506	-	9,628,610	2	11,973,361	2
130X	Inventories (Note 6(f))	198,741,814	30	148,061,197	22	159,527,450	28
1460	Non-current assets classified as held for sale, net (Note 6(g))	-	-	-	-	42,955	-
1476	Other current financial assets (Notes 6(p) and 8)	10,499,046	2	30,316,944	4	10,295,874	2
1479	Other current assets (Note 6(p))	<u>7,640,127</u>	<u>1</u>	<u>4,615,086</u>	<u>1</u>	<u>4,945,277</u>	<u>1</u>
		<u>529,793,088</u>	<u>80</u>	<u>564,850,826</u>	<u>84</u>	<u>472,995,412</u>	<u>82</u>
Non-current assets:							
1510	Non-current financial assets at fair value through profit or loss (Note 6(b))	1,595,896	-	1,588,080	-	1,448,218	-
1517	Non-current financial assets at fair value through other comprehensive income (Note 6(c))	1,312,907	-	1,492,875	-	1,013,768	-
1550	Investments accounted for using the equity method (Note 6(h))	25,922,038	4	22,534,158	3	21,044,263	4
1600	Property, plant and equipment (Notes 6(l) and 8)	80,888,111	12	69,736,530	10	68,850,477	12
1755	Right-of-use assets (Note 6(m))	6,556,686	1	6,236,459	1	4,744,045	1
1760	Investment property, net (Note 6(n))	35,898	-	33,433	-	34,365	-
1780	Intangible assets (Note 6(o))	222,337	-	208,186	-	206,608	-
1840	Deferred tax assets	3,165,091	1	2,820,827	1	3,196,337	-
1915	Prepayments on purchase of equipment	9,691,769	2	6,812,380	1	4,784,609	1
1980	Other non-current financial assets (Notes 6(p) and 8)	356,615	-	406,576	-	1,070,001	-
1990	Other non-current assets (Note 6(p))	<u>52,319</u>	<u>-</u>	<u>50,033</u>	<u>-</u>	<u>35,274</u>	<u>-</u>
		<u>129,799,667</u>	<u>20</u>	<u>111,919,537</u>	<u>16</u>	<u>106,427,965</u>	<u>18</u>
Total assets		<u>\$ 659,592,755</u>	<u>100</u>	<u>676,770,363</u>	<u>100</u>	<u>579,423,377</u>	<u>100</u>

See accompanying notes to financial statements.

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AS OF SEPTEMBER 30, 2022 AND 2021

PEGATRON CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets (CONT'D)

September 30, 2022, December 31, 2021, and September 30, 2021

(Expressed in Thousands of New Taiwan Dollars)

	<u>September 30, 2022</u>		<u>December 31, 2021</u>		<u>September 30, 2021</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Liabilities and Equity						
Current liabilities:						
2100	\$ 104,953,974	16	94,023,304	14	66,698,612	12
2130	1,314,029	-	1,325,274	-	1,191,384	-
2170	211,201,027	32	266,661,540	40	223,625,312	39
2209	24,824,645	4	25,898,985	4	24,918,667	4
2219	8,676,452	2	9,683,535	2	5,627,286	1
2230	3,747,619	1	2,598,928	-	1,859,406	-
2281	1,393,877	-	1,067,674	-	730,102	-
2321	4,500,000	1	2,000,000	-	2,000,000	-
2322	2,204,466	-	1,026,949	-	713,000	-
2399	31,721,329	5	24,301,864	4	27,737,738	5
	<u>394,537,418</u>	<u>61</u>	<u>428,588,053</u>	<u>64</u>	<u>355,101,507</u>	<u>61</u>
Non-Current liabilities:						
2527	1,111,326	-	150,352	-	151,292	-
2530	30,375,143	5	34,869,595	5	25,977,933	5
2540	14,329,679	2	12,210,422	2	10,409,083	2
2570	1,410,741	-	2,134,397	-	1,526,335	-
2581	1,747,193	-	2,003,326	-	834,424	-
2650	4,527	-	258	-	-	-
2670	2,798,263	-	2,547,083	-	748,410	-
	<u>51,776,872</u>	<u>7</u>	<u>53,915,433</u>	<u>7</u>	<u>39,647,477</u>	<u>7</u>
	<u>446,314,290</u>	<u>68</u>	<u>482,503,486</u>	<u>71</u>	<u>394,748,984</u>	<u>68</u>
Total liabilities						
Equity Attributable to Owners of the Parent Company (Note 6(w)):						
3110	26,679,264	4	26,691,316	4	26,695,311	5
Capital surplus:						
3210	78,701,342	12	78,057,441	12	78,056,649	13
3280	4,504,678	1	5,263,867	1	5,281,576	1
	<u>83,206,020</u>	<u>13</u>	<u>83,321,308</u>	<u>13</u>	<u>83,338,225</u>	<u>14</u>
Retained earnings:						
3310	17,721,898	3	15,698,039	2	15,698,038	3
3320	20,918,849	3	15,866,201	2	15,866,202	3
3350	36,346,762	5	46,661,789	7	38,792,109	7
	<u>74,987,509</u>	<u>11</u>	<u>78,226,029</u>	<u>11</u>	<u>70,356,349</u>	<u>13</u>
Other equity interest:						
3410	(2,645,121)	-	(21,363,627)	(3)	(20,903,720)	(4)
3420	80,455	-	444,778	-	7,167	-
3491	(86,408)	-	(712,701)	-	(859,264)	-
	<u>(2,651,074)</u>	<u>-</u>	<u>(21,631,550)</u>	<u>(3)</u>	<u>(21,755,817)</u>	<u>(4)</u>
3500	(2,928)	-	(2,558)	-	(3,995)	-
	<u>182,218,791</u>	<u>28</u>	<u>166,604,545</u>	<u>25</u>	<u>158,630,073</u>	<u>28</u>
36xx	31,059,674	4	27,662,332	4	26,044,320	4
	<u>213,278,465</u>	<u>32</u>	<u>194,266,877</u>	<u>29</u>	<u>184,674,393</u>	<u>32</u>
	<u>659,592,755</u>	<u>100</u>	<u>676,770,363</u>	<u>100</u>	<u>579,423,377</u>	<u>100</u>
Total liabilities and equity						

See accompanying notes to financial statements.

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

PEGATRON CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months and nine months ended September 30, 2022 and 2021

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

	For the three months ended September 30				For the nine months ended September 30				
	2022		2021		2022		2021		
	Amount	%	Amount	%	Amount	%	Amount	%	
4110	Operating revenue (Notes 6(aa) and 7)	\$ 354,478,863	100	323,602,389	100	963,683,622	100	813,372,383	100
4170	Less: Sales returns and allowances	1,611,814	-	802,752	-	3,334,517	-	1,674,239	-
	Operating revenue, net	<u>352,867,049</u>	100	<u>322,799,637</u>	100	<u>960,349,105</u>	100	<u>811,698,144</u>	100
5000	Cost of sales (Notes 6(f), 6(t), 6(u), 6(x), 6(y), 6(ab), and 7)	<u>336,792,978</u>	95	<u>311,033,211</u>	96	<u>918,326,768</u>	96	<u>780,982,853</u>	96
	Gross profit from operations	<u>16,074,071</u>	5	<u>11,766,426</u>	4	<u>42,022,337</u>	4	<u>30,715,291</u>	4
6000	Operating expenses (Notes 6(t), 6(u), 6(x), 6(y) and 6(ab)):								
6100	Selling expenses	1,342,962	-	1,272,659	1	3,911,884	-	3,521,136	-
6200	General and administrative expenses	2,915,806	1	2,439,901	1	8,022,856	1	6,619,164	1
6300	Research and development expenses	4,182,809	2	3,877,795	1	11,680,752	1	11,488,899	2
	Total operating expenses	<u>8,441,577</u>	3	<u>7,590,355</u>	3	<u>23,615,492</u>	2	<u>21,629,199</u>	3
	Net operating income	<u>7,632,494</u>	2	<u>4,176,071</u>	1	<u>18,406,845</u>	2	<u>9,086,092</u>	1
	Non-operating income and expenses:								
7100	Interest income (Notes 6(ac) and 7)	582,486	-	363,233	-	1,364,845	-	1,200,299	-
7010	Other income (Note 6(ac))	853,556	-	925,478	-	3,627,188	-	3,333,289	-
7020	Other gains and losses (Notes 6(i), 6(l), 6(o) and 6(ac))	(902,568)	-	(621,359)	-	(5,153,285)	-	3,647,945	1
7050	Finance costs (Notes 6(d), 6(s), 6(t) and 6(ac))	(626,339)	-	(215,804)	-	(1,286,958)	-	(781,813)	-
7060	Share of profit of associates and joint ventures accounted for using the equity method (Note 6(h))	1,331,622	-	183,615	-	2,475,529	-	278,275	-
	Total non-operating income and expenses	<u>1,238,757</u>	-	<u>635,163</u>	-	<u>1,027,319</u>	-	<u>7,677,995</u>	1
	Profit before tax	<u>8,871,251</u>	2	<u>4,811,234</u>	1	<u>19,434,164</u>	2	<u>16,764,087</u>	2
7950	Less: Tax expenses (Note 6(v))	1,757,723	-	803,666	-	4,401,735	-	1,063,331	-
	Profit for the year	<u>7,113,528</u>	2	<u>4,007,568</u>	1	<u>15,032,429</u>	2	<u>15,700,756</u>	2
8300	Other comprehensive income:								
8310	Components of other comprehensive income that will not be reclassified to profit or loss								
8316	Unrealized (losses) gains from investments in equity instruments measured at fair value through other comprehensive income	(56,237)	-	16,863	-	(364,323)	-	84,795	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-	-	-	-	-
	Total components of other comprehensive income (loss) that will not be reclassified to profit or loss	<u>(56,237)</u>	-	<u>16,863</u>	-	<u>(364,323)</u>	-	<u>84,795</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	9,315,733	3	(186,594)	-	18,401,249	2	(2,899,336)	-
8370	Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method, components of other comprehensive income that will be reclassified to profit or loss (Note 6(h))	292,909	-	(84,255)	-	772,360	-	(462,685)	-
8399	Income tax related to components of other comprehensive income (loss) that will be reclassified to profit or loss (Note 6(v))	8,224	-	(2,476)	-	3,505	-	(23,409)	-
	Total components of other comprehensive income (loss) that will be reclassified to profit or loss	<u>9,600,418</u>	3	<u>(268,373)</u>	-	<u>19,170,104</u>	2	<u>(3,338,612)</u>	-
8300	Other comprehensive income (loss) for the period, net of tax	<u>9,544,181</u>	3	<u>(251,510)</u>	-	<u>18,805,781</u>	2	<u>(3,253,817)</u>	-
8500	Total comprehensive income for the period	<u>\$ 16,657,709</u>	5	<u>3,756,058</u>	1	<u>33,838,210</u>	4	<u>12,446,939</u>	2
	Profit attributable to:								
8610	Owners of the parent company	\$ 5,265,446	1	2,668,376	1	10,048,776	1	12,684,641	2
8620	Non-controlling interests	1,848,082	1	1,339,192	-	4,983,653	1	3,016,115	-
		<u>\$ 7,113,528</u>	2	<u>4,007,568</u>	1	<u>15,032,429</u>	2	<u>15,700,756</u>	2
	Comprehensive income attributable to:								
8710	Owners of the parent company	\$ 14,612,498	4	2,425,035	1	28,402,959	3	9,506,793	2
8720	Non-controlling interests	2,045,211	1	1,331,023	-	5,435,251	1	2,940,146	-
		<u>\$ 16,657,709</u>	5	<u>3,756,058</u>	1	<u>33,838,210</u>	4	<u>12,446,939</u>	2
	Earnings per share, net of tax (Note 6(z))								
9750	Basic earnings per share	\$ 1.97		1.00		3.77		4.76	
9850	Diluted earnings per share	\$ 1.96		0.99		3.74		4.72	

See accompanying notes to financial statements.

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

PEGATRON CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity
For the nine months ended September 30, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of the parent company															
	Share capital		Retained earnings				Total other equity interest						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	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Deferred compensation cost arising from issuance of restricted stock	Total other equity interest						
Balance on January 1, 2021	\$ 26,628,737	83,008,347	13,706,083	11,286,050	44,978,224	69,970,357	(15,808,892)	(57,309)	(1,146,659)	(17,012,860)	-	162,594,581	36,345,941	198,940,522		
Profit for the period	-	-	-	-	12,684,641	12,684,641	-	-	-	-	-	12,684,641	3,016,115	15,700,756		
Other comprehensive (loss) income for the period	-	-	-	-	-	-	(3,262,643)	84,795	-	(3,177,848)	-	(3,177,848)	(75,969)	(3,253,817)		
Total comprehensive income (loss) for the period	-	-	-	-	12,684,641	12,684,641	(3,262,643)	84,795	-	(3,177,848)	-	9,506,793	2,940,146	12,446,939		
Appropriation and distribution of retained earnings:																
Legal reserve appropriated	-	-	1,991,955	-	(1,991,955)	-	-	-	-	-	-	-	-	-		
Special reserve appropriated	-	-	-	4,580,152	(4,580,152)	-	-	-	-	-	-	-	-	-		
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	-	2,562	-	-	(409,874)	(409,874)	-	-	-	-	-	(407,312)	-	(407,312)		
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	(159,173)	-	-	-	-	(1,832,185)	-	-	(1,832,185)	-	(1,991,358)	1,991,358	-		
Changes in ownership interests in subsidiaries	-	11,499	-	-	-	-	-	-	-	-	-	11,499	(11,499)	-		
Share-based payments	75,740	-	-	-	-	-	-	-	-	-	-	75,740	-	75,740		
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	20,319	20,319	-	(20,319)	-	(20,319)	-	-	-	-		
Expiration of restricted shares of stock issued to employees	(9,166)	13,105	-	-	73,837	73,837	-	-	-	-	(3,995)	73,781	-	73,781		
Compensation cost arising from restricted shares of stock	-	461,885	-	-	-	-	-	-	287,395	287,395	-	749,280	-	749,280		
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(15,221,626)	(15,221,626)		
Balance on September 30, 2021	\$ 26,695,311	83,338,225	15,698,038	15,866,202	38,792,109	70,356,349	(20,903,720)	7,167	(859,264)	(21,755,817)	(3,995)	158,630,073	26,044,320	184,674,393		
Balance on January 1, 2022	\$ 26,691,316	83,321,308	15,698,039	15,866,201	46,661,789	78,226,029	(21,363,627)	444,778	(712,701)	(21,631,550)	(2,558)	166,604,545	27,662,332	194,266,877		
Profit for the period	-	-	-	-	10,048,776	10,048,776	-	-	-	-	-	10,048,776	4,983,653	15,032,429		
Other comprehensive income (loss) for the period	-	-	-	-	-	-	18,718,506	(364,323)	-	18,354,183	-	18,354,183	451,598	18,805,781		
Total comprehensive income (loss) for the period	-	-	-	-	10,048,776	10,048,776	18,718,506	(364,323)	-	18,354,183	-	28,402,959	5,435,251	33,838,210		
Appropriation and distribution of retained earnings:																
Legal reserve appropriated	-	-	2,023,859	-	(2,023,859)	-	-	-	-	-	-	-	-	-		
Special reserve appropriated	-	-	-	5,052,648	(5,052,648)	-	-	-	-	-	-	-	-	-		
Cash dividends of ordinary share	-	-	-	-	(13,343,303)	(13,343,303)	-	-	-	-	-	(13,343,303)	-	(13,343,303)		
Changes in equity of associates and joint ventures accounted for using equity method	-	120,957	-	-	-	-	-	-	-	-	-	120,957	-	120,957		
Changes in ownership interests in subsidiaries	-	(16,533)	-	-	-	-	-	-	-	-	-	(16,533)	16,533	-		
Expiration of restricted shares of stock issued to employees	(12,052)	12,422	-	-	56,007	56,007	-	-	-	-	(370)	56,007	-	56,007		
Compensation cost arising from restricted shares of stock	-	(232,134)	-	-	-	-	-	-	626,293	626,293	-	394,159	-	394,159		
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(2,054,442)	(2,054,442)		
Balance on September 30, 2022	\$ 26,679,264	83,206,020	17,721,898	20,918,849	36,346,762	74,987,509	(2,645,121)	80,455	(86,408)	(2,651,074)	(2,928)	182,218,791	31,059,674	213,278,465		

See accompanying notes to financial statements.

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

PEGATRON CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the nine months ended September 30, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	For the nine months ended September 30	
	2022	2021
Cash flows from operating activities:		
Profit before tax	\$ 19,434,164	16,764,087
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	10,805,500	10,150,078
Amortization expense	106,953	110,224
Expected credit loss	26,701	11,333
Net loss on financial assets and liabilities at fair value through profit or loss	4,771,167	2,750,720
Interest expense	1,274,362	773,483
Interest income	(1,364,845)	(1,200,299)
Dividend income	(117,908)	(82,177)
Compensation cost arising from share-based payments	620,097	814,015
Amortization of issuance costs on bonds payable	5,548	4,251
Share of profit of associates and joint ventures accounted for using the equity method	(2,475,529)	(278,275)
(Gain) loss on lease modification	(117,242)	935
Gain on disposal of property, plant and equipment	(295,436)	(415,595)
Property, plant and equipment charged to expenses	172,849	88,698
Loss on disposal of intangible assets	-	314
Gain on disposal of investments	-	(3,968,280)
Impairment loss on non-financial assets	34,696	15,173
Gain on foreign currency exchange on long-term loans	-	(243,390)
Government grants income	(69,297)	(55,306)
Total adjustments to reconcile profit	13,377,616	8,475,902
Changes in operating assets and liabilities:		
Changes in operating assets:		
(Increase) decrease in financial assets at fair value through profit or loss	(1,294,774)	1,186,088
Decrease in accounts receivable	79,159,406	42,342,278
Decrease (increase) in other receivables	7,695,860	(10,436,280)
Increase in inventories	(50,790,253)	(3,863,942)
(Increase) decrease in other current assets	(3,043,509)	1,422,952
Decrease in other financial assets	19,817,898	30,636,753
(Increase) decrease in other operating assets	(2,286)	25,470
Total changes in operating assets	51,542,342	61,313,319
Changes in operating liabilities:		
Increase in contract liabilities	71,027	165,264
(Decrease) increase in accounts payable	(55,460,513)	10,850,993
(Decrease) increase in accrued expenses	(1,567,256)	22,701,894
(Decrease) increase in other payables	(928,507)	7,968,765
Increase in other current liabilities	7,808,848	3,595,725
Increase in other non-current liabilities	264,223	81,808
Total changes in operating liabilities	(49,812,178)	45,364,449
Total changes in operating assets and liabilities	1,730,164	106,677,768
Total adjustments	15,107,780	115,153,670
Cash inflow generated from operations	34,541,944	131,917,757
Interest received	1,576,242	1,232,118
Dividends received	116,565	82,177
Interest paid	(1,128,183)	(834,642)
Income taxes paid	(4,019,262)	(3,672,622)
Net cash flows from operating activities	31,087,306	128,724,788

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

PEGATRON CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows (CONT'D)

For the nine months ended September 30, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	For the nine months ended September 30	
	2022	2021
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(177,561)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	48,587
Acquisition of property, plant and equipment	(16,452,775)	(17,554,415)
Proceeds from disposal of property, plant and equipment	764,256	787,848
Acquisition of intangible assets	(124,672)	(134,804)
Proceeds from disposal of intangible assets	-	255
Acquisition of right-of-use assets	-	(13,976)
Proceeds from disposal of right-of-use assets	140,832	34,020
Disposal of subsidiaries	-	(18,998,907)
Decrease in other financial assets	20,431	2,537,679
Increase in prepayments on purchase of equipment	(2,879,389)	(7,200,787)
Net cash flows used in investing activities	<u>(18,708,878)</u>	<u>(40,494,500)</u>
Cash flows from financing activities:		
Increase (Decrease) in short-term loans	10,930,670	(37,476,399)
Proceeds from issuing bonds	-	3,495,500
Repayments of bonds	(2,000,000)	(1,000,000)
Proceeds from long-term loans	4,854,270	5,252,400
Repayments of long-term loans	(1,688,160)	(10,898,427)
Repayments of lease liabilities	(1,130,440)	(1,136,740)
Cash dividends paid	(15,720,440)	(13,007,325)
Issuance of restricted stock	-	75,740
Redemption of restricted stock	(12,422)	(13,161)
Changes in non-controlling interests	75,685	(14,214,225)
Net cash flows used in financing activities	<u>(4,690,837)</u>	<u>(68,922,637)</u>
Effect of exchange rate fluctuations on cash held	<u>13,916,760</u>	<u>(1,786,717)</u>
Net increase in cash and cash equivalents	21,604,351	17,520,934
Cash and cash equivalents, beginning of the period	<u>111,024,086</u>	<u>125,996,714</u>
Cash and cash equivalents, end of the period	<u>\$ 132,628,437</u>	<u>143,517,648</u>

See accompanying notes to financial statements.

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

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

September 30, 2022 and 2021

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

(1) Company history

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

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

The consolidated financial statements of the Company as of and for the nine months ended September 30, 2022 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 November 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, 2022:

- 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”

(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's adoption of the new amendments, effective for annual period beginning on January 1, 2023, are expected to have the following impacts:

- (i) Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

The amendments narrowed the scope of the recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The Group may need to recognize equal deferred income tax assets and deferred income tax liabilities and is evaluating the impact of its initial adoption of the amendments on its consolidated financial position.

- (ii) Other amendments

The following amendments are not expected to have a significant impact on the Group's consolidated financial statements.

- Amendments to IAS 1 "Disclosure of Accounting Policies"
- Amendments to IAS 8 "Definition of Accounting Estimates"

- (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"	<p>The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture.</p> <p>The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.</p>	Effective date to be determined by IASB

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

<u>Standards or Interpretations</u>	<u>Content of amendment</u>	<u>Effective date per IASB</u>
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance. The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	After reconsidering certain aspects of the 2020 amendments ¹ , new IAS 1 amendments clarify that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability’s classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.	January 1, 2024

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

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

- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information “
- IFRS16 “Requirements for Sale and Leaseback Transactions”

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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.

(a) Statement of compliance

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

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2021. For the related information, please refer to Note 4 of the consolidated financial statements for the year ended December 31, 2021.

(b) Basis of consolidation

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

Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			September 30, 2022	December 31, 2021	September 30, 2021	
THE COMPANY	UNIHAN HOLDING LTD. (UNIHAN)	Investing activities	100.00 %	100.00 %	100.00 %	Note 16
UNIHAN	CASETEK HOLDINGS LIMITED (CASETEK)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 16
CASETEK	SLITEK HOLDINGS LIMITED (SLITEK)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 16
CASETEK	CASETEK COMPUTER (SUZHOU) CO., LTD. (CASETEK SUZHOU)	Manufacturing, developing and selling computers, computer parts, application systems, and providing after-sales service	100.00 %	100.00 %	100.00 %	Note 16
CASETEK	KAEDAR HOLDINGS LIMITED (KHL)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 16
KHL	KAEDAR ELECTRONICS (KUNSHAN) CO., LTD. (KAEDAR)	Tooling molds of stainless-steel computer cases	100.00 %	100.00 %	100.00 %	Note 16
CASETEK	KAEDAR TRADING LTD. (KTL)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 16
CASETEK	CORE-TEK (SHANGHAI) LIMITED (CORE-TEK)	Researching and producing spare parts for notebook computers, designing nonmetal tooling, electronic specific equipment and related products, repairing and producing precision equipment and providing after-sales service	100.00 %	100.00 %	100.00 %	Note 16

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			September 30, 2022	December 31, 2021	September 30, 2021	
CASETEK	KAI-CHUAN ELECTRONICS (CHONGQING) CO., LTD. (KAI-CHUAN)	Manufacturing, developing and inspecting computers and application systems, designing and manufacturing nonmetal and metal tooling, developing plastic and electronic component, selling self-manufactured products	100.00 %	100.00 %	100.00 %	Note 16
THE COMPANY, ASUSPOWER INVESTMENT AND ASUSTEK INVESTMENT	AZUREWAVE TECHNOLOGIES, INC. (AZUREWAVE)	Wireless network development as well as selling and retailing of telecommunication, business and computer equipment and information software	32.35 %	32.86 %	32.86 %	Note 1
AZUREWAVE	EZWAVE TECHNOLOGIES, INC. (EZWAVE)	Information products service	100.00 %	100.00 %	100.00 %	Note 16
AZUREWAVE	Azurewave Technologies (USA) Inc. (Azurewave USA)	Market development activities	100.00 %	100.00 %	100.00 %	Note 16
AZUREWAVE	AZURE LIGHTING TECHNOLOGIES, INC. (AZURE)	Selling electronic parts	100.00 %	100.00 %	100.00 %	Note 16
AZUREWAVE	Azwave Holding (Samoa) Inc. (Azwave)	Investing activities	100.00 %	100.00 %	100.00 %	
Azwave	Azurewave Technologies (Shanghai) Inc. (Azurewave Shanghai)	Designing, manufacturing and trading computer products	100.00 %	100.00 %	100.00 %	Note 16
Azwave	AZURE LIGHTING TECHNOLOGIES, INC. (YANGZHOU) (AZURE YANQZHOU)	Manufacturing and selling LED and relevant lighting products	100.00 %	100.00 %	100.00 %	Note 16
Azwave	AIGALE CORPORATION (SHANGHAI) (AIGALE)	Designing and selling communication equipment and electronic products	100.00 %	100.00 %	100.00 %	Note 16
THE COMPANY	AMA PRECISION INC. (AMA)	Designing and developing computer parts	100.00 %	100.00 %	100.00 %	Note 16
THE COMPANY	PEGATRON HOLLAND HOLDING B.V. (PHH)	Investing activities	100.00 %	100.00 %	100.00 %	Note 16
PHH	PEGATRON Czech s.r.o. (PCZ)	Installing, repairing and selling electronic products	100.00 %	100.00 %	100.00 %	Note 16
THE COMPANY	PEGATRON HOLDING LTD. (PEGA HOLDING)	Investing activities	100.00 %	100.00 %	100.00 %	
PEGA HOLDING	POWTEK HOLDINGS LIMITED (POWTEK)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 16
POWTEK	POWTEK (SHANGHAI) LTD. (POWTEK SHANGHAI)	Selling main boards, computer peripherals, notebooks, servers and software, and providing after-sales service	100.00 %	100.00 %	100.00 %	Note 16
PEGA HOLDING, KINSUS SAMOA	PIOTEK HOLDINGS LTD. (CAYMAN) (PIOTEK CAYMAN)	Investing activities	100.00 %	100.00 %	100.00 %	
PIOTEK CAYMAN	PIOTEK HOLDING LIMITED (PIOTEK)	Investing activities	100.00 %	100.00 %	100.00 %	
PIOTEK	PIOTEK COMPUTER (SUZHOU) CO., LTD. (PIOTEK SUZHOU)	Researching, developing, producing and selling electronic components, PCBs and related products and providing after-sale services	100.00 %	100.00 %	100.00 %	

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			September 30, 2022	December 31, 2021	September 30, 2021	
PIOTEK	PIOTEK (H.K.) TRADING LIMITED (PIOTEK (H.K.))	Trading activities	100.00 %	100.00 %	100.00 %	
PEGA HOLDING	GRAND UPRIGHT TECHNOLOGY LIMITED (GUT)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 16
PEGA HOLDING	ASLINK PRECISION CO., LTD. (ASLINK)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 16
ASLINK	PEGAGLOBE (KUNSHAN) CO., LTD. (PEGAGLOBE KUNSHAN)	Manufacturing satellite navigation and positioning receiving equipment and key components, mobile phones, third generation and subsequent mobile communication mobile phones, base stations, core equipment and network testity equipment, large and medium-sized electronic computers, portable microcomputers, high-ends servers, large-capacity optical, disle drives and their components, high-end server, disk drive, and other related components.	100.00 %	100.00 %	100.00 %	
ASLINK	PEGAGLOBE INVESTMENT (JIANGSU) CO., LTD. (PEGAGLOBE JIANGSU)	Investing activities with own funds: equity investment	100.00 %	100.00 %	100.00 %	Note 16
PEGA HOLDING	DIGITEK GLOBAL HOLDINGS LIMITED (DIGITEK)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 16
DIGITEK	DIGITEK (CHONGQING) CO. LTD. (DIGITEK CHONGQING)	Research and development, manufacture, sale of satellite communication equipment, satellite navigation receive equipment, cellphone, internet related equipment, computer, video decoding equipment, car-used electrical equipment and component. The company also provides export, proxy, repair services.	100.00 %	100.00 %	100.00 %	
DIGITEK CHONGQING	CHONGQING ZUANSHUO TRADING CO., LTD. (ZUANSHUO)	Computer software and hardware, computer parts, electronic products (excluding electronic publications), electric appliance, industrial communication device (excluding wireless transmitter and transmitter), communication equipment (excluding wireless transmitter and satellite ground receiving facilities), and providing related technical consulting services. Import and export of goods and technology. Packaging service, product design, marketing planning, business consulting	100.00 %	100.00 %	100.00 %	Note 16
PEGA HOLDING	MAGNIFICENT BRIGHTNESS LIMITED (MAGNIFICENT)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 16

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			September 30, 2022	December 31, 2021	September 30, 2021	
MAGNIFICENT	MAINTEK COMPUTER (SUZHOU) CO., LTD. (MAINTEK)	Manufacture, develop and research and sale of power supplier, new electronic component, computer case, and computer system. Repair of laptop, motherboard and related product.	100.00 %	100.00 %	100.00 %	
PEGA HOLDING	PROTEK GLOBAL HOLDINGS LTD. (PROTEK)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 16
PROTEK	PROTEK (SHANGHAI) LTD. (PROTEK SHANGHAI)	Develop and research, manufacture, assemble, repair, sale and design of satellite communication equipment, satellite navigation receive equipment and essential component. Sale of cellphone, medium and large sized computer, portable computer, printing machine and electrical component, and providing after-sales service.	100.00 %	100.00 %	100.00 %	
PEGA HOLDING	COTEK HOLDINGS LIMITED (COTEK)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 16
COTEK	COTEK ELECTRONICS (SUZHOU) CO., LTD. (COTEK SUZHOU)	Developing, manufacturing and selling new electronic components, circuit boards and relevant products, and providing after-sales service	100.00 %	100.00 %	100.00 %	Note 16
PEGA HOLDING	TOP QUARK LIMITED (TOP QUARK)	Investing activities	100.00 %	100.00 %	100.00 %	Note 16
TOP QUARK	RUNTOP (SHANGHAI) CO., LTD. (RUN TOP)	Manufacturing and selling computer parts and peripherals of digital automatic data processors, multimedia computer system accessories, power supply units, network switches, and modems	- %	- %	- %	Note 10 and 16
THE COMPANY	ASUSPOWER INVESTMENT CO., LTD. (ASUSPOWER INVESTMENT)	Investing activities	100.00 %	100.00 %	100.00 %	
THE COMPANY	ASUS INVESTMENT CO., LTD. (ASUS INVESTMENT)	Investing activities	100.00 %	100.00 %	100.00 %	
THE COMPANY	ASUSTEK INVESTMENT CO., LTD. (ASUSTEK INVESTMENT)	Investing activities	100.00 %	100.00 %	100.00 %	
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	ASROCK INCORPORATION (ASROCK)	Selling motherboards, related product development and design	54.88 %	54.88 %	55.92 %	Note 2
ASROCK	ASIAROCK TECHNOLOGY LIMITED (ASIAROCK)	Investing and holding activities	100.00 %	100.00 %	100.00 %	
ASIAROCK	ASROCK EUROPE B.V. (ASROCK EUROPE)	Data storage and sale of electronic material and international trade	100.00 %	100.00 %	100.00 %	
ASIAROCK	Calrock Holdings, LLC. (Calrock)	Office building leasing	100.00 %	100.00 %	100.00 %	Note 16

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			September 30, 2022	December 31, 2021	September 30, 2021	
ASROCK	LEADER INSIGHT HOLDINGS LIMITED. (LEADER)	Investing and holding activities	100.00 %	100.00 %	100.00 %	Note 16
LEADER	FIRSTPLACE INTERNATIONAL LTD. (FIRSTPLACE)	Investing and holding activities	100.00 %	100.00 %	100.00 %	Note 16
FIRSTPLACE	ASRock America, Inc. (ASRock America)	Selling database service and trading electronic components	100.00 %	100.00 %	100.00 %	
ASROCK	ASRock Rack Incorporation (ASRock Rack)	Manufacturing and selling computer and related peripherals	59.68 %	59.67 %	59.67 %	Note 4
ASROCK	ASRock Industrial Computer Corporation (ASRock Industrial)	Manufacturing and selling computer and related peripherals	64.46 %	65.83 %	65.83 %	Note 5
ASROCK	Soaring Asia Limited (Soaring)	Trading activities	100.00 %	100.00 %	100.00 %	Note 16
ASROCK	ASJade Technology Incorporation (ASJade)	Information software service	78.57 %	78.57 %	- %	Note 12
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND CASETEK CAYMAN	PEGATRON Mexico, S.A. DE C.V. (PMX)	Manufacture of electronic products, the whole-sale and retail-sale of electronic materials, and the consultation services of business operation and management	100.00 %	100.00 %	100.00 %	Note 13 and 16
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	38.41 %	38.58 %	38.58 %	Note 3
KINSUS	KINSUS INVESTMENT CO., LTD. (KINSUS INVESTMENT)	Investing activities	100.00 %	100.00 %	100.00 %	
KINSUS INVESTMENT, ASUSPOWER INVESTMENT AND ASUSTEK INVESTMENT	PEGAVISION CORPORATION (PEGAVISION)	Manufacturing medical appliances	45.21 %	45.21 %	45.21 %	Note 6
PEGAVISION	PEGAVISION JAPAN INC. (PEGAVISION JAPAN)	Selling medical appliances	100.00 %	100.00 %	100.00 %	
PEGAVISION	PEGAVISION CONTACT LENSES CORPORATION (PEGAVISION SHANGHAI)	Selling medical appliances	100.00 %	100.00 %	100.00 %	
PEGAVISION SHANGHAI	Gemvision Technology (Zhejiang) Limited (Gemvision Zhejiang).	Selling medical appliances	100.00 %	100.00 %	100.00 %	
BeautyTech	BEAUTYTECH PLATFORM (SINGAPORE) PTE. LTD (BEAUTYTECH SG)	Selling medical appliances and cosmetics	100.00 %	- %	- %	Note 14
PEGAVISION	Pegavision (Jiangsu) Limited. (Pegavision Jiangsu)	Manufacturing and selling medical appliances and cosmetics	100.00 %	100.00 %	100.00 %	

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			September 30, 2022	December 31, 2021	September 30, 2021	
PEGAVISION	Mayin Investment Co., Ltd.(Mayin)	Investing activities	100.00 %	100.00 %	-	% Note 9
Mayin	BeautyTech Platform Corporation (BeautyTech)	Selling medical appliances and cosmetics	85.00 %	100.00 %	-	% Note 9
BeautyTech	Aquamax Vision Corporation(Aquamax)	Selling medical appliances and cosmetics	- %	100.00 %	100.00 %	Note 9
FacialBeau	Aquamax Vision Corporation(Aquamax)	Selling medical appliances and cosmetics	100.00 %	- %	-	% Note 9
BeautyTech	BeautyTech Platform (Shanghai) Corporation (BeautyTech Shanghai)	Selling medical appliances and cosmetics	100.00 %	- %	-	% Note 14
Mayin	FacialBeau International Corporation(FacialBeau)	Selling medical appliances and cosmetics	55.00 %	55.00 %	55.00 %	Note 9
FacialBeau	FacialBeau (Jiangsu) Corporation (FacialBeau Jiangsu)	Selling medical appliances and cosmetics	100.00 %	- %	-	% Note 14
FacialBeau	IKIDO Inc. (IKIDO)	Selling medical appliances and cosmetics	100.00 %	- %	-	% Note 14
FacialBeau	RODNA CO.LTD.(RODNA)	Selling medical appliances and cosmetics	100.00 %	- %	-	% Note 14
KINSUS INVESTMENT, ASUSTEK INVESTMENT AND ASUS INVESTMENT	FUYANG TECHNOLOGY CORPORATION (FUYANG)	Manufacturing and wholesaling of wires, cables, and electronic components	89.13 %	89.13 %	89.13 %	Note 16
FUYANG	FUYANG FLEX HOLDING LTD. (FUYANG HOLDING)	Investing activities	100.00 %	100.00 %	100.00 %	Note 16
FUYANG HOLDING	FUYANG ELECTRONICS (SUZHOU) CO., LTD. (FUYANG SUZHOU)	Researching, producing, inspecting, repairing and selling flexible multilayer model, computer digital signal process system and card; selling own produced products and providing related technical consulting service	100.00 %	100.00 %	100.00 %	Note 16
KINSUS	KINSUS CORP. (USA) (KINSUS USA)	Designing substracts, formulating marketing strategy analysis, developing new customers, researching and development new product technology	100.00 %	100.00 %	100.00 %	
KINSUS	KINSUS HOLDING (SAMOA) LIMITED (KINSUS SAMOA)	Investing activities	100.00 %	100.00 %	100.00 %	
KINSUS SAMOA	KINSUS HOLDING (CAYMAN) LIMITED (KINSUS CAYMAN)	Investing activities	100.00 %	100.00 %	100.00 %	
KINSUS CAYMAN	KINSUS INTERCONNECT TECHNOLOGY (SUZHOU) CORP. (KINSUS SUZHOU)	Manufacturing and selling circuit boards (PCB) (not high-density fine-line)	100.00 %	100.00 %	100.00 %	
KINSUS CAYMAN	XIANG-SHOU (SUZHOU) TRADING LIMITED (XIANG-SHOU)	Trading of PCB related products and materials (not high-density fine-line)	- %	100.00 %	100.00 %	Note 15

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			September 30, 2022	December 31, 2021	September 30, 2021	
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	STARLINK ELECTRONICS CORPORATION (STARLINK)	Manufacturing electronic parts and plastic products, and manufacturing and wholesaling electronic components	100.00 %	100.00 %	100.00 %	Note 16
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	ASUSPOWER CORPORATION (ASUSPOWER)	Investing and trading activities	100.00 %	100.00 %	100.00 %	
THE COMPANY	CASETEK HOLDINGS LIMITED (CAYMAN) (CASETEK CAYMAN)	Investing activities	100.00 %	100.00 %	100.00 %	Note 7
CASETEK CAYMAN	RIH LI INTERNATIONAL LIMITED (RIH LI)	Investing activities	100.00 %	100.00 %	100.00 %	Note 8
RIH LI	RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD. (RI-TENG)	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling	100.00 %	100.00 %	100.00 %	Note 16
RIH LI	RI-PRO PRECISION MODEL (SHANGHAI) CO., LTD. (RI-PRO)	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling	100.00 %	100.00 %	100.00 %	Note 16
RIH LI	RI-MING (SHANGHAI) CO., LTD. (RI-MING)	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling	- %	- %	- %	Note 8
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.	- %	- %	- %	Note 8
RIH LI	RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD. (RI PEI)	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling	- %	- %	- %	Note 8
RIH LI	RI SHAN COMPUTER ACCESSORY (JIASHAN) CO., LTD. (RI SHAN)	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling and surface processing for the aforementioned product	- %	- %	- %	Note 8
RIH LI	Luxcase Precision Technology (Yancheng) Co., Ltd. (Luxcase) (Former RI KAI)	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling	- %	- %	- %	Note 8
CASETEK CAYMAN	RI-KUAN METAL CORPORATION (RI-KUAN)	Selling iron and aluminum products	100.00 %	100.00 %	100.00 %	Note 16
RI-KUAN	RITENG USA, INC (RITENG)	Market survey	100.00 %	100.00 %	100.00 %	Note 16
CASETEK CAYMAN	APLUS PRECISION LIMITED (APLUS)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 16

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Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			September 30, 2022	December 31, 2021	September 30, 2021	
APLUS	UNITED NEW LIMITED (UNITED)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 16
UNITED	KAI HE COMPUTER ACCESSORY (SUZHOU) CO., LTD. (KAI HE)	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling and surface processing for the aforementioned product	100.00 %	100.00 %	100.00 %	Note 16
CASETEK CAYMAN	MEGA MERIT LIMITED (MEGA)	Trading activities	100.00 %	100.00 %	100.00 %	Note 16
CASETEK CAYMAN	CASETEK SINGAPORE PTE. LTD. (CSG)	Trading activities	- %	- %	- %	Note 8
ASUS INVESTMENT	AS FLY TRAVEL SERVICE LIMITED (AS FLY)	Travel agency	100.00 %	100.00 %	100.00 %	Note 16
ASUSPOWER INVESTMENT	PEGATRON TECHNOLOGY SERVICE INC. (PTSI)	Sales and repair service center in North America	100.00 %	100.00 %	100.00 %	Note 16
PTSI	PEGATRON SERVICOS DE INFORMATICA LTDA.(PCBR)	Maintenance service	100.00 %	100.00 %	100.00 %	Note 16
ASUSPOWER INVESTMENT	PEGA INTERNATIONAL LIMITED (PEGA INTERNATIONAL)	Design service and sales	100.00 %	100.00 %	100.00 %	Note 16
ASUSPOWER INVESTMENT	PEGATRON JAPAN INC.(PJ)	Sales and repair service center in Japan	100.00 %	100.00 %	100.00 %	Note 16
ASUSPOWER INVESTMENT	PEGATRON LOGISTIC SERVICE INC.(PLSI)	Sales and logistics center in North America	100.00 %	100.00 %	100.00 %	Note 16
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	Lumens Digital Optics Inc. (Lumens)	Developing, manufacturing and selling computer data projectors and related peripherals	55.21 %	55.21 %	55.21 %	Note 16
Lumens	Lumens Integration Inc. (Lumens Integration)	Selling computer communication products and peripherals	100.00 %	100.00 %	100.00 %	Note 16
Lumens	Lumens Digit Image Inc. (SAMOA) (Lumens SAMOA)	Investing activities	100.00 %	100.00 %	100.00 %	Note 16
Lumens SAMOA	Lumens (Suzhou) Digital Image Inc. (Lumens Suzhou)	Manufacturing and selling projectors, projection screens and related products	100.00 %	100.00 %	100.00 %	Note 16
ASUSPOWER INVESTMENT	Pegatron Service Singapore Pte. Ltd. (PSG)	Sales and repair service center in Singapore	100.00 %	100.00 %	100.00 %	Note 16
PSG	PEGATRON SERVICE KOREA LLC.(PKR)	Sales and repair service center in Korea	100.00 %	100.00 %	100.00 %	Note 16
ASUS INVESTMENT	HUA-YUAN INVESTMENT LIMITED (HUA-YUAN)	Investing activities	100.00 %	100.00 %	100.00 %	Note 16
THE COMPANY	PEGATRON SERVICE AUSTRALIA PTY. LTD.(PAU)	Sales and repair service center in Australia	100.00 %	100.00 %	100.00 %	Note 16
THE COMPANY	PEGATRON USA, INC. (PUSA)	Sales and repair service center in North America	100.00 %	100.00 %	100.00 %	Note 16

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Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			September 30, 2022	December 31, 2021	September 30, 2021	
THE COMPANY, ASUSPOWER INVESTMENT	PT. PEGATRON TECHNOLOGY INDONESIA (PTB)	Data storage and processing equipment, manufacturing wired and wireless communication equipment, installing and selling of computer equipment and electronic components	100.00 %	100.00 %	100.00 %	Note 16
THE COMPANY	PEGATRON VIETNAM COMPANY LIMITED (PVN)	Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts	100.00 %	100.00 %	100.00 %	Note 16
THE COMPANY	PEGATRON TECHNOLOGY HAI PHONG COMPANY LIMITED (PHP)	Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts	100.00 %	100.00 %	100.00 %	Note 16
THE COMPANY	PEGASUS ACE LIMITED(PEGASUS)	Investing activities	- %	- %	- %	Note 7 and 16
THE COMPANY, ASUSPOWER INVESTMENT	Pegatron Technology India Private Limited (PTI)	Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts	100.00 %	100.00 %	100.00 %	Note 16
THE COMPANY	PEGATRON TECHNOLOGY TEXAS INC. (PTX)	Sales center in North America	100.00 %	100.00 %	-	% Note 11 and 16
THE COMPANY	PEGATRON ELECTRONICS INC. (PEL)	Sales center in North America	100.00 %	100.00 %	-	% Note 11 and 16
THE COMPANY	Pegapower Investment Co., Ltd. (Pegapower Investment)	Investing activities	100.00 %	- %	-	% Note 14 and 16
THE COMPANY	Pegatron Investment Co., Ltd. (Pegatron Investment)	Investing activities	100.00 %	- %	-	% Note 14 and 16
Pegapower Investment, Pegatron Investment	Pegatron Venture Capital Co., Ltd. (Pegatron Venture)	Investing activities	100.00 %	- %	-	% Note 14 and 16

Note 1 : Since the Group only held 32.35% of voting rights of AZUREWAVE, with the remaining 67.65% 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 reduced its capital by canceling those retired new shares of restricted stock awards, and approved to issue new shares of restricted stock awards 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 25, 2022, KINSUS approved to issue new shares of restricted stock awards, resulting in the Group's shareholding ratio in KINSUS decreasing from 38.58% to 38.41%. Since the Group only held 38.41% of the voting rights of KINSUS, with the remaining 61.59% 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.

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- Note 4 : ASRock Rack issued stock dividends to inject its capital with surplus on July 26, 2022, resulting in the Group's shareholding ratio in ASRock Rack to increase from 59.67% to 59.68%.
- Note 5 : On July 19, 2022, ASRock Industrial approved to issue new shares for employee stock options during its board meeting. Since the Group did not purchase the stocks based on its shareholding ratio, the Group's shareholding ratio in ASRock Industrial has decreased from 65.83% to 64.46%.
- Note 6 : Since the Group only held 45.21% of rights of PEGAVISION, with the remaining 54.79% shares belonging to different shareholders having no intention of exercising their votes collectively, and also, due to the fact that the Group's participation dominated the previous shareholders' meetings, resulting in the Group having a significant control over PEGAVISION, PEGAVISION has been included in the consolidated financial statements of the Group.
- Note 7 : On August 26, 2020, CASETEK CAYMAN reduced its capital by repurchasing treasury stocks, resulting in the Group's shareholding ratio in CASETEK CAYMAN to increase from 59.41% to 60.02%. Pursuant to a resolution made during the CASETEK CAYMAN's Extraordinary General Meeting on September 30, 2020, CASETEK CAYMAN will complete a triangular merger with Pegatron Corporation and its wholly owned subsidiary, PEGASUS. The date of merger was set on January 15, 2021. The Group acquired all non-controlling interests of CASETEK CAYMAN in accordance with the merger agreement. The Group's shareholding ratio in CASETEK CAYMAN increased to 100% since the equity of CASETEK CAYMAN, originally held by ASUSPOWER, was also fully transferred to the ultimate parent company in the process of organizational restructuring, and PEGASUS as a dissolved company being merged in the triangular merger.
- Note 8 : To meet its operational needs, the Group had completed the organizational restructuring of its subsidiaries in mainland China by adjusting 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 to waive its preemptive 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 CSG. 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 CSG. 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.
- Note 9 : To improve its operational efficiency, PEGAVISION approved a resolution during its board meeting held on July 26, 2021 for a structure reorganization by transferring its investment from BeautyTech to Mayin, which was established (with all related registration procedures had been completed on August 19, 2021) and a directly wholly-owned subsidiary of PEGAVISION once the reorganization is completed. Furthermore, Mayin directly established a 55% owned subsidiary, FacialBeau, with its registration completed on October 22, 2021. BeautyTech directly established a 100%-owned subsidiary, BeautyTech Shanghai, with its registration completed on January 24, 2022. On September 26, 2022, BeautyTech increased its capital by cash, resulting in a decrease in its shareholding to 85%, and changed its investment structure in Aquamax by switching to FacialBeau.
- Note 10 : The subsidiary has been sold to a non-related third party in the first quarter of 2021, therefore, the Group lost control over the subsidiary.
- Note 11 : The subsidiary was established by the Group in the fourth quarter of 2021.

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- Note 12 : The subsidiary was purchased by the Group in the fourth quarter of 2021.
 Note 13 : In September 2022, PMX increased its capital by cash, and all of the capital was subscribed by CASETEK CAYMAN, a subsidiary of the same Group.
 Note 14 : In 2022, the Group established a 100%-owned subsidiary through direct investment.
 Note 15 : The subsidiary has been cancelled in July 2022.
 Note 16: It is an insignificant subsidiary that the financial statements for the nine months ended September 30, 2022 and 2021, have not been reviewed.

(c) **Income taxes**

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

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

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

(d) **Employee benefits**

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

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

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

The preparation of the consolidated financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2021. For related information, please refer to Note 5 of the consolidated financial statements for the year ended December 31, 2021.

(6) Explanation of significant accounts

Except for the following disclosures, there were no material differences in the disclosures of significant accounts between the consolidated financial statements for the current period and the 2021 consolidated financial statements. Please refer to Note 6 of the 2021 annual consolidated financial statements.

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(a) Cash and cash equivalents

	September 30, 2022	December 31, 2021	September 30, 2021
Cash on hand	\$ 7,990	446,493	23,061
Cash in banks	81,882,768	57,627,545	105,559,494
Time deposits	48,254,365	52,741,895	37,607,917
Cash equivalents	<u>2,483,314</u>	<u>208,153</u>	<u>327,176</u>
	<u>\$ 132,628,437</u>	<u>111,024,086</u>	<u>143,517,648</u>

(i) The above cash and cash equivalents were not pledged as collateral. Pledged time deposits were accounted for under other financial assets. Please refer to Notes 6(p) and 8 for details.

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

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

	September 30, 2022	December 31, 2021	September 30, 2021
Current mandatorily measured at fair value through profit or loss:			
Non-derivative financial assets			
Shares of stock of listed companies	\$ 987,288	1,582,906	1,440,084
Shares of emerging stock of listed companies	139,750	-	-
Shares of stock of unlisted companies	7,704	7,704	7,704
Beneficiary certificates	1,787,579	1,724,887	1,646,653
Shares of stock of overseas listed companies	5,180,446	8,263,406	5,994,551
Convertible bonds	<u>84,469</u>	<u>92,543</u>	<u>82,580</u>
Subtotal	<u>8,187,236</u>	<u>11,671,446</u>	<u>9,171,572</u>
Non-current mandatorily measured at fair value through profit or loss:			
Non-derivative financial assets			
Shares of stock of listed companies	206,150	220,850	218,400
Shares of stock of unlisted companies	183,780	-	-
Beneficiary certificates	537,289	471,075	390,620
Shares of stock of overseas listed company	411,475	659,176	637,453
Share of stock of overseas unlisted company	<u>257,202</u>	<u>236,979</u>	<u>201,745</u>
Subtotal	<u>1,595,896</u>	<u>1,588,080</u>	<u>1,448,218</u>
Total	<u>\$ 9,783,132</u>	<u>13,259,526</u>	<u>10,619,790</u>

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (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>September 30,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>September 30,</u> <u>2021</u>
Debt investments at fair value through other comprehensive income:			
Beneficiary certificates	\$ 210,945	41,784	-
Equity instruments at fair value through other comprehensive income:			
Shares of stock of listed companies	677,750	1,015,796	531,926
Shares of stock of unlisted companies	162,980	147,786	148,074
Shares of stock of overseas listed companies	215,008	241,285	287,544
Shares of stock of overseas unlisted companies	46,224	46,224	46,224
Total	<u>\$ 1,312,907</u>	<u>1,492,875</u>	<u>1,013,768</u>

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

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

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

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

During the three months and the nine months ended September 30, 2022 the dividends of \$3 thousand, \$16,262 thousand, \$33,145 thousand, and \$16,262 thousand, related to equity investments at fair value through other comprehensive income held on September 30, 2022, respectively, were recognized.

For the nine months ended September 30, 2021, the Group had sold its shares as a result of investment strategic. The shares sold had fair values of \$48,587 thousand, and the Group realized cumulative gains \$20,319 thousand, which were included in other comprehensive income. The cumulative gains were 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.

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Notes receivables from operating activities	\$ 948	14,952	10,857
Accounts receivable-measured at amortized cost	170,493,308	249,637,569	133,635,697
Less: Allowance for impairment	<u>147,334</u>	<u>119,064</u>	<u>125,279</u>
	<u>\$ 170,346,922</u>	<u>249,533,457</u>	<u>133,521,275</u>

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

(ii) Credit loss

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

The loss allowance provision was determined as follows:

	<u>September 30, 2022</u>		
	<u>Gross carrying amount</u>	<u>Weighted- average loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 165,294,371	0%~1%	(44,576)
Overdue 0 to 30 days	5,028,047	1%~30%	(68,601)
Overdue 31 to 120 days	147,298	2%~100%	(17,629)
Overdue 121 to 365 days	22,827	14%~100%	(14,815)
Over 365 days past due	<u>1,713</u>	100%	<u>(1,713)</u>
	<u>\$ 170,494,256</u>		<u>(147,334)</u>

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PEGATRON CORPORATION AND SUBSIDIARIES
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	December 31, 2021		
	Gross carrying amount	Weighted- average 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	11,788	100%	(11,788)
	\$ 249,652,521		(119,064)
	September 30, 2021		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 131,383,629	0%~1%	(47,695)
Overdue 0 to 30 days	2,052,936	1%~30%	(35,299)
Overdue 31 to 120 days	113,507	0%~100%	(10,161)
Overdue 121 to 365 days	94,722	3%~100%	(30,364)
Over 365 days past due	1,760	100%	(1,760)
	\$ 133,646,554		(125,279)

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

	For the nine months ended September 30	
	2022	2021
Balance on January 1	\$ 119,064	179,507
Impairment losses recognized	39,115	19,924
Impairment loss reversed	(11,986)	(13,638)
Amounts written off	(1,631)	(49,901)
Foreign exchange gains (losses)	2,772	(5,350)
Effect of disposals of subsidiaries	-	(5,263)
Balance on September 30	\$ 147,334	125,279

The aforesaid financial assets were not pledged as collateral.

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
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(iv) Accounts receivable factoring

The Company 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 September 30, 2022, December 31, 2021 and September 30, 2021, the relevant information on accounts receivable factored by the Company, but unsettled, was as follows:

September 30, 2022						
Purchaser	Amount Derecognized	Factoring Line (thousands)	Amount Advanced Paid (thousands)	Collateral	Range of Interest Rate	Significant Factoring Terms
ANZ (Note)	\$ <u>8,256,690</u>	USD <u>830,000</u>	USD <u>260,236</u>	None	3.62%~ 3.63%	The accounts receivable factoring is without recourse but the seller still bears the risks except for eligible obligor's insolvency.
December 31, 2021						
Purchaser	Amount Derecognized	Factoring Line (thousands)	Amount Advanced Paid (thousands)	Collateral	Range of Interest Rate	Significant Factoring Terms
ANZ (Note)	\$ <u>-</u>	USD <u>760,000</u>	USD <u>-</u>	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.
September 30, 2021						
Purchaser	Amount Derecognized	Factoring Line (thousands)	Amount Advanced Paid (thousands)	Collateral	Range of Interest Rate	Significant Factoring Terms
ANZ (Note)	\$ <u>-</u>	USD <u>760,000</u>	USD <u>-</u>	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.

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

For the three months and the nine months ended September 30, 2022, the Company recognized a fee and interest on bank advance payment of \$7,179 thousand, \$566 thousand, \$7,179 thousand, and \$629 thousand, both being reported as finance costs from the factoring of accounts receivable. Please refer to Note 6(ac).

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

As of September 30, 2022, December 31, 2021 and September 30, 2021, KINSUS sold its accounts receivable without recourse as follows:

September 30, 2022						
Purchaser	Amount Derecognized	Factoring Line (thousands)	Amount Advanced (thousands) Paid	Collateral	Range of Interest Rate	Significant Factoring Terms
Mega International Commercial Bank	\$ <u>684,969</u>	USD <u>30,000</u>	\$ <u>-</u>	None	-	The accounts receivable factoring is without recourse
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	\$ <u>602,015</u>	USD <u>30,000</u>	\$ <u>244,368</u>	None	0.47%~ 0.50%	The accounts receivable factoring is without recourse
September 30, 2021						
Purchaser	Amount Derecognized	Factoring Line (thousands)	Amount Advanced (thousands) Paid	Collateral	Range of Interest Rate	Significant Factoring Terms
Mega International Commercial Bank	\$ <u>530,983</u>	USD <u>30,000</u>	\$ <u>417,042</u>	None	0.37%~ 0.41%	The accounts receivable factoring is without recourse

(e) Other receivables

	September 30, 2022	December 31, 2021	September 30, 2021
Other receivables	\$ 1,751,337	1,098,166	1,344,666
Other receivables-Related parties	14,685	8,546,882	10,644,553
Less: Allowance for impairment	<u>16,516</u>	<u>16,438</u>	<u>15,858</u>
	<u>\$ 1,749,506</u>	<u>9,628,610</u>	<u>11,973,361</u>

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

(f) Inventories

	September 30, 2022	December 31, 2021	September 30, 2021
Merchandise	\$ 2,233,515	613,048	802,186
Finished goods	60,952,130	60,229,326	40,324,823
Work in process	37,834,310	21,941,181	34,592,620
Raw materials	<u>97,721,859</u>	<u>65,277,642</u>	<u>83,807,821</u>
	<u>\$ 198,741,814</u>	<u>148,061,197</u>	<u>159,527,450</u>

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
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The components of cost of goods sold were as follows:

	For the three months ended		For the nine months ended	
	September 30		September 30	
	2022	2021	2022	2021
Cost of goods sold	\$ 332,955,145	307,847,517	908,713,004	770,884,929
Provision on market price decline	844,657	26,848	2,337,961	58,214
Loss on disposal of inventory	2,929,530	2,865,237	7,083,606	8,689,716
Unallocated manufacturing overhead	67,698	315,007	187,966	1,331,901
(Gain) loss on physical inventory	(4,052)	(21,398)	4,231	18,093
	<u>\$ 336,792,978</u>	<u>311,033,211</u>	<u>918,326,768</u>	<u>780,982,853</u>

For the three months and nine months ended September 30, 2022, the Group recognized an inventory valuation loss due to the decreasing value from the carrying amount to the net realized value. Such a loss was recognized as the cost of goods sold.

As of September 30, 2022, December 31, 2021 and September 30, 2021, the aforesaid inventories were not pledged as collateral.

(g) Non-current assets held for sale

	September 30,	December 31,	September 30,
	2022	2021	2021
Land or buildings held for sale	<u>\$ -</u>	<u>-</u>	<u>42,955</u>

AZUREWAVE and its subsidiaries have planned to dispose of the right-of-use assets on land and plant, which were originally used by the production department of AZUREWAVE, within one year. The disposal contract has been signed as of September 30, 2021, but the transfer of ownership has not yet been completed; therefore, the right-of-use assets on land and plant were classified as non-current assets held for sale. As of September 30, 2021, there is no impairment to the aforementioned assets.

(h) Investments accounted for using the equity method

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

	September 30,	December 31,	September 30,
	2022	2021	2021
Associates	<u>\$ 25,922,038</u>	<u>22,534,158</u>	<u>21,044,263</u>
Credit balance of investments accounted for using equity method-associate	<u>\$ 4,527</u>	<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.

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

Name of Associates	Nature of Relationship with the Group	Main operating location/ Registered Country of the Company	Proportion of shareholding and voting rights		
			September 30, 2022	December 31, 2021	September 30, 2021
Luxcase (Former RI KAI)	Designing, developing, manufacturing and selling electronic components, precision, non-metal and metal tooling	China	48.17 %	48.17 %	48.17 %

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

Luxcase

	September 30, 2022	December 31, 2021	September 30, 2021
Current assets	\$ 104,935,314	99,135,906	90,145,837
Non-current assets	41,229,758	38,002,561	36,720,711
Current liabilities	(91,145,434)	(90,182,220)	(72,563,918)
Non-current liabilities	(2,022,705)	(936,897)	(11,366,215)
Net assets attributable to shareholders	<u>\$ 52,996,933</u>	<u>46,019,350</u>	<u>42,936,415</u>

	For the three months ended September 30		For the nine months ended September 30	For the eight months ended September 30
	2022	2021	2022	2021
Operating revenue	<u>\$ 89,600,505</u>	<u>46,148,388</u>	<u>216,545,945</u>	<u>88,938,141</u>
Gain from continuing operations	\$ 2,751,273	425,358	5,123,921	730,339
Other comprehensive income	97,237	8,295	171,477	8,761
Comprehensive income attributable to shareholders	<u>\$ 2,848,510</u>	<u>433,653</u>	<u>5,295,398</u>	<u>739,100</u>

	For the nine months ended September 30	
	2022	2021
Shares of net assets of the associate as of January 1	\$ 22,168,901	-
Addition	-	21,202,915
Net gain attributable to the Group	2,468,346	351,128
Comprehensive income attributable to the Group	772,008	(462,701)
Change in the ownership interest attributable to the Group	120,957	(407,312)
Shares of net assets of associates	25,530,212	20,684,030
Goodwill	118,280	103,752
Carrying amount of the associate's equity as of September 30	<u>\$ 25,648,492</u>	<u>20,787,782</u>

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

	September 30, 2022	December 31, 2021	September 30, 2021	
Carrying amount of individually insignificant associates' equity	<u>\$ 273,546</u>	<u>261,891</u>	<u>256,481</u>	
	For the three months ended September 30		For the nine months ended September 30	
	2022	2021	2022	2021
Attributable to the Group:				
Gain (loss) from continuing operations	\$ 6,250	(20,760)	7,182	(72,853)
Other comprehensive income (loss)	<u>256</u>	<u>8</u>	<u>352</u>	<u>16</u>
Total comprehensive income (loss)	<u>\$ 6,506</u>	<u>(20,752)</u>	<u>7,534</u>	<u>(72,837)</u>

- (i) As of September 30, 2022, December 31, 2021 and September 30, 2021, the aforesaid investments accounted for using the equity method were not pledged as collateral.
- (ii) The unreviewed financial statements of investments accounted for using the equity method.

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

- (i) Loss of control over a subsidiary

The Group approved a board resolution on January 29, 2021 to authorize its wholly-owned indirect subsidiary, 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).

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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)
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		(109,342)
Carrying amount of net assets	\$	<u>17,242,088</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>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
KINSUS and its subsidiaries	Taiwan	61.59 %	61.42 %	61.42 %
ASROCK and its subsidiaries	Taiwan	45.12 %	45.12 %	44.08 %

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(b) and 6(k).

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	September 30, 2022	December 31, 2021	September 30, 2021
Current assets	\$ 26,548,718	26,424,304	23,704,533
Non-current assets	41,524,886	31,961,844	29,707,996
Current liabilities	(16,940,749)	(13,982,699)	(14,431,068)
Non-current liabilities	<u>(13,804,885)</u>	<u>(11,414,351)</u>	<u>(7,558,533)</u>
Net assets	<u>\$ 37,327,970</u>	<u>32,989,098</u>	<u>31,422,928</u>
Non-controlling interest	<u>\$ 23,786,409</u>	<u>20,886,824</u>	<u>19,828,981</u>

	For the three months ended September 30		For the nine months ended September 30	
	2022	2021	2022	2021
Operating revenue	<u>\$ 11,544,421</u>	<u>9,767,683</u>	<u>33,012,291</u>	<u>25,719,024</u>
Net income for the period	\$ 2,441,267	1,571,918	6,457,312	2,957,272
Other comprehensive income (loss)	46,337	(10,381)	102,166	(55,603)
Comprehensive income	<u>\$ 2,487,604</u>	<u>1,561,537</u>	<u>6,559,478</u>	<u>2,901,669</u>
Net income attribute to non-controlling interest	<u>\$ 1,559,821</u>	<u>1,048,705</u>	<u>4,169,059</u>	<u>2,015,917</u>
Comprehensive income attribute to non-controlling interest	<u>\$ 1,542,303</u>	<u>1,042,092</u>	<u>4,184,806</u>	<u>1,984,388</u>

	For the nine months ended September 30	
	2022	2021
Cash flows from operating activities	\$ 9,094,476	7,458,571
Cash flows used in investing activities	(11,792,291)	(9,900,963)
Cash flows from financing activities	54,582	3,731,948
Effect of movement in exchange rate	90,275	(24,214)
Net (decrease) increase in cash and cash equivalents	<u>\$ (2,552,958)</u>	<u>1,265,342</u>
Dividends to non-controlling interest	<u>\$ 1,572,159</u>	<u>468,686</u>

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Information regarding ASROCK and its subsidiaries

	September 30, 2022	December 31, 2021	September 30, 2021
Current assets	\$ 13,824,659	15,422,807	12,639,707
Non-current assets	737,932	471,143	438,923
Current liabilities	(5,504,872)	(7,013,600)	(4,967,032)
Non-current liabilities	(125,576)	(91,506)	(78,820)
Net assets	<u>\$ 8,932,143</u>	<u>8,788,844</u>	<u>8,032,778</u>
Non-controlling interest	<u>\$ 4,413,803</u>	<u>4,271,093</u>	<u>3,808,548</u>

	For the three months ended September 30		For the nine months ended September 30	
	2022	2021	2022	2021
Operating revenue	<u>\$ 3,565,647</u>	<u>4,071,509</u>	<u>12,221,460</u>	<u>14,125,612</u>
Net income for the period	\$ 234,153	430,602	1,177,509	1,758,971
Other comprehensive income (loss)	267,767	(1,437)	546,690	(85,085)
Comprehensive income	<u>\$ 501,920</u>	<u>429,165</u>	<u>1,724,199</u>	<u>1,673,886</u>
Net income attribute to non-controlling interest	<u>\$ 140,470</u>	<u>204,060</u>	<u>610,534</u>	<u>808,140</u>
Comprehensive income attribute to non-controlling interest	<u>\$ 261,285</u>	<u>203,427</u>	<u>857,197</u>	<u>770,634</u>

	For the nine months ended September 30	
	2022	2021
Cash flows (used in) from operating activities	\$ (1,033,826)	653,288
Cash flows from (used in) investing activities	1,053,612	(598,546)
Cash flows (used in) financing activities	(665,494)	(993,050)
Effect of movement in exchange rate	510,382	(80,698)
Net (decrease) in cash and cash equivalents	<u>\$ (135,326)</u>	<u>(1,019,006)</u>
Dividends to non-controlling interest	<u>\$ 734,195</u>	<u>459,835</u>

(k) Acquisition of non-controlling interests

Pursuant to a resolution made in the Group's Extraordinary General Meeting on September 30, 2020, CASETEK CAYMAN will complete a triangular merger with Pegatron Corporation and its wholly owned subsidiary, PEGASUS. The Group acquired all non-controlling interest of CASETEK CAYMAN in accordance with the merger agreement on January 15, 2021, the date of merger.

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The effects of the changes in the Group's interests in CASITEK CAYMAN 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 on January 1, 2022	\$ 11,856,650	51,500,156	53,338,900	1,313,354	34,999,356	3,058,362	156,066,778
Additions	-	205,269	581,150	131,669	1,256,704	7,077,191	9,251,983
Disposals and obsolescence	-	(125,638)	(3,715,843)	(148,523)	(2,836,346)	-	(6,826,350)
Reclassifications	196,960	66,102	6,995,879	30,891	2,717,771	(2,374,897)	7,632,706
Effect of movement in exchange rates	15,555	5,003,758	2,423,795	103,364	3,127,205	235,378	10,909,055
Balance on September 30, 2022	\$ 12,069,165	56,649,647	59,623,881	1,430,755	39,264,690	7,996,034	177,034,172
Balance on January 1, 2021	\$ 8,518,661	57,985,033	72,165,168	1,310,614	37,998,358	3,736,663	181,714,497
Additions	210,029	290,977	1,267,707	121,696	1,975,282	11,156,169	15,021,860
Disposals and obsolescence	-	(322,682)	(1,757,158)	(96,650)	(1,445,235)	-	(3,621,725)
Reclassifications	3,132,634	2,720,679	4,314,670	(3,697)	2,818,792	(8,605,400)	4,377,678
Subsidiaries disposals	-	(9,042,327)	(22,876,427)	-	(7,290,696)	(2,705,181)	(41,914,631)
Effect of movement in exchange rates	(3,442)	(797,968)	(424,365)	(17,733)	(453,480)	(2,656)	(1,699,644)
Balance on September 30, 2021	\$ 11,857,882	50,833,712	52,689,595	1,314,230	33,603,021	3,579,595	153,878,035
Depreciation and impairment loss:							
Balance on January 1, 2022	\$ -	21,880,939	41,304,823	1,023,595	22,120,891	-	86,330,248
Depreciation for the period	-	2,112,694	3,631,245	136,248	3,645,939	-	9,526,126
Impairment loss (reversal gain)	-	9,798	(257)	-	23,498	-	33,039
Disposals and obsolescence	-	(125,620)	(3,605,569)	(133,001)	(2,493,338)	-	(6,357,528)
Reclassifications	-	(5,961)	-	-	(6,560)	-	(12,521)
Effect of movement in exchange rates	-	2,331,943	2,009,830	100,932	2,183,992	-	6,626,697
Balance on September 30, 2022	\$ -	26,203,793	43,340,072	1,127,774	25,474,422	-	96,146,061
Balance on January 1, 2021	\$ -	21,640,958	50,988,697	1,021,535	24,678,033	-	98,329,223
Depreciation for the period	-	2,071,118	3,457,741	122,960	3,282,027	-	8,933,846
Impairment loss (reversal gain)	-	5,900	9,361	(18)	(70)	-	15,173
Disposals and obsolescence	-	(251,845)	(1,619,670)	(92,879)	(1,285,078)	-	(3,249,472)
Reclassifications	-	(87,769)	6,466	-	(66,759)	-	(148,062)
Subsidiaries disposals	-	(1,550,480)	(11,784,858)	-	(4,347,813)	-	(17,683,151)
Effect of movement in exchange rates	-	(402,615)	(410,094)	(17,406)	(339,884)	-	(1,169,999)
Balance on September 30, 2021	\$ -	21,425,267	40,647,643	1,034,192	21,920,456	-	85,027,558

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Carrying value:	Land	Buildings	Machinery equipment	Instrument equipment	Other facilities	Construction in progress	Total
Balance on January 1, 2022	\$ 11,856,650	29,619,217	12,034,077	289,759	12,878,465	3,058,362	69,736,530
Balance on September 30, 2022	\$ 12,069,165	30,445,854	16,283,809	302,981	13,790,268	7,996,034	80,888,111
Balance on January 1, 2021	\$ 8,518,661	36,344,075	21,176,471	289,079	13,320,325	3,736,663	83,385,274
Balance on September 30, 2021	\$ 11,857,882	29,408,445	12,041,952	280,038	11,682,565	3,579,595	68,850,477

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

	For the three months ended September 30		For the nine months ended September 30	
	2022	2021	2022	2021
Impairment loss	\$ 17,289	7,755	33,039	15,173

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

- (iii) Please refer to Note 6(ac) for gain and loss on the disposal of property, plant and equipment.

- (iv) Please refer to Note 8 for the details of property, plant and equipment pledged as collateral.

- (m) Right-of-use assets

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

Cost:	Land	Buildings	Machinery equipment	Transportation equipment	Total
Balance on January 1, 2022	\$ 4,051,052	5,015,576	-	3,977	9,070,605
Additions	15,370	1,001,623	-	-	1,016,993
Reductions	(70,579)	(1,438,394)	-	-	(1,508,973)
Reclassifications	-	30,231	-	-	30,231
Effect of movement in exchange rates	509,563	442,176	-	194	951,933
Balance on September 30, 2022	\$ 4,505,406	5,051,212	-	4,171	9,560,789
Balance on January 1, 2021	\$ 4,938,146	4,861,404	17,793	4,269	9,821,612
Additions	16,330	461,261	-	-	477,591
Reductions	(50,337)	(340,314)	(17,793)	(2,490)	(410,934)
Reclassification	(993)	-	-	-	(993)
Subsidiaries disposals	(753,044)	(365,825)	-	-	(1,118,869)
Effect of movement in exchange rates	(84,662)	(93,685)	-	(11)	(178,358)
Balance on September 30, 2021	\$ 4,065,440	4,522,841	-	1,768	8,590,049

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Land</u>	<u>Buildings</u>	<u>Machinery equipment</u>	<u>Transportation equipment</u>	<u>Total</u>
Accumulated depreciation:					
Balance on January 1, 2022	\$ 837,553	1,995,046	-	1,547	2,834,146
Depreciation for the period	77,676	1,198,992	-	367	1,277,035
Reductions	(29,180)	(1,399,862)	-	-	(1,429,042)
Effect of movement in exchange rates	103,981	217,933	-	50	321,964
Balance on September 30, 2022	<u>\$ 990,030</u>	<u>2,012,109</u>	<u>-</u>	<u>1,964</u>	<u>3,004,103</u>
Balance on January 1, 2021	\$ 871,140	2,352,457	13,776	2,434	3,239,807
Depreciation for the period	77,089	1,132,310	4,017	540	1,213,956
Reductions	(15,906)	(231,971)	(17,793)	(1,893)	(267,563)
Reclassification	(220)	-	-	-	(220)
Subsidiaries disposals	(101,365)	(168,568)	-	-	(269,933)
Effect of movement in exchange rates	(15,887)	(54,154)	-	(2)	(70,043)
Balance on September 30, 2021	<u>\$ 814,851</u>	<u>3,030,074</u>	<u>-</u>	<u>1,079</u>	<u>3,846,004</u>
Carrying value:					
Balance on January 1, 2022	<u>\$ 3,213,499</u>	<u>3,020,530</u>	<u>-</u>	<u>2,430</u>	<u>6,236,459</u>
Balance on September 30, 2022	<u>\$ 3,515,376</u>	<u>3,039,103</u>	<u>-</u>	<u>2,207</u>	<u>6,556,686</u>
Balance on September 30, 2021	<u>\$ 3,250,589</u>	<u>1,492,767</u>	<u>-</u>	<u>689</u>	<u>4,744,045</u>

(n) Investment property

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

	<u>Buildings</u>
Carrying value :	
Balance on January 1, 2022	<u>\$ 33,433</u>
Balance on September 30, 2022	<u>\$ 35,898</u>
Balance on January 1, 2021	<u>\$ 39,416</u>
Balance on September 30, 2021	<u>\$ 34,365</u>

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

	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Rental income	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
Direct operating expenses arising from investment property that generate rental income	<u>\$ 785</u>	<u>843</u>	<u>2,339</u>	<u>2,276</u>

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (ii) As of September 30, 2022, December 31, 2021 and September 30, 2021, the fair value of investment property of the Group was \$79,068 thousand, \$77,660 thousand and \$74,847 thousand, respectively. The fair value has not been valued by independent appraisers, but only by the management of the Group according to the third level input value using the evaluation model which is commonly used by market participants, with the transaction amount based on the nearby real estate price.
- (iii) There were no significant additions, disposal, or recognition and reversal of impairment losses of investment property for the nine months ended September 30, 2022 and 2021. Information on depreciation for the period is discussed in Note 12. Please refer to Note 6(n) of the consolidated financial statements for the year ended December 31, 2021 for other related information.
- (iv) As of September 30, 2022, December 31, 2021 and September 30, 2021, the aforesaid investment properties were not pledged as collateral.
- (o) Intangible assets

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

	<u>Goodwill</u>	<u>Others</u>	<u>Total</u>
Costs:			
Balance on January 1, 2022	\$ 1,640,132	997,715	2,637,847
Additions	-	124,672	124,672
Disposals	-	(570,496)	(570,496)
Reclassifications	-	(8,571)	(8,571)
Effect of movement in exchange rates	<u>142,266</u>	<u>44,203</u>	<u>186,469</u>
Balance on September 30, 2022	<u>\$ 1,782,398</u>	<u>587,523</u>	<u>2,369,921</u>
Balance on January 1, 2021	\$ 1,668,543	1,380,171	3,048,714
Additions	-	134,804	134,804
Disposals	-	(122,511)	(122,511)
Reclassifications	-	(472)	(472)
Subsidiaries disposals	-	(340,638)	(340,638)
Effect of movement in exchange rates	<u>(22,369)</u>	<u>(11,757)</u>	<u>(34,126)</u>
Balance on September 30, 2021	<u>\$ 1,646,174</u>	<u>1,039,597</u>	<u>2,685,771</u>
Amortization and impairment losses:			
Balance on January 1, 2022	\$ 1,600,097	829,564	2,429,661
Amortization for the period	-	106,953	106,953
Impairment losses	-	1,657	1,657
Disposals	-	(570,496)	(570,496)
Effect of movement in exchange rates	<u>136,598</u>	<u>43,211</u>	<u>179,809</u>
Balance on September 30, 2022	<u>\$ 1,736,695</u>	<u>410,889</u>	<u>2,147,584</u>

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Goodwill</u>	<u>Others</u>	<u>Total</u>
Balance on January 1, 2021	\$ 1,627,376	1,034,363	2,661,739
Amortization for the period	-	110,224	110,224
Disposals	-	(121,942)	(121,942)
Reclassifications	-	14	14
Subsidiaries disposals	-	(136,757)	(136,757)
Effect of movement in exchange rates	(21,478)	(12,637)	(34,115)
Balance on September 30, 2021	<u>\$ 1,605,898</u>	<u>873,265</u>	<u>2,479,163</u>
Carrying value:			
Balance on January 1, 2022	<u>\$ 40,035</u>	<u>168,151</u>	<u>208,186</u>
Balance on September 30, 2022	<u>\$ 45,703</u>	<u>176,634</u>	<u>222,337</u>
Balance on January 1, 2021	<u>\$ 41,167</u>	<u>345,808</u>	<u>386,975</u>
Balance on September 30, 2021	<u>\$ 40,276</u>	<u>166,332</u>	<u>206,608</u>

(i) Goodwill impairment

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Consumer electronics	\$ 38,514	39,646
Others	1,521	1,521
	<u>\$ 40,035</u>	<u>41,167</u>

For the nine months ended September 30, 2022 and 2021, there were no significant addition, disposal, impairment loss, or reversal gain on goodwill. Please refer to Note 6(o) of the consolidated financial statements for the year ended December 31, 2021 for other related information.

(p) Other financial assets and other assets

Other financial assets and other assets were as follows:

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Other financial assets - current	\$ 10,499,046	30,316,944	10,295,874
Other financial assets - non-current	356,615	406,576	1,070,001
Other current assets	7,640,127	4,615,086	4,945,277
Other non-current assets	52,319	50,033	35,274
	<u>\$ 18,548,107</u>	<u>35,388,639</u>	<u>16,346,426</u>

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

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

(q) Short-term loans

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Unsecured bank loans	\$ 104,953,974	91,808,664	64,470,132
Other unsecured loans	<u>-</u>	<u>2,214,640</u>	<u>2,228,480</u>
Total	<u>\$ 104,953,974</u>	<u>94,023,304</u>	<u>66,698,612</u>
Range of interest rate	<u>0.38%~4.52%</u>	<u>0.32%~4.54%</u>	<u>0.32%~2.59%</u>

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

(r) Long-term loans

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Unsecured bank loans	\$ 16,260,941	13,183,370	11,073,067
Secured bank loans	<u>273,204</u>	<u>54,001</u>	<u>49,016</u>
	16,534,145	13,237,371	11,122,083
Less: current portion	<u>(2,204,466)</u>	<u>(1,026,949)</u>	<u>(713,000)</u>
Total	<u>\$ 14,329,679</u>	<u>12,210,422</u>	<u>10,409,083</u>
Range of interest rate	<u>0.35%~4.57%</u>	<u>0.35%~1.90%</u>	<u>0.35%~1.90%</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 \$1,688,160 thousand and \$10,898,427 thousand for the nine months ended September 30, 2022 and 2021, respectively. In addition, the Group proceeded from long-term loans of \$4,854,270 thousand and \$5,252,400 thousand for the nine months ended September 30, 2022 and 2021, 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.

(iii) Government low-interest loan

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

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Loan covenants

On January 30, 2015, CASETEK CAYMAN signed a 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.

The above joint credit line was cancelled on September 2021.

(s) Bonds payable

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

	<u>September 30,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>September 30,</u> <u>2021</u>
Ordinary corporate bonds issued	\$ 34,900,000	36,900,000	28,000,000
Unamortized discount on bonds payable	(24,857)	(30,405)	(22,067)
Bonds payable, end of the year	34,875,143	36,869,595	27,977,933
Less: current portion	(4,500,000)	(2,000,000)	(2,000,000)
	<u>\$ 30,375,143</u>	<u>34,869,595</u>	<u>25,977,933</u>

	<u>For the three months ended</u> <u>September 30</u>		<u>For the nine months ended</u> <u>September 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Interest expense	<u>\$ 68,184</u>	<u>59,951</u>	<u>211,472</u>	<u>177,556</u>

The main rights and obligations of the second unsecured ordinary corporate bonds issued in 2017, and repaid in January 2021, were as follows:

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

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

The main rights and obligations of the second unsecured ordinary corporate bonds issued in 2020 and exercised from January 2021, were as follows:

<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.

The main rights and obligations of the first unsecured ordinary corporate bonds issued in 2017, and repaid in July 2022, were as follow:

<u>Item</u>	<u>1st unsecured ordinary bonds issued in 2017</u>
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 \$2,000,000 thousand and \$1,200,000 thousand, respectively.
2.Par value	Each unit is valued at \$1,000 thousand.

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

<u>Item</u>	<u>1st unsecured ordinary bonds issued in 2017</u>
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, 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, 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>September 30,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>September 30,</u> <u>2021</u>
Current	\$ <u>1,393,877</u>	<u>1,067,674</u>	<u>730,102</u>
Non-current	\$ <u>1,747,193</u>	<u>2,003,326</u>	<u>834,424</u>

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

The amounts recognized in profit or loss were as follows:

	<u>For the three months ended</u> <u>September 30</u>		<u>For the nine months ended</u> <u>September 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Interest on lease liabilities	\$ <u>26,920</u>	<u>10,611</u>	<u>83,158</u>	<u>53,325</u>
Variable lease payments not included in the measurement of lease liabilities	\$ <u>11,241</u>	<u>19,891</u>	<u>32,091</u>	<u>41,594</u>
Income from sub-leasing right-of-use assets	\$ <u>199</u>	<u>-</u>	<u>314</u>	<u>212</u>
Expenses relating to short-term leases	\$ <u>66,526</u>	<u>118,736</u>	<u>221,688</u>	<u>315,023</u>
Expenses relating to leases of low-value, excluding short-term leases of low-value assets	\$ <u>477</u>	<u>579</u>	<u>1,935</u>	<u>8,953</u>
Covid-19 - related rent concessions	\$ <u>1,354</u>	<u>2,242</u>	<u>1,592</u>	<u>2,256</u>

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PEGATRON CORPORATION AND SUBSIDIARIES
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The amount recognized in the statement of cash flows for the Group was as follows:

	For the nine months ended	
	September 30	
	2022	2021
Total cash outflow for leases	\$ 1,467,720	1,553,379

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

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

(u) Employee benefits

(i) Defined benefit plans

Management believes that there was no material market volatility, no material reimbursement and settlement or other material one-time events. As a result, the pension cost in the accompanying interim consolidated financial statements was measured and disclosed according to the actuarial report as of December 31, 2021 and 2020.

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

	For the three months ended		For the nine months ended	
	September 30		September 30	
	2022	2021	2022	2021
Operating cost	\$ 906	(8)	2,678	37
Operating expense	1,200	1,247	3,591	3,679
	\$ 2,106	1,239	6,269	3,716

(ii) Defined contribution plans

The contributions of the Group Bureau of Labor Insurance and the China Labor and Social Security Bureau for the employees' pension expenses recognized by the subsidiaries included in the consolidated preparation were as follows:

	For the three months ended		For the nine months ended	
	September 30		September 30	
	2022	2021	2022	2021
Operating cost	\$ 1,124,433	1,037,478	3,287,358	2,597,143
Operating expense	217,702	203,056	622,170	573,606
	\$ 1,342,135	1,240,534	3,909,528	3,170,749

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) As of September 30, 2022, December 31, 2021 and September 30, 2021, the Group had liabilities of short-term accrued vacation pay, amounting to \$404,668 thousand, \$367,414 thousand and \$363,303 thousand, respectively.

(v) Income tax

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

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

	For the three months ended		For the nine months ended	
	September 30		September 30	
	2022	2021	2022	2021
Current income tax expense (benefit)				
Current period incurred	\$ 1,799,708	814,611	4,533,208	1,161,663
Prior years income tax adjustment	(41,985)	(10,945)	(131,473)	(98,332)
Income tax expense	<u>\$ 1,757,723</u>	<u>803,666</u>	<u>4,401,735</u>	<u>1,063,331</u>

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

	For the three months ended		For the nine months ended	
	September 30		September 30	
	2022	2021	2022	2021
Items that will be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign financial statements	\$ <u>8,224</u>	<u>(2,476)</u>	<u>3,505</u>	<u>(23,409)</u>

(iv) Status of approval of income tax

- The Company’s income tax returns through 2019 have been assessed and approved by the Tax Authority (the year 2018 has not been approved).
- 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	KINSUS, ASRock Rack, FUYANG and PEGAVISION.

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<u>Years of Approval</u>	<u>Company Name</u>
2020	BeautyTech, ASUSPOWER INVESTMENT, ASUS INVESTMENT, ASUSTEK INVESTMENT, PEGA INTERNATIONAL, HUA- YUAN, AMA, STARLINK, AS FLY, AZUREWAVE, AZURE, EZWAVE, KINSUS INVESTMENT, ASROCK, ASROCK INDUSTRIAL, RI KUAN and LUMENS.

(w) Capital and other equity

Except for the following disclosure, there were no significant change for capital and other equity for the nine months ended September 30, 2022 and 2021. For the related information, please refer to Note 6(w) of the consolidated financial statements for the year ended December 31, 2021.

(i) Ordinary shares

For the nine months ended September 30, 2021, the Company issued 7,574 thousand new shares of restricted stock awards to the employees at par value of \$10, amounting to \$75,740 thousand. 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 nine months ended September 30, 2022 and 2021, the Company had retired 1,205 thousand and 917 thousand shares, respectively, of restricted stock to employees. The authorized capital of the Company consisted of 3,000,000 thousand shares, with par value of \$10 per share, and its outstanding capital were consisted of 2,667,926 thousand, 2,669,132 thousand and 2,669,531 thousand common shares of stock, as of September 30, 2022, December 31, 2021 and September 30, 2021, respectively. All share proceeds from outstanding capital have been collected.

As of September 30, 2022, December 31, 2021 and September 30, 2021, the restricted Company shares of stock issued to employees have expired, of which 293 thousand, 256 thousand and 400 thousand shares, respectively, have not been retired.

(ii) Global depositary receipts

As of September 30, 2022, December 31, 2021 and September 30, 2021, the Company has listed, in total, 225 thousand, 253 thousand and 700 thousand units of GDRs, respectively, on the Euro MTF market of the Luxembourg Stock Exchange. As each unit of these GDRs represents 5 common shares of the Company, the Company has listed Company shares totaling 1,126 thousand, 1,267 thousand and 3,500 thousand shares of stock, respectively.

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PEGATRON CORPORATION AND SUBSIDIARIES
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(iii) Capital surplus

The components of the capital surplus were as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
From issuance of share capital	\$ 67,627,679	66,983,778	66,982,986
From conversion of convertible bonds	11,073,663	11,073,663	11,073,663
From treasury stock transactions	47,865	47,865	47,865
Difference between consideration and carrying amount of subsidiaries acquired or disposed	2,273,401	2,273,401	2,273,401
Changes in equity of associates accounted for using the equity method	141,819	20,862	2,562
Changes in ownership interest in subsidiaries	1,323,824	1,441,117	1,443,010
Employee stock options	6,093	1,304	1,304
Restricted stock to employees	301,759	1,069,401	1,103,517
Other	409,917	409,917	409,917
	<u>\$ 83,206,020</u>	<u>83,321,308</u>	<u>83,338,225</u>

(iv) Retained earnings

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

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

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

1) Legal reserve

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

2) Special reserve

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

3) Earnings distribution

On June 15, 2022, and August 4, 2021, the Company's shareholders' meeting resolved to appropriate the 2021 and 2020 earnings, respectively. These earnings were appropriated or distributed as follows:

	For the year ended December 31	
	2021	2020
Common stock dividends per share (dollars)		
— Cash	\$ 5.00	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 on January 1, 2022	\$ (21,363,627)	444,778	(712,701)	(21,631,550)
Exchange differences on foreign operations	17,946,146	-	-	17,946,146
Exchange differences on associates accounted for using the equity method	772,360	-	-	772,360
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	(364,323)	-	(364,323)
Deferred compensation cost arising from issuance of restricted stock	-	-	626,293	626,293
Balance on September 30, 2022	\$ (2,645,121)	80,455	(86,408)	(2,651,074)

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Deferred compensation arising from issuance of restricted stock	Total
Balance on January 1, 2021	\$ (15,808,892)	(57,309)	(1,146,659)	(17,012,860)
Exchange differences on foreign operations	(2,799,958)	-	-	(2,799,958)
Exchange differences on associates accounted for using the equity method	(462,685)	-	-	(462,685)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	(1,832,185)	-	-	(1,832,185)
Unrealized gains from financial assets measured at fair value through other comprehensive income	-	84,795	-	84,795
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	-	-	287,395	287,395
Balance on September 30, 2021	<u>\$ (20,903,720)</u>	<u>7,167</u>	<u>(859,264)</u>	<u>(21,755,817)</u>

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

	For the nine months ended September 30	
	2022	2021
Balance on January 1	\$ 27,662,332	36,345,941
Income attributable to non-controlling interests	4,983,653	3,016,115
Other comprehensive income (loss) attributable to non-controlling interests		
Exchange differences on foreign operation	451,598	(75,969)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	1,991,358
Changes in ownership interest in subsidiaries	16,533	(11,499)
Changes in non-controlling interests	(2,054,442)	(15,221,626)
Balance on September 30	<u>\$ 31,059,674</u>	<u>26,044,320</u>

(x) Share-based payment

Except for the following disclosure, there were no significant changes for share-based payment for the nine months ended September 30, 2022 and 2021. For the related information, please refer to Note 6(x) of the consolidated financial statements for the year ended December 31, 2021.

(i) New shares of restricted stock awards

For the nine months ended September 30, 2022 and 2021, 1,242 thousand and 1,316 thousand new shares of restricted stock awards issued to employees have expired, which were converted to capital surplus of \$12,422 thousand and \$13,161 thousand, respectively. As of September 30, 2022, December 31, 2021 and September 30, 2021, the Company has deferred compensation cost arising from issuance of new shares of restricted stock awards of \$86,408 thousand, \$712,701 thousand and \$859,264 thousand, respectively.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Expenses recognized in profit or loss

The Company incurred expenses of share-based arrangements for the three months and the nine months ended September 30, 2022 as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2022	2021	2022	2021
Expenses resulting from the issuance of new shares of restricted stock awards	\$ <u>196,353</u>	<u>331,996</u>	<u>517,071</u>	<u>797,039</u>

(y) Subsidiary's share-based payments

Except for the following disclosure, there were no significant changes for share-based payment for the nine months ended September 30, 2022 and 2021. For the related information, please refer to Note 6(y) of the consolidated financial statements for the year ended December 31, 2021.

(i) New shares of restricted stock awards of AZUREWAVE

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

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

On March 7 and May 11, 2022, AZUREWAVE approved to retire and cancel 45 thousand shares and 531 thousand new shares of restricted stock awards, with the record date set on March 15 and May 13, 2022, due to those employees who did not meet the vesting condition for the nine months ended September 30, 2022.

For the three and nine months ended September 30, 2022, AZUREWAVE recognized share-based compensation cost of \$4,979 thousand and \$24,011 thousand, due to the issuance of new shares of restricted stock awards.

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) New shares of restricted stock awards of ASROCK

1) ASROCK

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

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

A. The overall performance of the company:

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

B. Personal performance:

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

C. One year of employment after subscription of new shares of restricted stock awards, and there should be no violation of laws or regulations, company working rules, business ethics codes, as well as other related regulations and agreements, in the first year, with the existing 40% of the shares are multiplied by the overall weight, then multiplied by the personal weight.

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

(Continued)

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

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

The aforesaid information of new shares of restricted stock awards was follows:

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

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

2) ASROCK RACK

As of September 30, 2022, the share-based payment transactions issued by ASROCK RACK were as follows:

Type of agreement	Grant date	Number of shares granted (In thousands of shares)	Contract term	Vesting condition
New shares of restricted stock awards	February 27, 2019	1,490	4 years	3 years of service vested 50% 4 years of service vested 50%
Employee share option plan	May 29, 2020	1,500	1 year and 6 months	1 year of service vested 100%
Employee share option plan (Note)	June 30, 2022	2,300	3 years and 6 months	2 years of service vested 50% 3 years of service vested 50%

(Continued)

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

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

Vesting period	New shares of restricted stock awards				
	year 1	year 2	year 3	year 4	Total
Original vested shares (In thousands of units)	-	-	745	745	1,490
Estimated employee turnover rate	-	-	14.19 %	20.00 %	
Vested shares after considering employee turnover rate (In thousands of units)	-	-	639,250	596,000	1,235,250
Fair value (dollars)	-	-	5.53	5.53	
Service costs	\$ -	-	3,535	3,296	6,831

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

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

	May 29, 2020	June 30, 2022
Fair value at grant date (dollars)	0.1232	1.85~2.26
Exercise price (dollars)	22	22
Expected volatility rate	30.95%	41.16%~44.34%
Risk-free interest rate	0.2763%	0.9867%~1.0237%
Expected duration of option	1.5 years	2.5~3.5 years
Weighted average stock price (dollars)	11.72	13.74
Pricing model	Binomial options pricing model	

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

(Continued)

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

	For the nine months ended September 30			
	2022		2021	
	Outstanding number of options (In thousand units)	Weighted average exercise price (dollars)	Outstanding number of options (In thousand units)	Weighted average exercise price (dollars)
May 29, 2020				
Outstanding as of January 1	-	\$ -	1,500	\$ 22
Granted during the period	-	-	-	-
Exercised during the period	-	-	1,450	22
Forfeited during the period	-	-	-	-
Outstanding as of September 30	<u>-</u>	<u>-</u>	<u>50</u>	<u>22</u>
Exercisable as of September 30	<u>-</u>	<u>-</u>	<u>50</u>	<u>22</u>

As of September 30, 2022, related information about outstanding options on the share-based payments was as follows:

	Exercise price (dollars)	Weighted average residual duration (years)
September 30, 2022		
Outstanding option	\$ -	-
September 30, 2021		
Outstanding option	\$ 22	0.16

	For the nine months ended September 30, 2022	
	Outstanding number of options (In thousand units)	Weighted average exercise price (dollars)
June 30, 2022		
Outstanding as of January 1	-	\$ -
Granted during the period	2,300	22
Forfeited during the period	-	-
Exercised during the period	-	-
Outstanding as of September 30	<u>2,300</u>	<u>19.45</u>
Exerisable as of September 30	<u>-</u>	<u>-</u>

As of September 30, 2022, related information about outstanding options on the share-based payment was as follows:

	Exercise price (dollars)(Note)	Weighted average residual duration (years)
September 30, 2022		
Outstanding option	\$ 19.45	3.25

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) ASROCK INDUSTRIAL

As of September 30, 2022, the share-based payment transactions issued by ASROCK INDUSTRIAL were as follows:

<u>Type of agreement</u>	<u>Grant date</u>	<u>Number of shares granted (In thousands of shares)</u>	<u>Contract term</u>	<u>Vesting condition</u>
Employee share option plan	January 15, 2019	1,500	2 years and 6 months	1 year of service vested 50% 2 years of service vested 50%
Employee share option plan (Note)	April 20, 2021	2,200	3 years and 6 months	1 year of service vested 35% 2 years of service vested 35% 3 years of service vested 30%
Employee share option plan (Note)	July 8, 2022	2,100	3 years and 6 months	2 years of service vested 50% 3 years of service vested 50%

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

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

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

	<u>January 15, 2019</u>	<u>April 20, 2021</u>	<u>July 8, 2022</u>
Fair value at grant date (dollars)	1.03	1.2~2.16	3.94~4.41
Exercise price (dollars)	10	14.5	22
Expected volatility rate	31.74%	29.61%~31.19%	26.40%~28.49%
Risk-free interest rate	0.5741%	0.1185%~0.2523%	0.8988%~0.9707%
Expected duration of option	2.5 years	1.5~3.5 years	2.5~3.5 years
Weighted average stock price (dollars)	8.1	12.49	21.69
Pricing model	Binomial options pricing model		

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

	For the nine months ended September 30			
	2022		2021	
	Outstanding number of options (In thousand units)	Weighted average exercise price (dollars)	Outstanding number of options (In thousand units)	Weighted average exercise price (dollars)
January 15, 2019				
Outstanding as of January 1	-	\$ -	750	\$ 10
Granted during the period	-	-	-	-
Exercised during the period	-	-	(613)	10
Forfeited during the period	-	-	(137)	-
Outstanding as of September 30	-	-	-	-
Exercisable as of September 30	-	-	-	-

As of September 30, 2022, the related share-based payment has been implemented completely.

	For the nine months ended September 30			
	2022		2021	
	Outstanding number of options (In thousand units)	Weighted average exercise price (dollars)	Outstanding number of options (In thousand units)	Weighted average exercise price (dollars)
April 20, 2021				
Outstanding as of January 1	2,200	\$ 12.5	-	\$ -
Granted during the period	-	-	2,200	14.5
Exercised during the period	(770)	12.5	-	-
Outstanding as of September 30	<u>1,430</u>	10	<u>2,200</u>	12.5
Exercisable as of September 30	-	-	-	-

As of September 30, 2022, the related information about outstanding options on the share-based payment was as follows:

	Exercise price (dollars) (Note)	Weighted average residual duration (years)
September 30, 2022		
Outstanding option	\$10.0	2.05
September 30, 2021		
Outstanding option	\$12.5	3.05

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
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July 8, 2022	For the nine months ended September 30, 2022	
	Outstanding number of options (In thousand units)	Weighted average exercise price (dollars)
Outstanding as of January 1	-	\$ -
Granted during the period	2,100	22
Exercised during the period	-	-
Outstanding as of September 30	2,100	16.15
Exercisable as of September 30	-	

As of September 30, 2022, the related information about outstanding options on the share-based payments was as follows:

	Exercise price (dollars) (Note)	Weighted average residual duration (years)
September 30, 2022		
Outstanding option	\$ 16.15	3.27

4) ASJADE

As of September 30, 2022, the share-based payment transactions issued by ASJADE were as follows:

Type of agreement	Grant date	Number of shares granted (In thousands of shares)	Contract term	Vesting condition
Employee share option plan	September 7, 2022	3,240	10 years	1 year of service vested 50% 2 years of service vested 50%

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

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

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
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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:

September 7, 2022	For the nine months ended September 30, 2022	
	Outstanding number of options (In thousand units)	Weighted average exercise price (dollars)
Outstanding as of January 1	-	\$ -
Granted during the period	3,240	10
Exercised during the period	-	-
Outstanding as of September 30	<u>3,240</u>	10
Exercisable as of September 30	<u>-</u>	

As of September 30, 2022, the related information about outstanding options on the share-based payments was as follows:

	Exercise price (dollars)	Weighted average residual duration (years)
September 30, 2022		
Outstanding option	\$ 10	9.9

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

No Modification or cancellation of the share-based payment payment plan has occurred for the nine month period ended September 30, 2022.

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

	For the three months ended September 30		For the nine months ended September 30	
	2022	2021	2022	2021
Expense resulting from equity-settled share-based payment	<u>\$ (40,957)</u>	<u>10,747</u>	<u>29,780</u>	<u>11,960</u>

- (iii) Employee stock option of Lumens

On March 11, 2021, the board of Lumens resolved 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. Duration is 6 years, and the certificate owners can exercise the option certificates two years after the issuance. On September 15, 2021, Lumens issued 1,613 thousand of employee stock options.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

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

	<u>For the nine months ended September 30, 2022</u>
Fair value at grant date	\$ 97.7
Stock price at grant date	\$ 112.2
Exercise price (dollars)	\$ 78.6
Expected volatility rate	31.44%
Risk-free interest rate	0.3%
Expected duration of option	4.56 years
Excepted dividends rate	4.04%

- 2) Employee stock options

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

	<u>For the nine months ended September 30, 2022</u>	
	<u>Weighted-average exercise price (dollars)</u>	<u>Units of stock option</u>
Outstanding as of January 1 (In thousand units)	\$ 78.6	1,613
Granted during the period	-	-
Outstanding as of September 30 (In thousand units)	78.6	<u>1,613</u>
Exercisable as of September 30 (In thousand units)	-	<u>-</u>

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

	<u>September 30, 2022</u>
Exercise price (dollars)	\$78.6
Weighted average residual duration	4.56 years

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- 3) Expenses resulting from share-based payment

	For the three months ended September 30, 2022	For the nine months ended September 30, 2022
Expenses resulting from employee stock option	\$ 3,540	10,619

- 4) Lumens did not make any cancellation or amendment to share-based payment transactions for the nine months ended September 30, 2022.

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

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

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

I. Employees above grade 8 (inclusive)

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

II. Employees from Grade 6 to Grade 7

Vesting conditions	Percentage of vesting shares
1 month from grant date	30% (Rounding to thousands of shares)
13 months from grant date	50% (Rounding to thousands of shares)
25 months from grant date	Remaining shares

The restricted obligation before vested was as follows:

- a) The new shares of restricted stock awards are kept by a trust before being vested. These shares shall not be sold, pledged, transferred, gifted, or disposed of by any other means to third parties during the custody period.

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

On August 19, 2022, KINSUS issued 1,932 thousand new shares of restricted stock awards, and incurred 146,044 thousand to capital surplus, of new shares of restricted stock awards of KINSUS. As of September 30, 2022, 0 shares of new shares of restricted stock awards have expired, resulting in the capital surplus of KINSUS to increase by \$0. Subsequently, as of September 30, 2022, the deferred compensation cost of KINSUS arising from the issuance of its new shares of restricted stock awards amounted to \$46,990 thousand.

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

	For the three months ended		For the nine months ended	
	September 30		September 30	
	2022	2021	2022	2021
Expenses resulting from equity-settled share-based payment	\$ 38,616	-	38,616	3,836

- 3) KINSUS did not make any cancellation or amendment to share-based payment transactions for the nine months ended September 30, 2022 and 2021.

(z) Earnings per share

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

	For the three months ended		For the nine months ended	
	September 30		September 30	
	2022	2021	2022	2021
Basic earnings per share				
Profit attributable to ordinary shareholders	\$ 5,265,446	2,668,376	10,048,776	12,684,641
Weighted-average number of ordinary shares	2,667,722	2,669,238	2,668,145	2,665,360
	\$ 1.97	1.00	3.77	4.76

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	For the three months ended September 30		For the nine months ended September 30	
	2022	2021	2022	2021
Diluted earnings per share				
Profit attributable to ordinary shareholders (diluted)	\$ <u>5,265,446</u>	<u>2,668,376</u>	<u>10,048,776</u>	<u>12,684,641</u>
Weighted-average number of ordinary shares	2,667,722	2,669,238	2,668,145	2,665,360
Effect of potentially dilutive ordinary shares	<u>14,684</u>	<u>16,060</u>	<u>20,572</u>	<u>22,831</u>
Weighted-average number of ordinary shares (diluted)	<u>2,682,406</u>	<u>2,685,298</u>	<u>2,688,717</u>	<u>2,688,191</u>
	<u>\$ 1.96</u>	<u>0.99</u>	<u>3.74</u>	<u>4.72</u>

(aa) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the three months ended September 30, 2022		
	DMS	Strategic Investment Group	Total
Primary geographical markets:			
Europe	\$ 145,043,460	967,957	146,011,417
U.S.A.	132,773,553	4,242,222	137,015,775
Taiwan	25,206,263	4,063,277	29,269,540
China	7,994,390	2,280,229	10,274,619
Japan	2,926,978	1,415,695	4,342,673
Other countries	<u>20,648,656</u>	<u>5,304,369</u>	<u>25,953,025</u>
	<u>\$ 334,593,300</u>	<u>18,273,749</u>	<u>352,867,049</u>
	For the three months ended September 30, 2021		
	DMS	Strategic Investment Group	Total
Primary geographical markets:			
Europe	\$ 144,817,718	1,209,606	146,027,324
U.S.A.	112,875,127	4,037,352	116,912,479
Taiwan	26,693,677	4,216,669	30,910,346
China	6,085,890	7,080,607	13,166,497
Japan	2,888,365	747,318	3,635,683
Other countries	<u>11,592,989</u>	<u>554,319</u>	<u>12,147,308</u>
	<u>\$ 304,953,766</u>	<u>17,845,871</u>	<u>322,799,637</u>

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(ab) Remunerations to employees and directors

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

For the three months and the nine months ended September 30, 2022, the Company estimated its employee remuneration amounting to \$428,000 thousand, \$263,000 thousand, \$859,000 thousand and \$1,076,000 thousand, and directors' remuneration amounting to \$43,000 thousand, \$27,000 thousand, \$85,000 thousand and \$107,000 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees and directors of each period, multiplied by the percentage of remuneration to employees and directors as specified in the Company's articles. Such amounts were recognized as operating costs or operating expenses during the nine months ended September 30, 2022 and 2021. Management is expecting that the differences, if any, between the actual distributed amounts and estimated amounts will be treated as changes in accounting estimates and charged to profit or loss. The numbers of shares to be distributed were calculated based on the closing price of the Company's ordinary shares, one day before the date of the meeting of Board of Directors.

For the years ended December 31, 2021 and 2020, the Company had accrued 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 thousand, respectively. There was no difference between the amounts approved in the Board of Directors meeting. For further information, please refer to Market Observation Post System.

(ac) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	For the three months ended		For the nine months ended	
	September 30		September 30	
	2022	2021	2022	2021
Interest income from bank deposits	\$ 582,486	363,233	1,364,845	1,200,299

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(ii) Other income

The details of other income were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2022	2021	2022	2021
Subsidy income	\$ 216,646	224,239	1,973,237	1,649,244
Rent income	149,089	177,569	456,385	472,197
Technical service income	107,363	169,702	347,617	441,592
Other income	380,458	353,968	849,949	770,256
	\$ 853,556	925,478	3,627,188	3,333,289

(iii) Other gains and losses

The details of other gains and losses were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2022	2021	2022	2021
Gains (loss) on disposals of investment	\$ -	(15,469)	-	3,968,280
Foreign exchange gains (loss)	268,968	677,114	(277,031)	2,139,763
Gains (loss) on disposal of property, plant and equipment	51,768	(13,336)	295,977	415,828
Gains (loss) on lease modifications	8,246	(1,734)	117,242	(935)
Impairment loss on non-financial assets	(17,322)	(7,755)	(34,696)	(15,173)
Net loss on financial assets measured at fair value through profit or loss	(1,050,914)	(1,234,289)	(4,771,167)	(2,750,720)
Miscellaneous disbursements	(163,314)	(25,890)	(483,610)	(109,098)
	\$ (902,568)	(621,359)	(5,153,285)	3,647,945

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(iv) Finance costs

The details of finance costs were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2022	2021	2022	2021
Interest expenses	\$ 621,207	212,670	1,274,362	773,483
Financial expense-bank fees and factoring fees, etc.	5,132	3,134	12,596	8,330
	<u>\$ 626,339</u>	<u>215,804</u>	<u>1,286,958</u>	<u>781,813</u>

(ad) Reclassification adjustments of components of other comprehensive income

	For the three months ended September 30		For the nine months ended September 30	
	2022	2021	2022	2021
Cumulative adjustment				
Cumulative foreign exchange differences from current period	\$ 9,307,509	(183,342)	18,397,744	(3,089,466)
Share of other associates accounted for using equity method	292,909	(84,255)	772,360	(462,685)
Reclassification to profit or loss on the disposal of subsidiaries	-	(776)	-	213,539
Net change in fair value recognized in other comprehensive income	<u>\$ 9,600,418</u>	<u>(268,373)</u>	<u>19,170,104</u>	<u>(3,338,612)</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 September 30, 2022, December 31, 2021 and September 30, 2021, the accounts receivable from the Group's top three customers were amounted to \$105,579,101 thousand, \$195,354,058 thousand and \$85,978,010 thousand, representing 62%, 78% and 64% of accounts receivable, respectively, which exposes the Group to credit risk.

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3) Credit risk of accounts receivable

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

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

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

The loss allowance provision for the nine months ended September 30, 2022 and 2021 was determined as follows:

	<u>Other receivables</u>
Balance on January 1, 2022	\$ 16,438
Reversal of impairment loss recognized	(428)
Effect of movement in exchange rates	<u>506</u>
Balance on September 30, 2022	<u>\$ 16,516</u>
Balance on January 1, 2021	\$ 18,871
Impairment loss recognized	5,047
Effect of movement in exchange rates	(6,162)
Effect of disposals of subsidiaries	<u>(1,898)</u>
Balance on September 30, 2021	<u>\$ 15,858</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
September 30, 2022					
Non-derivative financial liabilities					
Secured bank loans	\$ 273,204	273,204	1,604	2,122	269,478
Unsecured bank loans	121,214,915	121,310,112	107,178,513	3,545,759	10,585,840
Unsecured ordinary corporate bonds	34,900,000	34,900,000	4,500,000	6,000,000	24,400,000
Non-interest bearing liabilities	245,867,948	245,867,948	243,377,878	2,490,070	-
Lease liabilities	<u>3,141,070</u>	<u>3,141,070</u>	<u>1,393,877</u>	<u>865,812</u>	<u>881,381</u>
	<u>\$ 405,397,137</u>	<u>405,492,334</u>	<u>356,451,872</u>	<u>12,903,763</u>	<u>36,136,699</u>

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	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>More than 2 years</u>
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	<u>3,071,000</u>	<u>3,071,000</u>	<u>1,067,674</u>	<u>1,253,877</u>	<u>749,449</u>
	<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>
September 30, 2021					
Non-derivative financial liabilities					
Secured bank loans	\$ 49,016	49,016	-	1,167	47,849
Unsecured bank loans	75,634,261	75,634,261	65,183,132	716,918	9,734,211
Other unsecured loans	2,228,480	2,228,480	2,228,480	-	-
Unsecured ordinary corporate bonds	28,000,000	28,000,000	2,000,000	4,500,000	21,500,000
Non-interest bearing liabilities	254,642,669	254,642,669	254,171,264	471,405	-
Lease liabilities	<u>1,564,526</u>	<u>1,564,526</u>	<u>730,102</u>	<u>408,007</u>	<u>426,417</u>
	<u>\$ 362,118,952</u>	<u>362,118,952</u>	<u>324,312,978</u>	<u>6,097,497</u>	<u>31,708,477</u>

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

(iii) Market risk

1) Exposure to foreign currency risk

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

(Unit: Foreign currency / NTD in Thousands)

	<u>September 30, 2022</u>			<u>September 30, 2021</u>		
	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>NTD</u>	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>NTD</u>
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 13,902,591	31.7565	441,497,631	15,521,015	27.8560	432,353,394
USD:CNY	63,487	7.0998	2,016,124	1,157,336	6.4854	32,238,781
CNY:USD	4,810,819	0.1408	21,518,180	2,827,888	0.1542	12,146,305
<u>Non-monetary items</u>						
CNY:USD	5,731,519	0.1408	25,648,492	4,817,271	0.1542	20,787,782
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	13,652,638	31.7565	433,559,999	15,549,736	27.8560	433,153,446
USD:CNY	26,795	7.0998	850,915	310,245	6.4854	8,642,193
CNY:USD	4,504,751	0.1408	20,149,177	3,059,802	0.1542	13,142,419

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	December 31, 2021		
	Foreign Currency	Exchange Rate	NTD
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 18,473,725	27.6830	511,408,129
USD:CNY	77,155	6.3757	2,135,880
CNY:USD	5,772,908	0.1568	25,065,704
<u>Non-monetary items</u>			
CNY:USD	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
USD:CNY	162,064	6.3757	4,486,413
CNY:USD	3,483,471	0.1568	15,125,073

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, loans and other payables that are denominated in foreign currency. A strengthening (weakening) 1% of the major foreign currency against the Group's functional currency as of September 30, 2022 and 2021 would have increased (decreased) the before-tax net income for the nine months ended September 30, 2022 and 2021 by \$127,027 thousand and (\$223,150) thousand, respectively. The analysis is performed on the same basis for both periods.

3) Foreign exchange gains or losses on monetary items

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the three months and the nine months ended September 30, 2022, foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$268,968 thousand, \$677,114 thousand, (\$277,031) thousand and \$2,139,763 thousand, respectively.

4) Interest rate analysis

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

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

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If the interest rate increases/decreases by 1%, the Group's net income will decrease /increase by \$171,641 thousand and \$81,362 thousand for the nine months ended September 30, 2022 and 2021, respectively, assuming all other variable factors remain constant. This is mainly due to the Group's variable rate borrowing and cash advances for accounts receivable factoring.

5) Other market price risk

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

Equity price on reporting date	For the nine months ended September 30			
	2022		2021	
	Comprehensive Income (Loss) (net of tax)	Net Income (Loss) (before tax)	Comprehensive Income (Loss) (net of tax)	Net Income (Loss) (before tax)
Increase 3%	\$ 33,059	221,214	30,413	254,998
Decrease 3%	\$ (33,059)	(221,214)	(30,413)	(254,998)

(iv) Fair value of financial instruments

1) Fair value hierarchy

The fair value of financial assets at fair value through profit or loss 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:

	September 30, 2022				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Financial assets mandatorily measured at fair value through profit or loss	\$ 9,783,132	8,657,408	-	1,125,724	9,783,132
Financial assets at fair value through other comprehensive income					
Stock of listed companies	\$ 677,750	677,750	-	-	677,750
Stock of unlisted companies	162,980	-	-	162,980	162,980
Stock of overseas listed companies	215,008	215,008	-	-	215,008
Stock of overseas unlisted companies	46,224	-	-	46,224	46,224
Private fund	210,945	-	-	210,945	210,945
Subtotal	\$ 1,312,907	892,758	-	420,149	1,312,907

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	September 30, 2022				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at amortized cost					
Cash and cash equivalents	\$ 132,628,437	-	-	-	-
Notes and accounts receivable	170,346,922	-	-	-	-
Other receivables	1,749,506	-	-	-	-
Other financial assets	<u>10,855,661</u>	-	-	-	-
Subtotal	<u>\$315,580,526</u>	-	-	-	-
Financial liabilities at amortized cost					
Bank loans	\$ 121,488,119	-	-	-	-
Non-interest bearing liabilities	245,867,948	-	-	-	-
Lease liabilities	3,141,070	-	-	-	-
Unsecured ordinary corporate bonds	<u>34,875,143</u>	-	-	-	-
Subtotal	<u>\$405,372,280</u>	-	-	-	-
	December 31, 2021				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Financial assets mandatorily measured at fair value through profit or loss	\$ 13,259,526	12,543,768	-	715,758	13,259,526
Financial assets at fair value through other comprehensive income					
Stock of listed companies	1,015,796	1,015,796	-	-	1,015,796
Stock of unlisted companies	147,786	-	-	147,786	147,786
Stock of overseas listed companies	241,285	241,285	-	-	241,285
Stock of overseas unlisted companies	46,224	-	-	46,224	46,224
Private fund	<u>41,784</u>	-	-	<u>41,784</u>	<u>41,784</u>
Subtotal	<u>\$ 1,492,875</u>	<u>1,257,081</u>	-	<u>235,794</u>	<u>1,492,875</u>
Financial assets at amortized cost					
Cash and cash equivalents	\$ 111,024,086	-	-	-	-
Notes and accounts receivable	249,533,457	-	-	-	-
Other receivables	9,628,610	-	-	-	-
Other financial assets	<u>30,723,520</u>	-	-	-	-
Subtotal	<u>\$400,909,673</u>	-	-	-	-
Financial liabilities at amortized cost					
Bank loans	\$ 105,046,035	-	-	-	-
Other loans	2,214,640	-	-	-	-
Non-interest bearing liabilities	302,817,234	-	-	-	-
Lease liabilities	3,071,000	-	-	-	-
Unsecured ordinary corporate bonds	<u>36,869,595</u>	-	-	-	-
Subtotal	<u>\$450,018,504</u>	-	-	-	-

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	September 30, 2021				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Financial assets mandatorily measured at fair value through profit or loss	\$ 10,619,790	10,019,721	-	600,069	10,619,790
Financial assets at fair value through other comprehensive income					
Stock of listed companies	\$ 531,926	531,926	-	-	531,926
Stock of unlisted companies	148,074	-	-	148,074	148,074
Stock of overseas listed companies	287,544	287,544	-	-	287,544
Stock of overseas unlisted companies	46,224	-	-	46,224	46,224
Subtotal	\$ 1,013,768	819,470	-	194,298	1,013,768
Financial assets at amortized cost					
Cash and cash equivalents	\$ 143,517,648	-	-	-	-
Notes and accounts receivable	133,521,275	-	-	-	-
Other receivables	11,973,361	-	-	-	-
Other financial assets	11,365,875	-	-	-	-
Subtotal	\$ 300,378,159	-	-	-	-
Financial liabilities at amortized cost					
Bank loans	\$ 75,592,215	-	-	-	-
Other loans	2,228,480	-	-	-	-
Non-interest bearing liabilities	254,642,669	-	-	-	-
Lease liabilities	1,564,526	-	-	-	-
Unsecured ordinary corporate bonds	27,977,933	-	-	-	-
Subtotal	\$ 362,005,823	-	-	-	-

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

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

a) Financial assets and financial liabilities measured at amortized cost

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

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

a) Non-derivative financial instruments

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

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

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

b) Derivative financial instruments

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

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

4) Transfers between Level 1 and Level 2

There have been no transfers from each level for the nine months ended September 30, 2022 and 2021.

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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>Total</u>
	<u>Non-derivative mandatorily measured at fair value through profit or loss</u>	<u>Unquoted equity instruments</u>	<u>Unquoted debt instruments</u>	
Opening balance, January 1, 2022	\$ 715,758	194,010	41,784	951,552
Total gains and losses recognized:				
In profit or loss	64,834	-	-	64,834
In other comprehensive income	21,602	6,794	-	28,396
Purchased	323,530	8,400	169,161	501,091
Ending Balance, September 30, 2022	<u>\$ 1,125,724</u>	<u>209,204</u>	<u>210,945</u>	<u>1,545,873</u>
Opening balance, January 1, 2021	\$ 400,238	218,951	-	619,189
Total gains and losses recognized:				
In profit or loss	(22,292)	-	-	(22,292)
In other comprehensive income	-	(952)	-	(952)
Purchased	285,792	-	-	285,792
Subsidiaries disposals	-	(23,701)	-	(23,701)
Transfers out of Level 3	(63,669)	-	-	(63,669)
Ending Balance, September 30, 2021	<u>\$ 600,069</u>	<u>194,298</u>	<u>-</u>	<u>794,367</u>

For the years ended September 30, 2022 and 2021, total gains and losses that were included in “other gains and losses” and “unrealized gains from financial assets at fair value through other comprehensive income” were as follows:

	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Total gains and losses recognized:				
In profit or loss, and presented in “other gains and losses”	\$ <u>(217)</u>	<u>(10,192)</u>	<u>64,834</u>	<u>(22,292)</u>
In other comprehensive income, and presented in “unrealized gains from financial assets at fair value through other comprehensive income”	\$ <u>24,995</u>	<u>(16)</u>	<u>28,396</u>	<u>(952)</u>

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Notes to the Consolidated Financial Statements

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

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

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

Quantified information of significant unobservable inputs were as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through profit or loss-equity investments without an active market	Market Approach	<ul style="list-style-type: none"> ·The multiplier of price-to-book ratio (As of September 30, 2022, December 31, 2021 and September 30, 2021, were 2.2~8.9, 2.2~8.9 and 1.2~2.3, respectively.) ·Market illiquidity discount (As of September 30, 2022, December 31, 2021 and September 30, 2021, were 20%) 	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> ·the multiplier were higher (lower) ·the market illiquidity discount were lower (higher).
Financial assets at fair value through other comprehensive income-equity investments without an active market	Market Approach	<ul style="list-style-type: none"> ·The multiplier of price-to-book ratio (As of September 30, 2022, December 31, 2021 and September 30, 2021, were 1.4~1.6, 1.4~1.6, and 1.4~1.5, respectively.) ·Market illiquidity discount (As of September 30, 2022, December 31, 2021 and September 30, 2021, were 20%) 	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> ·the multiplier were higher (lower) ·the market illiquidity discount were lower (higher).
Financial assets at fair value through profit or loss-private fund	Net Asset Value Method	·Net Asset Value	Not applicable
Financial assets at fair value through other comprehensive income-private fund	Net Asset Value Method	·Net Asset Value	Not applicable

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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:

	Inputs	Fluctuation in inputs	Profit or loss		Other comprehensive income	
			Favorable	Unfavorable	Favorable	Unfavorable
September 30, 2022						
Financial assets at fair value through profit or loss						
Equity investments without an active market	Multiplier of price-to-book ratio	1%	5,884	(5,884)	-	-
Equity investments without an active market	Market illiquidity discount	1%	5,884	(5,884)	-	-
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	Multiplier of price-to-book ratio	1%	-	-	2,092	(2,092)
Equity investments without an active market	Market illiquidity discount	1%	-	-	2,092	(2,092)
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)
September 30, 2021						
Financial assets at fair value through profit or loss						
Equity investments without an active market	Multiplier of price-to-book ratio	1%	2,094	(2,094)	-	-
Equity investments without an active market	Market illiquidity discount	1%	2,094	(2,094)	-	-
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	Multiplier of price-to-book ratio	1%	-	-	1,943	(1,943)
Equity investments without an active market	Market illiquidity discount	1%	-	-	1,943	(1,943)

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

(v) Offsetting of financial assets and financial liabilities

The Group has financial 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.

September 30, 2022						
Financial assets that are offset which have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial assets (a)	Gross amounts of financial liabilities offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)		Net amounts (e)=(c)-(d)
				Financial Instruments (Note)	Cash collateral instruments	
Accounts Receivable and Payable	\$ 16,791,781	13,048,883	3,742,898	-	-	3,742,898
Other financial asset and short-term loan	\$ 11,113,603	11,113,603	-	-	-	-

September 30, 2022						
Financial liabilities that are offset which have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial liabilities (a)	Gross amounts of financial assets offset in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)		Net amounts (e)=(c)-(d)
				Financial Instruments (Note)	Cash collateral instruments	
Accounts Receivable and Payable	\$ 13,048,883	13,048,883	-	-	-	-
Other financial asset and short-term loan	\$ 11,113,603	11,113,603	-	-	-	-

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 in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)		Net amounts (e)=(c)-(d)
				Financial Instruments (Note)	Cash collateral instruments	
Accounts Receivable and Payable	\$ 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	-	-	-	-

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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)		Net amounts (e)=(c)-(d)
				Financial Instruments (Note)	Cash collateral instruments	
Accounts Receivable and Payable	\$ 17,460,484	17,460,484	-	-	-	-
Other financial asset and short-term loan	\$ 17,714,841	17,714,841	-	-	-	-

September 30, 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 in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)		Net amounts (e)=(c)-(d)
				Financial Instruments (Note)	Cash collateral instruments	
Accounts Receivable and Payable	\$ 18,051,078	15,071,753	2,979,325	-	-	2,979,325
Other financial asset and short-term loan	\$ 12,256,132	12,256,132	-	-	-	-

September 30, 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)		Net amounts (e)=(c)-(d)
				Financial Instruments (Note)	Cash collateral instruments	
Accounts Receivable and Payable	\$ 15,071,753	15,071,753	-	-	-	-
Other financial asset and short-term loan	\$ 12,256,132	12,256,132	-	-	-	-

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

(af) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in Note 6(af) of the consolidated financial statements for the year ended December 31, 2021.

(ag) Capital management

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

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(ah) Financing activities not affecting current cash flow

For the nine months ended September 30, 2022 and 2021, reconciliation of liabilities arising from financing activities was as follows:

	January 1, 2022	Cash flows	Non-cash changes		September 30, 2022
			Foreign exchange movement	Other	
Long-term loans	\$ 13,237,371	3,166,110	154,792	(24,128)	16,534,145
Short-term loans	94,023,304	10,930,670	-	-	104,953,974
Bonds payable	36,869,595	(2,000,000)	-	5,548	34,875,143
Lease liabilities	3,071,000	(1,130,440)	239,859	960,651	3,141,070
Non-controlling interests	27,662,332	(2,301,452)	451,598	5,247,196	31,059,674
Total liabilities from financing activities	<u>\$174,863,602</u>	<u>8,664,888</u>	<u>846,249</u>	<u>6,189,267</u>	<u>190,564,006</u>

	January 1, 2021	Cash flows	Non-cash changes		September 30, 2021
			Foreign exchange movement	Other	
Long-term loans	\$ 17,014,458	(5,646,027)	(243,390)	(2,958)	11,122,083
Short-term loans	105,242,889	(37,476,399)	-	(1,067,878)	66,698,612
Bonds payable	25,478,182	2,495,500	-	4,251	27,977,933
Lease liabilities	2,591,691	(1,136,740)	(40,137)	149,712	1,564,526
Non-controlling interests	36,345,941	(14,214,225)	1,756,215	2,156,389	26,044,320
Total liabilities from financing activities	<u>\$186,673,161</u>	<u>(55,977,891)</u>	<u>1,472,688</u>	<u>1,239,516</u>	<u>133,407,474</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.

Name of related party	Relationship with the Group
Luxcase (Former RI KAI)	An associate (Note)
RI-MING	An associate (Note)
SHENG-RUI	An associate (Note)
RI PEI	An associate (Note)
RI SHAN	An associate (Note)
Ri Da	An associate
CSG	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(b).

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(b) Significant transactions with related parties

(i) Sale of Goods to Related Parties

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

	Sales			
	For the three months ended September 30		For the nine months ended September 30	
	2022	2021	2022	2021
Associates	\$ -	217,860	-	504,142
Other related party	53,692	13,100	104,282	43,685
	\$ 53,692	230,960	104,282	547,827

The terms and the selling price for related parties approximated the market price. The credit terms is from 30 to 60 days. Amounts receivable from related parties were uncollateralized, and no expected credit loss were required after the assessment by the management.

(ii) Purchase of Goods from Related Parties

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

	Purchases			
	For the three months ended September 30		For the nine months ended September 30	
	2022	2021	2022	2021
Associates	\$ 116,295	563,494	356,172	3,255,217

The terms and pricing of purchase transactions with related parties were not significantly different from those offered by other vendors. The payment terms is 60 days, which were no different from the payment terms given by other vendors.

(iii) Receivables from Related Parties

The receivables from related parties were as follows:

Account	Relationship	September 30, 2022	December 31, 2021	September 30, 2021
Accounts receivable	Other related party	\$ 20,508	9,709	5,654
Accounts receivable	Associates	-	-	220,655
Other receivables	Associates	14,685	288,517	335,715
		\$ 35,193	298,226	562,024

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(iv) Payables to Related Parties

The payables to related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Accounts payable	Associates	\$ 84,488	208,342	995,226
Accrued expenses	Associates	507	-	7,767
		<u>\$ 84,995</u>	<u>208,342</u>	<u>1,002,993</u>

(v) Loans to Related Parties

The loans to related parties were as follows:

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Associates - RI SHAN	\$ -	<u>8,258,365</u>	<u>10,308,838</u>
Range of interest rate	<u>1.00%</u>	<u>0.92%~1.00%</u>	<u>0.92%~1.00%</u>
Interest income	<u>\$ 43,664</u>	<u>130,141</u>	<u>103,630</u>

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

(c) Key management personnel compensation

	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Short-term employee benefits \$	149,424	105,865	339,943	304,582
Post-employment benefits	1,122	999	3,226	3,024
Share-based payments	21,912	46,515	95,245	127,925
	<u>\$ 172,458</u>	<u>153,379</u>	<u>438,414</u>	<u>435,531</u>

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

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(8) Assets pledged as security

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

Assets pledged as security	Liabilities secured by pledge	September 30, 2022	December 31, 2021	September 30, 2021
Other financial asset-restricted deposit	Post-release duty deposits, customs duty, lease deposits, short-term loans, travel agency guarantee, provisional attachment guarantee, etc.	\$ 121,374	121,307	117,298
Other financial asset-restricted deposit	Litigation pledge and provisional attachment guarantee	-	-	43,381
Property, plant and equipment	Bank loans	314,901	42,036	52,287
Other financial asset-guarantee deposits	Customs duty guarantee, litigation guarantee, rental deposits, and deposits for performance guarantee	42,682	37,471	8,163
		<u>\$ 478,957</u>	<u>200,814</u>	<u>221,129</u>

(9) Commitments and contingencies

(a) Significant commitments and contingencies

(i) Unused standby letters of credit

	September 30, 2022	December 31, 2021	September 30, 2021
EUR	\$ -	813	3,785
JPY	8,293,317	7,031,091	9,389,535
USD	21,628	9,455	6,586

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

	September 30, 2022	December 31, 2021	September 30, 2021
NTD	<u>\$ 10,490</u>	<u>10,490</u>	<u>15,311</u>

(iii) As of September 30, 2022, December 31, 2021 and September 30, 2021, the significant contracts for purchase of properties by the Group amounted to \$27,278,539 thousand, \$14,181,360 thousand and \$12,350,267 thousand, of which \$14,515,804 thousand, \$5,302,235 thousand and \$4,846,429 thousand, respectively, were unpaid.

(iv) As of September 30, 2022, December 31, 2021 and September 30, 2021, the Group provided endorsement guarantee for bank loans, including Group entities, amounting to \$2,574,878 thousand, \$2,353,055 thousand and \$1,169,952 thousand, respectively.

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(v) As of September 30, 2022, December 31, 2021 and September 30, 2021, the Group issued a tariff guarantee of \$948,576 thousand, \$773,936 thousand and \$606,587 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. On September 17, 2021, 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. On March 21, 2022, the Group had completed its negotiations and signed a formal settlement agreement with AIG Specialty Insurance Company.

(10) Losses due to major disasters: None.

(11) Subsequent events: None.

(12) Others

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

By function	For the three months ended September 30					
	2022			2021		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
By item						
Employee benefit						
Salary	\$ 12,340,773	4,505,836	16,846,609	13,059,760	4,287,392	17,347,152
Health and labor insurance	1,266,287	275,586	1,541,873	1,385,863	242,622	1,628,485
Pension	1,125,339	218,902	1,344,241	1,037,470	204,303	1,241,773
Others	415,586	281,835	697,421	490,215	224,646	714,861
Depreciation	3,240,297	547,681	3,787,978	2,756,915	489,877	3,246,792
Amortization	10,294	20,388	30,682	12,704	21,783	34,487

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By function	For the nine months ended September 30					
	2022			2021		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Employee benefits						
Salary	\$ 35,324,141	12,095,362	47,419,503	31,034,390	12,000,724	43,035,114
Labor and health insurance	3,628,524	806,572	4,435,096	2,945,150	734,644	3,679,794
Pension	3,290,036	625,761	3,915,797	2,597,180	577,285	3,174,465
Others	1,253,285	1,206,315	2,459,600	1,322,449	585,377	1,907,826
Depreciation	9,285,081	1,518,080	10,803,161	8,700,483	1,447,319	10,147,802
Amortization	30,004	76,949	106,953	46,189	64,035	110,224

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

	For the three months ended September 30		For the nine months ended September 30	
	2022	2021	2022	2021
	Depreciation in investment property	\$ <u>785</u>	<u>843</u>	<u>2,339</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 September 30, 2022 (excluding investment in subsidiaries, associates and joint ventures)	Table 3
4	Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock	Table 4
5	Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock	Table 5
6	Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock	None
7	Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock	Table 6
8	Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock	Table 7
9	Trading in derivative instruments	None
10	Business relationships and significant intercompany transactions	Table 10

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(b) Information on investees:

Please refer to Table 8 for the information on investees for the nine months ended September 30, 2022.

(c) Information on investment in Mainland China:

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

(d) Major shareholders:

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

(14) Segment information

Please refer to Note 6(aa) for the information on revenue for the three months and the nine months ended September 30, 2022 and 2021. The Group's operating segment information and reconciliation were as follows:

	DMS	Strategic Investment Group	Adjustment and eliminations	Total
For the three months ended September 30, 2022				
Reportable segment profit or loss	\$ <u>6,185,618</u>	<u>6,322,420</u>	<u>(3,636,787)</u>	<u>8,871,251</u>
For the three months ended September 30, 2021				
Reportable segment profit or loss	\$ <u>2,979,347</u>	<u>3,252,132</u>	<u>(1,420,245)</u>	<u>4,811,234</u>
For the nine months ended September 30, 2022				
Reportable segment profit or loss	\$ <u>12,132,610</u>	<u>13,853,524</u>	<u>(6,551,970)</u>	<u>19,434,164</u>
For the nine months ended September 30, 2021				
Reportable segment profit or loss	\$ <u>13,074,422</u>	<u>11,375,744</u>	<u>(7,686,079)</u>	<u>16,764,087</u>
Reportable segment assets				
September 30, 2022	\$ <u>599,877,238</u>	<u>144,230,696</u>	<u>(84,515,179)</u>	<u>659,592,755</u>
December 31, 2021	\$ <u>608,651,547</u>	<u>132,809,233</u>	<u>(64,690,417)</u>	<u>676,770,363</u>
September 30, 2021	\$ <u>517,013,282</u>	<u>125,157,601</u>	<u>(62,747,506)</u>	<u>579,423,377</u>