

PEGATRON CORPORATION AND SUBSIDIARIES**Consolidated Financial Statements****With Independent Auditors' Report
For the Years Ended December 31, 2023 and 2022**

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

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Representation Letter

The entities that are required to be included in the combined financial statements of Pegatron Corporation as of and for the year ended December 31, 2023 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10, "Consolidated Financial Statements." endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Pegatron Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Pegatron Corporation
Chairman: Tzu-Hsien Tung
Date: March 14, 2024.



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Independent Auditors' Report

To the Board of Directors of Pegatron Corporation:

Opinion

We have audited the consolidated financial statements of Pegatron Corporation and its subsidiaries (“the Group”), which comprise the consolidated balance sheet as of December 31, 2023 and 2022, the consolidated statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), Interpretations developed by the International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Based on our professional judgment, key audit matters pertain to the most important matters in the audit of consolidated financial statements for the year ended December 31, 2023 of the Group. Those matters have been addressed in our audit opinion on the said consolidated financial statements and during the formation of our audit opinion. However, we do not express an opinion on these matters individually. The key audit matters that, in our professional judgment, should be communicated are as follows:

1. Revenue recognition

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

(a) Key audit matters:

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

Therefore, the test of revenue recognition was one of the key audit matters in the audit of financial reports of the Group.

(b) Auditing procedures performed:

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

2. Inventory valuation

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

(a) Key audit matters:

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

(b) Auditing procedures performed:

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

Other Matter

We did not audit the financial statements of certain subsidiaries of the Group. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those subsidiaries, is based solely on the reports of other auditors. The financial statements of the subsidiaries reflect total assets constituting 17.55% and 14.61% of consolidated total assets at December 31, 2023 and 2022, respectively, and total operating revenues constituting 4.38% and 5.20% of consolidated total operating revenues for the years then ended December 31, 2023 and 2022, respectively. We did not audit the financial statements of an associate of the Group, which represented investment in another entity accounted for using the equity method. Those statements were audited by another auditor, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the associate, is based solely on the report of another auditor. The investment in the associate accounted for using the equity method constituting 5.55% and 4.24% of consolidated total assets at December 31, 2023 and 2022, respectively and the related share of profit of associates and joint ventures accounted for using the equity method constituting 17.52% and 15.15% of consolidated total profit before tax for the years then ended, respectively.

Pegatron Corporation has prepared its parent-company-only financial statements as of and for the years ended December 31, 2023 and 2022, on which we have issued an unmodified opinion with Other Matter paragraph.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers, and with the IFRSs, IASs, IFRIC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)

March 14, 2024

Notes to Readers

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

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

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

PEGATRON CORPORATION AND SUBSIDIARIES**Consolidated Balance Sheets****December 31, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

		December 31, 2023		December 31, 2022	
		Amount	%	Amount	%
Assets					
Current assets:					
1100	Cash and cash equivalents (Note 6(a))	\$ 97,721,592	17.5	84,577,382	13.3
1110	Current financial assets at fair value through profit or loss (Note 6(b))	12,177,590	2.2	9,024,851	1.5
1170	Accounts receivable, net (Notes 6(d) and (w))	154,906,363	27.8	190,247,179	29.9
1200	Other receivables, net	431,586	0.1	1,329,144	0.2
130X	Inventories (Note 6(e))	105,615,799	19.0	199,441,528	31.3
1460	Non-current assets classified as held for sale (disposal groups) (Note 6(f))	40,227,367	7.2	-	-
1476	Other current financial assets (Notes 6(k) and 8)	5,571,740	1.0	12,012,749	1.9
1479	Other current assets (Note 6(k))	<u>3,748,863</u>	<u>0.7</u>	<u>5,854,949</u>	<u>0.9</u>
		<u>420,400,900</u>	<u>75.5</u>	<u>502,487,782</u>	<u>79.0</u>
Non-current assets:					
1510	Non-current financial assets at fair value through profit or loss (Note 6(b))	2,558,245	0.5	2,170,427	0.3
1517	Non-current financial assets at fair value through other comprehensive income (Note 6(c))	1,717,361	0.3	1,403,646	0.2
1550	Investments accounted for using the equity method (Note 6(g))	31,944,926	5.7	27,861,177	4.5
1600	Property, plant and equipment (Notes 6(i) and 8)	75,303,420	13.5	79,689,609	12.5
1755	Right-of-use assets (Note 6(j))	4,928,641	0.9	6,176,134	1.0
1760	Investment property, net	31,023	-	33,985	-
1780	Intangible assets	238,264	-	225,014	-
1840	Deferred tax assets (Note 6(r))	2,224,321	0.4	2,794,744	0.4
1915	Prepayments on purchase of equipment (Note 9)	17,122,045	3.1	12,984,052	2.0
1980	Other non-current financial assets (Notes 6(k) and 8)	401,139	0.1	374,605	0.1
1990	Other non-current assets (Note 6(k))	<u>198,912</u>	<u>-</u>	<u>21,612</u>	<u>-</u>
		<u>136,668,297</u>	<u>24.5</u>	<u>133,735,005</u>	<u>21.0</u>
Total assets		\$ <u>557,069,197</u>	<u>100.0</u>	<u>636,222,787</u>	<u>100.0</u>

See accompanying notes to financial statements.

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

PEGATRON CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets (CONT'D)

December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2023		December 31, 2022		
	Amount	%	Amount	%	
Liabilities and Equity					
Current liabilities:					
2100	Short-term loans (Note 6(l))	\$ 45,164,344	8.1	79,589,451	12.5
2130	Current contract liabilities (Note 6(w))	1,672,848	0.3	1,200,270	0.2
2170	Accounts payable	176,615,915	31.7	202,467,364	31.8
2209	Accrued expenses	20,773,387	3.7	24,131,570	3.8
2219	Other payables	5,082,734	1.0	9,203,327	1.6
2230	Current tax liabilities	4,100,315	0.7	5,264,896	0.8
2260	Liabilities related to non-current assets classified as held for sale (disposal groups) (Note 6(f))	5,064,494	0.9	-	-
2281	Current lease liabilities (Note 6(p))	529,806	0.1	1,366,074	0.2
2321	Bonds payable, current portion (Note 6(o))	8,000,000	1.4	4,500,000	0.7
2322	Long-term loans payable, current portion (Note 6(n))	3,752,009	0.7	2,773,471	0.4
2399	Other current liabilities (Notes 6(m) and (n))	11,499,756	2.1	34,939,573	5.5
		<u>282,255,608</u>	<u>50.7</u>	<u>365,435,996</u>	<u>57.5</u>
Non-Current liabilities:					
2527	Non-current contract liabilities (Note 6(w))	4,098,300	0.7	2,627,942	0.4
2530	Bonds payable (Note 6(o))	22,384,389	4.0	30,376,992	4.8
2540	Long-term loans (Note 6(n))	16,785,883	3.0	14,225,427	2.2
2570	Deferred tax liabilities (Note 6(r))	2,633,166	0.5	1,889,662	0.3
2581	Non-current lease liabilities (Note 6(p))	1,688,735	0.3	1,522,527	0.2
2650	Credit balance of investments accounted for using equity method (Note 6(g))	4,529	-	4,314	-
2670	Other non-current liabilities (Notes 6(m), (n) and (q))	5,600,820	1.0	5,571,664	0.9
		<u>53,195,822</u>	<u>9.5</u>	<u>56,218,528</u>	<u>8.8</u>
	Total liabilities	<u>335,451,430</u>	<u>60.2</u>	<u>421,654,524</u>	<u>66.3</u>
Equity Attributable to Owners of the Parent Company (Notes 6(s) and (t)):					
3110	Share capital	26,642,241	4.8	26,676,337	4.2
Capital surplus:					
3210	Capital surplus, premium on capital stock	79,180,607	14.2	78,703,620	12.4
3280	Capital surplus, others	5,015,039	0.9	4,648,384	0.7
		<u>84,195,646</u>	<u>15.1</u>	<u>83,352,004</u>	<u>13.1</u>
Retained earnings:					
3310	Legal reserve	19,239,612	3.5	17,721,898	2.8
3320	Special reserve	7,523,660	1.4	20,918,849	3.3
3350	Unappropriated retained earnings	58,318,738	10.4	41,419,117	6.5
		<u>85,082,010</u>	<u>15.3</u>	<u>80,059,864</u>	<u>12.6</u>
Other equity interest:					
3410	Exchange differences on translation of foreign financial statements	(7,359,989)	(1.3)	(7,603,630)	(1.2)
3420	Unrealized gains on financial assets measured at fair value through other comprehensive income	375,255	-	79,970	-
3491	Other equity, unearned compensation	(125,271)	-	(68,877)	-
		<u>(7,110,005)</u>	<u>(1.3)</u>	<u>(7,592,537)</u>	<u>(1.2)</u>
3500	Treasury stock	-	-	(7,103)	-
	Equity attributable to the parent company	188,809,892	33.9	182,488,565	28.7
36xx	Non-controlling interests (Notes 6(h) and (s))	32,807,875	5.9	32,079,698	5.0
	Total equity	<u>221,617,767</u>	<u>39.8</u>	<u>214,568,263</u>	<u>33.7</u>
	Total liabilities and equity	<u>\$ 557,069,197</u>	<u>100.0</u>	<u>636,222,787</u>	<u>100.0</u>

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
PEGATRON CORPORATION AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)

		For the years ended December 31			
		2023		2022	
		Amount	%	Amount	%
4000	Operating revenue (Notes 6(w) and 7)	\$1,256,783,394	100.0	1,318,413,722	100.0
5000	Cost of sales (Notes 6(e), (p), (q), (t), (u), (x) and 7)	<u>1,210,677,036</u>	<u>96.3</u>	<u>1,261,287,061</u>	<u>95.7</u>
	Gross profit from operations	<u>46,106,358</u>	<u>3.7</u>	<u>57,126,661</u>	<u>4.3</u>
6000	Operating expenses (Notes 6(p), (q), (t), (u), (x) and 7):				
6100	Selling expenses	4,740,199	0.4	5,388,185	0.4
6200	General and administrative expenses	10,724,805	0.8	10,697,353	0.8
6300	Research and development expenses	<u>15,888,696</u>	<u>1.3</u>	<u>16,043,597</u>	<u>1.2</u>
	Total operating expenses	<u>31,353,700</u>	<u>2.5</u>	<u>32,129,135</u>	<u>2.4</u>
	Net operating income	<u>14,752,658</u>	<u>1.2</u>	<u>24,997,526</u>	<u>1.9</u>
	Non-operating income and expenses:				
7100	Interest income (Notes 6(y) and 7)	4,918,316	0.4	2,276,429	0.2
7010	Other income (Note 6(y))	3,348,244	0.3	4,775,259	0.4
7020	Other gains and losses (Notes 6(i) and (y))	(105,165)	-	(6,387,456)	(0.5)
7050	Finance costs (Notes 6(d), (o), (p) and (y))	(2,953,564)	(0.3)	(1,987,651)	(0.2)
7060	Share of profit of associates and joint ventures accounted for using equity method (Note 6(g))	<u>4,346,764</u>	<u>0.3</u>	<u>4,281,306</u>	<u>0.3</u>
	Total non-operating income and expenses	<u>9,554,595</u>	<u>0.7</u>	<u>2,957,887</u>	<u>0.2</u>
	Profit before tax	24,307,253	1.9	27,955,413	2.1
7950	Less: Tax expenses (Note 6(r))	<u>6,894,460</u>	<u>0.5</u>	<u>6,792,454</u>	<u>0.5</u>
	Profit for the year	<u>17,412,793</u>	<u>1.4</u>	<u>21,162,959</u>	<u>1.6</u>
8300	Other comprehensive income:				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8311	Gains (losses) on remeasurements of defined benefit plans (Note 6(q))	(10,261)	-	60,947	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	295,285	-	(364,808)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 6(r))	<u>(582)</u>	<u>-</u>	<u>3,327</u>	<u>-</u>
	Total components of other comprehensive income (loss) that will not be reclassified to profit or loss	<u>285,606</u>	<u>-</u>	<u>(307,188)</u>	<u>-</u>
8360	Components of other comprehensive income that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	731,640	-	13,698,316	1.1
8370	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss (Note 6(g))	(507,625)	-	403,050	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Note 6(r))	<u>4,346</u>	<u>-</u>	<u>10,502</u>	<u>-</u>
	Total components of other comprehensive income that will be reclassified to profit or loss	<u>219,669</u>	<u>-</u>	<u>14,090,864</u>	<u>1.1</u>
8300	Other comprehensive income for the year, net of tax	<u>505,275</u>	<u>-</u>	<u>13,783,676</u>	<u>1.1</u>
8500	Total comprehensive income for the year	<u>\$ 17,918,068</u>	<u>1.4</u>	<u>34,946,635</u>	<u>2.7</u>
	Profit attributable to:				
8610	Owners of the parent company	\$ 15,712,958	1.3	15,096,180	1.1
8620	Non-controlling interests	<u>1,699,835</u>	<u>0.1</u>	<u>6,066,779</u>	<u>0.5</u>
		<u>\$ 17,412,793</u>	<u>1.4</u>	<u>21,162,959</u>	<u>1.6</u>
	Comprehensive income attributable to:				
8710	Owners of the parent company	\$ 16,252,473	1.3	28,516,320	2.2
8720	Non-controlling interests	<u>1,665,595</u>	<u>0.1</u>	<u>6,430,315</u>	<u>0.5</u>
		<u>\$ 17,918,068</u>	<u>1.4</u>	<u>34,946,635</u>	<u>2.7</u>
	Earnings per share, net of tax (Note 6(v))				
9750	Basic earnings per share	<u>\$ 5.90</u>		<u>5.66</u>	
9850	Diluted earnings per share	<u>\$ 5.85</u>		<u>5.60</u>	

See accompanying notes to financial statements.

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

PEGATRON CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of the parent company													Total equity
	Share capital	Retained earnings					Total other equity interest					Non-controlling interests		
		Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Other equity Unearned compensation	Total other equity interest		Treasury stock	
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 year	-	-	-	-	15,096,180	15,096,180	-	-	-	-	-	15,096,180	6,066,779	21,162,959
Other comprehensive income (loss) for the year	-	-	-	-	24,951	24,951	13,759,997	(364,808)	-	13,395,189	-	13,420,140	363,536	13,783,676
Total comprehensive income (loss) for the year	-	-	-	-	15,121,131	15,121,131	13,759,997	(364,808)	-	13,395,189	-	28,516,320	6,430,315	34,946,635
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	-	149,964	-	-	-	-	-	-	-	-	-	149,964	-	149,964
Changes in ownership interests in subsidiaries	-	12,950	-	-	-	-	-	-	-	-	-	12,950	(12,950)	-
Expiration of restricted shares of stock issued to employees	(14,979)	19,524	-	-	56,007	56,007	-	-	-	-	(4,545)	56,007	-	56,007
Compensation cost arising from restricted shares of stock	-	(151,742)	-	-	-	-	-	-	643,824	643,824	-	492,082	-	492,082
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(1,999,999)	(1,999,999)
Balance at December 31, 2022	26,676,337	83,352,004	17,721,898	20,918,849	41,419,117	80,059,864	(7,603,630)	79,970	(68,877)	(7,592,537)	(7,103)	182,488,565	32,079,698	214,568,263
Profit for the year	-	-	-	-	15,712,958	15,712,958	-	-	-	-	-	15,712,958	1,699,835	17,412,793
Other comprehensive income (loss) for the year	-	-	-	-	589	589	243,641	295,285	-	538,926	-	539,515	(34,240)	505,275
Total comprehensive income for the year	-	-	-	-	15,713,547	15,713,547	243,641	295,285	-	538,926	-	16,252,473	1,665,595	17,918,068
Appropriation and distribution of retained earnings:														
Legal reserve appropriated	-	-	1,517,714	-	(1,517,714)	-	-	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(13,395,189)	13,395,189	-	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(10,667,426)	(10,667,426)	-	-	-	-	-	(10,667,426)	-	(10,667,426)
Changes in equity of associates and joint ventures accounted for using equity method	-	201,784	-	-	-	-	-	-	-	-	-	201,784	-	201,784
Changes in ownership interests in subsidiaries	-	171,144	-	-	-	-	-	-	-	-	-	171,144	(171,144)	-
Expiration of restricted shares of stock issued to employees	(34,096)	26,993	-	-	(23,975)	(23,975)	-	-	-	-	7,103	(23,975)	-	(23,975)
Compensation cost arising from restricted shares of stock	-	443,721	-	-	-	-	-	-	(56,394)	(56,394)	-	387,327	-	387,327
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(766,274)	(766,274)
Balance on December 31, 2023	\$ 26,642,241	84,195,646	19,239,612	7,523,660	58,318,738	85,082,010	(7,359,989)	375,255	(125,271)	(7,110,005)	-	188,809,892	32,807,875	221,617,767

See accompanying notes to financial statements.

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

PEGATRON CORPORATION AND SUBSIDIARIES**Consolidated Statements of Cash Flows****For the years ended December 31, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	For the years ended December 31	
	2023	2022
Cash flows from operating activities:		
Profit before tax	\$ 24,307,253	27,955,413
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	15,183,526	14,673,369
Amortization expense	147,213	135,689
Expected credit loss	13,576	66,594
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	(476,893)	4,389,072
Interest expense	2,920,031	1,934,019
Interest income	(4,918,316)	(2,274,775)
Dividend income	(100,434)	(119,657)
Compensation cost arising from employee stock options	400,213	751,672
Amortization of issuance costs on bonds payable	7,397	7,397
Share of profit of associates and joint ventures accounted for using equity method	(4,346,764)	(4,281,306)
Gain on lease remeasurement	(7,046)	(127,496)
Loss (gain) on disposal of property, plant and equipment	4,751	(383,601)
Property, plant and equipment charged to expenses	467,586	237,506
Impairment loss on non-financial assets	19,488	40,502
Government grants income	(143,606)	(96,270)
Total adjustments to reconcile profit	<u>9,170,722</u>	<u>14,952,715</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Increase in financial assets at fair value through profit or loss	(2,777,701)	(2,283,041)
Decrease in accounts receivable	34,666,869	59,219,261
Decrease in other receivables	928,781	8,197,845
Decrease (increase) in inventories	67,379,209	(51,573,785)
Decrease (increase) in other current assets	1,648,283	(596,211)
Decrease in other financial assets	6,441,009	18,304,195
Increase in other non-current assets	(177,301)	(1,976)
Total changes in operating assets	<u>108,109,149</u>	<u>31,266,288</u>
Changes in operating liabilities:		
Increase in contract liabilities	1,064,234	1,453,961
Decrease in accounts payable	(24,114,320)	(64,194,175)
Decrease in accrued expenses	(2,577,678)	(2,329,635)
(Decrease) increase in other payables	(1,516,900)	105,251
(Decrease) increase in other current liabilities	(23,297,307)	10,646,665
Increase in other non-current liabilities	248,466	3,097,972
Total changes in operating liabilities	<u>(50,193,505)</u>	<u>(51,219,961)</u>
Total changes in operating assets and liabilities	<u>57,915,644</u>	<u>(19,953,673)</u>
Total adjustments	<u>67,086,366</u>	<u>(5,000,958)</u>
Cash inflow generated from operations	91,393,619	22,954,455
Interest received	4,815,295	2,396,346
Dividends received	111,324	118,364
Interest paid	(3,088,604)	(1,634,994)
Income taxes paid	(5,853,037)	(4,742,217)
Net cash flows from operating activities	<u>87,378,597</u>	<u>19,091,954</u>

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

PEGATRON CORPORATION AND SUBSIDIARIES**Consolidated Statements of Cash Flows (CONT'D)****For the years ended December 31, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	For the years ended December 31	
	2023	2022
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(305,562)	(304,680)
Acquisition of investments accounted for using equity method	(53,593)	(477,464)
Acquisition of property, plant and equipment	(16,907,883)	(19,835,630)
Proceeds from disposal of property, plant and equipment	815,886	1,092,769
Acquisition of intangible assets	(158,858)	(158,739)
Proceeds from disposal of right-of-use assets	-	143,540
(Increase) decrease in other financial assets	(51,759)	7,955
Increase in prepayments on purchase of equipment	(4,137,993)	(6,171,672)
Net cash flows used in investing activities	<u>(20,799,762)</u>	<u>(25,703,921)</u>
Cash flows from financing activities:		
Decrease in short-term loans	(34,425,107)	(14,433,853)
Repayments of bonds	(4,500,000)	(2,000,000)
Proceeds from long-term loans	7,282,900	5,651,153
Repayments of long-term loans	(3,754,825)	(1,984,626)
Repayments of lease liabilities	(1,422,604)	(1,538,617)
Cash dividends paid	(13,487,770)	(15,720,440)
Redemption of restricted stock	(27,185)	(18,592)
Changes in non-controlling interests	1,685,398	92,166
Net cash flows used in financing activities	<u>(48,649,193)</u>	<u>(29,952,809)</u>
Effect of exchange rate fluctuations on cash held	<u>65,920</u>	<u>10,118,072</u>
Net increase (decrease) in cash and cash equivalents	17,995,562	(26,446,704)
Cash and cash equivalents, beginning of the year	<u>84,577,382</u>	<u>111,024,086</u>
Cash and cash equivalents, end of the year	<u>\$ 102,572,944</u>	<u>84,577,382</u>
Components of cash and cash equivalents		
Cash and cash equivalents reported in the statement of financial position	\$ 97,721,592	84,577,382
Reclassification to non-current assets classified as held for sale(disposal groups)	<u>4,851,352</u>	<u>-</u>
Cash and cash equivalents at end of year	<u>\$ 102,572,944</u>	<u>84,577,382</u>

See accompanying notes to financial statements.

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

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

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

(1) Company history

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

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

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

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

The accompanying consolidated financial statements were authorized for issuance by the Board of Directors on March 14, 2024.

(3) New standards, amendments and interpretations adopted

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

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

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

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

In addition, the Group has adopted Amendments to IAS 12 “International Tax Reform – Pillar Two Model Rules” on May 23, 2023. The amendments provide a temporary mandatory exception from deferred tax accounting for the top-up tax, which applies retrospectively, and require new disclosures about the Pillar Two exposure for annual reporting periods beginning on or after January 1, 2023. However, because on December 31, 2022, no new legislation to implement the top-up tax was enacted or substantively enacted in any jurisdiction in which the Group operates, and no related deferred taxes were recognized at that date; the retrospective application has no impact on the Group’s consolidated financial statements. The Group is closely monitoring developments related to the implementation of the international tax reforms introducing a global minimum top-up tax, and will disclose related impacts when the assessment is completed.

(b) The impact of IFRSs endorsed by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2024, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

(c) The impact of IFRSs 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

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”
- Amendments to IAS 21 “Lack of Exchangeability”

(4) Summary of material accounting policies

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

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

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C. (hereinafter referred to as “IFRS endorsed by the FSC”).

(b) Basis of preparation

(i) Basis of measurement

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

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries.

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

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

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

(ii) Acquisition of non-controlling interests

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

(iii) Subsidiaries

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

(iv) Business combination under common control

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

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Losing control

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

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

Investor	Subsidiary	Nature of business	Shareholding ratio		Notes
			December 31, 2023	December 31, 2022	
THE COMPANY	UNIHAN HOLDING LTD. (UNIHAN)	Investing activities	100.00 %	100.00 %	
UNIHAN	CASETEK HOLDINGS LIMITED (CASETEK)	Investing and trading activities	100.00 %	100.00 %	
CASETEK	SLITEK HOLDINGS LIMITED (SLITEK)	Investing and trading activities	100.00 %	100.00 %	
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 %	
CASETEK	KAEDAR HOLDINGS LIMITED (KHL)	Investing and trading activities	100.00 %	100.00 %	
KHL	KAEDAR ELECTRONICS (KUNSHAN) CO., LTD. (KAEDAR)	Tooling molds of stainless-steel computer cases	100.00 %	100.00 %	
KAEDAR	KUNSHAN KAILEXING ELECTRONICS CO., LTD. (KAILEXING)	Manufacture of electric and electronic components; wholesale and retail of electronic components; manufacture and sale of molds; manufacture and sale of equipment for processing plastics; manufacture of transportation equipment and counting scales for production.	100.00 %	- %	Note 12
CASETEK	KAEDAR TRADING LTD. (KTL)	Investing and trading activities	100.00 %	100.00 %	
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 %	
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 %	

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investor	Subsidiary	Nature of business	Shareholding ratio		Notes
			December 31, 2023	December 31, 2022	
THE COMPANY, ASUSPOWER INVESTMENT AND ASUSTEK INVESTMENT	AZUREWAVE TECHNOLOGIES, INC. (AZUREWAVE)	Wireless network development and computer and business equipment, wholesale and retail sales of telecommunications equipment and information software, provision of computer peripheral hardware and mobile e-commerce services	32.40 %	32.37 %	Note 1
AZUREWAVE	EZWAVE TECHNOLOGIES, INC. (EZWAVE)	Information products service	100.00 %	100.00 %	
AZUREWAVE	Azurewave Technologies (USA) Inc. (Azurewave USA)	Market development activities	100.00 %	100.00 %	
AZUREWAVE	AZURE LIGHTING TECHNOLOGIES, INC. (AZURE)	Selling electronic parts	100.00 %	100.00 %	
AZUREWAVE	Azurewave Technologies (Vietnam) Company Limited (Azurewave(VN))	Development, design and sale of communication equipment	100.00 %	- %	Note 12
AZUREWAVE	Azwave Holding (Samoa) Inc. (Azwave)	Investing activities	100.00 %	100.00 %	
Azwave	Azurewave Technologies (Shanghai) Inc. (Azurewave Shanghai)	Designing, manufacturing and trading computer products	100.00 %	100.00 %	Note 13
Azwave	AZURE LIGHTING TECHNOLOGIES, INC. (YANGZHOU) (AZURE YANQZHOU)	Manufacturing and selling LED and relevant lighting products	- %	100.00 %	Note 13
Azwave	AIGALE CORPORATION (SHANGHAI) (AIGALE)	Designing and selling electronic products and communication equipment	100.00 %	100.00 %	
THE COMPANY	AMA PRECISION INC. (AMA)	Designing and developing computer parts	100.00 %	100.00 %	
THE COMPANY	PEGATRON HOLLAND HOLDING B.V. (PHH)	Investing activities	100.00 %	100.00 %	
PHH	PEGATRON Czech s.r.o. (PCZ)	Installing, repairing and selling electronic products	100.00 %	100.00 %	
THE COMPANY	PEGATRON HOLDING LTD. (PEGA HOLDING)	Investing activities	100.00 %	100.00 %	
PEGA HOLDING	POWTEK HOLDINGS LIMITED (POWTEK)	Investing and trading activities	100.00 %	100.00 %	
POWTEK	POWTEK (SHANGHAI) LTD. (POWTEK SHANGHAI)	Selling main boards, computer peripherals, notebooks, servers and software, and providing after-sales service	100.00 %	100.00 %	
PEGA HOLDING, KINSUS SAMOA	PIOTEK HOLDINGS LTD. (CAYMAN) (PIOTEK CAYMAN)	Investing activities	100.00 %	100.00 %	
PIOTEK CAYMAN	PIOTEK HOLDING LIMITED (PIOTEK)	Investing activities	100.00 %	100.00 %	
PIOTEK	PIOTEK (H.K.) TRADING LIMITED (PIOTEK (H.K.))	Trading activities	100.00 %	100.00 %	
PEGA HOLDING	GRAND UPRIGHT TECHNOLOGY LIMITED (GUT)	Investing and trading activities	100.00 %	100.00 %	
PEGA HOLDING	ASLINK PRECISION CO., LTD. (ASLINK)	Investing and trading activities	100.00 %	100.00 %	

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investor	Subsidiary	Nature of business	Shareholding ratio		Notes
			December 31, 2023	December 31, 2022	
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 %	
ASLINK	PEGAGLOBE INVESTMENT (JIANGSU) CO., LTD. (PEGAGLOBE JIANGSU)	Investing activities with own funds: equity investment	100.00 %	100.00 %	
PEGA HOLDING	DIGITEK GLOBAL HOLDINGS LIMITED (DIGITEK)	Investing and trading activities	100.00 %	100.00 %	
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 %	
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 %	
PEGA HOLDING	MAGNIFICENT BRIGHTNESS LIMITED (MAGNIFICENT)	Investing and trading activities	100.00 %	100.00 %	
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 %	
PEGA HOLDING	PROTEK GLOBAL HOLDINGS LTD. (PROTEK)	Investing and trading activities	100.00 %	100.00 %	

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investor	Subsidiary	Nature of business	Shareholding ratio		Notes
			December 31, 2023	December 31, 2022	
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 %	
PEGA HOLDING	COTEK HOLDINGS LIMITED (COTEK)	Investing and trading activities	100.00 %	100.00 %	
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 %	
PEGA HOLDING	TOP QUARK LIMITED (TOP QUARK)	Investing activities	- %	100.00 %	Note 10
THE COMPANY	ASUSPOWER INVESTMENT CO., LTD. (ASUSPOWER INVESTMENT)	Investing activities	100.00 %	100.00 %	
THE COMPANY	ASUS INVESTMENT CO., LTD. (ASUS INVESTMENT)	Investing activities	100.00 %	100.00 %	
THE COMPANY	ASUSTEK INVESTMENT CO., LTD. (ASUSTEK INVESTMENT)	Investing activities	100.00 %	100.00 %	
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	ASROCK INCORPORATION (ASROCK)	Selling motherboards, related product development and design	55.46 %	55.30 %	Note 3
ASROCK	ASIAROCK TECHNOLOGY LIMITED (ASIAROCK)	Investing and holding activities	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 %	
ASIAROCK	CALROCK HOLDINGS, LLC (Calrock)	Office building leasing	100.00 %	100.00 %	
ASROCK	LEADER INSIGHT HOLDINGS LIMITED (Leader)	Investing and holding activities	100.00 %	100.00 %	
LEADER	FIRSTPLACE INTERNATIONAL LTD. (Firstplace)	Investing and holding activities	100.00 %	100.00 %	
FIRSTPLACE	ASRock America, Inc. (ASRock America)	Selling database service and trading electronic components	100.00 %	100.00 %	
ASROCK	ASRock Rack Incorporation (ASRock Rack)	Manufacturing and selling computer and related peripherals	57.27 %	59.68 %	Note 4
ASROCK	ASRock Industrial Computer Corporation (ASRock Industrial)	Manufacturing and selling computer and related peripherals	60.10 %	64.46 %	Note 5
ASROCK	Soaring Asia Limited (Soaring)	Trading activities	100.00 %	100.00 %	

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Investor	Subsidiary	Nature of business	Shareholding ratio		Notes
			December 31, 2023	December 31, 2022	
ASROCK	ASJade Technology Incorporation (ASJade)	Information software service	82.50 %	82.50 %	Note 6
ASJade	ASJade Technology Japan Corp. (ASJade Japan)	Trading of charging piles	100.00 %	- %	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.	100.00 %	100.00 %	Note 7
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	38.27 %	38.41 %	Note 2
KINSUS	KINSUS INVESTMENT CO., LTD. (KINSUS INVESTMENT)	Investing activities	100.00 %	100.00 %	
KINSUS, KINSUS INVESTMENT, ASUSPOWER INVESTMENT AND ASUSTEK INVESTMENT	PEGAVISION CORPORATION (PEGAVISION)	Medical equipment manufacturers, optical instruments, precision instruments manufacturers and sales of the preceding products	44.05 %	45.21 %	Note 8
PEGAVISION	PEGAVISION VIETNAM COMPANY LIMITED (PEGAVISION VIETNAM)	Manufacturing and selling medical appliances	100.00 %	- %	Note 12
PEGAVISION	PEGAVISION JAPAN INC. (PEGAVISION JAPAN)	Selling medical appliances	100.00 %	100.00 %	
PEGAVISION	Pegavision (Jiangsu) Limited (Pegavision Jiangsu)	Manufacturing and selling medical appliances	100.00 %	100.00 %	
PEGAVISION	Mayin Investment Co., Ltd. (Mayin)	Investing activities	100.00 %	100.00 %	
Mayin	BeautyTech Platform Corporation (BeautyTech)	Selling medical appliances and cosmetics	85.00 %	85.00 %	
BeautyTech	PEGAVISION CONTACT LENSES CORPORATION (PEGAVISION SHANGHAI)	Selling medical appliances	100.00 %	100.00 %	Note 9
PEGAVISION SHANGHAI	Gemvision Technology (Zhejiang) Limited (Gemvision Zhejiang)	Selling medical appliances	100.00 %	100.00 %	
BeautyTech	BEAUTYTECH PLATFORM (SINGAPORE) PTE. LTD. (BEAUTYTECH SG)	Selling medical appliances and cosmetics	100.00 %	100.00 %	
BeautyTech	BeautyTech Platform (Shanghai) Corporation (BeautyTech Shanghai)	Selling medical appliances and cosmetics	100.00 %	100.00 %	Note 9
Mayin	FacialBeau International Corporation (FacialBeau)	Selling medical appliances and cosmetics	55.00 %	55.00 %	

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			December 31, 2023	December 31, 2022	
FacialBeau	FacialBeau (Jiangsu) Corporation (FacialBeau Jiangsu)	Selling medical appliances and cosmetics	100.00 %	100.00 %	Note 9
FacialBeau	Aquamax Vision Corporation(Aquamax)	Selling medical appliances and cosmetics	100.00 %	100.00 %	
FacialBeau	IKIDO Inc. (IKIDO)	Selling medical appliances and cosmetics	100.00 %	100.00 %	
FacialBeau	RODNA CO. LTD. (RODNA)	Selling medical appliances and cosmetics	100.00 %	100.00 %	
KINSUS INVESTMENT, ASUSTEK INVESTMENT AND ASUS INVESTMENT	FUYANG TECHNOLOGY CORPORATION (FUYANG)	Manufacturing and wholesaling of wires, cables, and electronic components	89.13 %	89.13 %	
FUYANG	FUYANG FLEX HOLDING LTD. (FUYANG HOLDING)	Investing activities	- %	100.00 %	Note 10
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 %	Note 10
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 %	
KINSUS	KINSUS HOLDING (SAMOA) LIMITED (KINSUS SAMOA)	Investing activities	100.00 %	100.00 %	
KINSUS SAMOA	KINSUS HOLDING (CAYMAN) LIMITED (KINSUS CAYMAN)	Investing activities	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 %	
KINSUS CAYMAN	XIANG-SHOU (SUZHOU) TRADING LIMITED (XIANG-SHOU)	Trading of PCB related products and materials (not high-density fine-line)	- %	- %	Note 10
PIOTEK, KINSUS SUZHOU, PEGAGLOBE JIANGSU	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 %	Note 7
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 %	

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			December 31, 2023	December 31, 2022	
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	ASUSPOWER CORPORATION (ASUSPOWER)	Investing and trading activities	100.00 %	100.00 %	
THE COMPANY	CASETEK HOLDINGS LIMITED (CAYMAN) (CASETEK CAYMAN)	Investing activities	100.00 %	100.00 %	
CASETEK CAYMAN	RIH LI INTERNATIONAL LIMITED Samoa (RIH LI)	Investing activities	100.00 %	100.00 %	
RIH LI	RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD. (RI-TENG)	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling	100.00 %	100.00 %	
RIH LI	RI-PRO PRECISION MODEL (SHANGHAI) CO., LTD. (RI-PRO)	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling	100.00 %	100.00 %	
CASETEK CAYMAN	RI-KUAN METAL CORPORATION (RI-KUAN)	Selling iron and aluminum products	100.00 %	100.00 %	
RI-KUAN	RITENG USA, INC. (RITENG)	Market survey	100.00 %	100.00 %	
CASETEK CAYMAN	APLUS PRECISION LIMITED (CAYMAN) (APLUS)	Investing and trading activities	- %	100.00 %	Note 10
APLUS	UNITED NEW LIMITED (UNITED)	Investing and trading activities	- %	100.00 %	Note 10
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 %	Note 10
CASETEK CAYMAN	MEGA MERIT LIMITED (MEGA)	Trading activities	100.00 %	100.00 %	
ASUS INVESTMENT	AS FLY TRAVEL SERVICE LIMITED (AS FLY)	Travel agency	100.00 %	100.00 %	
ASUSPOWER INVESTMENT	PEGATRON TECHNOLOGY SERVICE INC. (PTSI)	Sales and repair service center in North America	100.00 %	100.00 %	
PTSI	PEGATRON SERVICOS DE INFORMATICA LTDA.(PCBR)	Maintenance service	100.00 %	100.00 %	
ASUSPOWER INVESTMENT	PEGA INTERNATIONAL LIMITED (PEGA INTERNATIONAL)	Design service and sales	100.00 %	100.00 %	
ASUSPOWER INVESTMENT	PEGATRON JAPAN INC.(PJ)	Sales and repair service center in Japan	100.00 %	100.00 %	
ASUSPOWER INVESTMENT	PEGATRON LOGISTIC SERVICE INC.(PLSI)	Sales and logistics center in North America	- %	100.00 %	Note 10

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Investor	Subsidiary	Nature of business	Shareholding ratio		Notes
			December 31, 2023	December 31, 2022	
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	Lumens Digital Optics Inc. (Lumens)	Developing, manufacturing and selling computer data projectors and related peripherals	54.28 %	55.21 %	Note 11
Lumens	Lumens Integration Inc. (Lumens Integration)	Selling computer communication products and peripherals	100.00 %	100.00 %	
Lumens	Lumens Digit Image Inc. (SAMOA) (Lumens SAMOA)	Investing activities	100.00 %	100.00 %	
Lumens SAMOA	Lumens (Suzhou) Digital Image Inc. (Lumens Suzhou)	Manufacturing and selling projectors, projection screens and related products	100.00 %	100.00 %	
ASUSPOWER INVESTMENT	Pegatron Service Singapore Pte. Ltd. (PSG)	Sales and repair service center in Singapore	100.00 %	100.00 %	
PSG	PEGATRON SERVICE KOREA LLC.(PKR)	Sales and repair service center in Korea	100.00 %	100.00 %	
ASUS INVESTMENT	HUA-YUAN INVESTMENT LIMITED (HUA-YUAN)	Investing activities	100.00 %	100.00 %	
THE COMPANY	PEGATRON SERVICE AUSTRALIA PTY. LTD.(PAU)	Sales and repair service center in Australia	100.00 %	100.00 %	
THE COMPANY	PEGATRON USA, INC. (PUSA)	Sales and repair service center in North America	100.00 %	100.00 %	
THE COMPANY, ASUSPOWER INVESTMENT	PT PEGAUNIHAN TECHNOLOGY INDONESIA (PTB)	Data storage and processing equipment, manufacturing wired and wireless communication equipment, installing and selling of computer equipment and electronic components	100.00 %	100.00 %	
THE COMPANY, CASETEK CAYMAN	PEGATRON VIETNAM COMPANY LIMITED (PVN)	Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts	100.00 %	100.00 %	Note 7
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 %	
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 %	
THE COMPANY, ASUSPOWER INVESTMENT	PEGARTON ELECTRONICS INDIA PRIVATE LIMITED (PELI)	Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts	100.00 %	- %	Note 12
THE COMPANY	PEGATRON TECHNOLOGY TEXAS INC. (PTX)	Sales center in North America	100.00 %	100.00 %	
THE COMPANY	PEGATRON ELECTRONICS INC. (PEL)	Sales center in North America	100.00 %	100.00 %	
THE COMPANY	Pegapower Investment Co., Ltd. (Pegapower Investment)	Investing activities	100.00 %	100.00 %	

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Investor	Subsidiary	Nature of business	Shareholding ratio		Notes
			December 31, 2023	December 31, 2022	
THE COMPANY	Pegatron Investment Co., Ltd. (Pegatron Investment)	Investing activities	100.00 %	100.00 %	
Pegapower Investment, Pegatron Investment	Pegatron Venture Capital Co., Ltd. (Pegatron Venture)	Investing activities	100.00 %	100.00 %	
Pegapower Investment, KINSUS INVESTMENT, PEGAVISION, ASROCK, AZUREWAVE	Zhuhe Investment Co., Ltd. (Zhuhe)	Investing activities	82.34 %	- %	Note 12

- Note 1: During 2022 and 2023, AZUREWAVE resolved to reduce the capital through cancellation of the repurchases of restricted employee new shares, resulting in an increase in the shareholding of the Group to 32.40%. The Group held 32.40% voting shares of AZUREWAVE; however, the Group considered the remaining 67.60% of shareholdings are not concentrated and the Group has an ability to lead the decision making in relevant activities of the investee company based on the experience in its previous shareholders' meeting. In addition, there is no indication that other shareholders are collaborating together for passing any resolution. Therefore, the Group included AZUREWAVE into the consolidated financial report.
- Note 2: During 2022 to 2023, KINSUS resolved to issue restricted shares for employees and repurchase the treasury shares that lapsed due to those restricted shares, decreasing the Group's shareholding to 38.27%. The Group held 38.27% voting shares of KINSUS; however, the Group considered the remaining 61.73% of shareholdings are not concentrated and the Group has an ability to lead the decision making in relevant activities of the investee company based on the experience in its previous shareholders' meeting. In addition, there is no indication that other shareholders are collaborating together for passing any resolution. Therefore, the Group included KINSUS into the consolidated financial report.
- Note 3: During 2022 to 2023, ASROCK resolved to reduce the capital through cancellation of the repurchases of restricted employee new shares and repurchase the treasury shares that lapsed due to those restricted shares, increasing the Group's shareholding to 55.46%.
- Note 4: ASRock Rack issued stock dividends to inject its capital with surplus on July 26, 2022, resulting in the Group's shareholding ratio in ASRock Rack increasing to 59.68%. The group cancelled treasury shares on March 6, 2023, resulting in the Group's shareholding ratio in ASRock Rack increasing to 59.73%. On July 11, 2023, the Group's board of directors resolved to increase capital for share options. The Group did not subscribe for those shares in proportion to its shareholding, which decreased to 57.27%.
- Note 5: On July 19, 2022, ASRock Industrial processed employee share options through Board of Directors resolution of issuing new shares, which reduced the original shareholding of the Group to 64.46% after the capital increase. During 2023, the entity issued new shares for share options pursuant to a board resolution, decreasing the Group's shareholding to 60.10% thereafter.
- Note 6: During 2022, ASROCK increased its investment, resulting in the Group's shareholding ratio increasing to 82.50%.
- Note 7: During 2022 and 2023, the entity increased cash capital by issuing shares, all of which were subscribed for by subsidiaries within the same group.

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- Note 8: On April 28, 2023, PEGAVISION's Board of Directors resolved to issue shares for cash capital increase, and the record date thereof was September 7, 2023. The Group did not subscribe for those shares in proportion to its shareholding, which decreased to 44.05% thereafter. However, the Group considered the remaining 55.95% of shareholdings are not concentrated and the Group has an ability to lead the decision making in relevant activities of the investee company based on the experience in its previous shareholders' meeting. In addition, there is no indication that other shareholders are collaborating together for passing any resolution. Therefore, the Group included PEGAVISION into the consolidated financial report.
- Note 9: To improve the synergy of the Group, PEGAVISION's Board of Directors decided to reorganize and set up the subsidiaries on July 26, 2021:
- 1)The equity of PEGAVISION SHANGHAI was transferred to BeautyTech from PEGAVISION.
 - 2)BeautyTech Shanghai, which is 100% held by BeautyTech was registered on January 24, 2022.
 - 3)FacialBeau Jiangsu, which is 100% held by FacialBeau was registered on February 25, 2022. The investment amount has not been remitted as on December 31, 2023.
- Note 10: As of December 31, 2023, the entity has made cancellation.
- Note 11: During 2023, the entity issued new shares for share options, decreasing the Group's shareholding to 54.28% after the capital increase.
- Note 12: The entity was founded in 2023.
- Note 13: AZUREWAVE passed the merger of Azurewave Shanghai and AZURE YANQZHOU through Board of Directors, and after the merger was completed in 2023, AZURE YANQZHOU is a dissolved company, and Azurewave Shanghai is a surviving company.

(vii) Subsidiaries excluded from consolidation: None.

(d) Foreign currency

(i) Foreign currency transaction

Transactions in foreign currencies are translated into the respective functional currencies of the Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of transaction.

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

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

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(ii) Foreign operations

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

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

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

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

An asset is classified as current under one of the following criteria, and all other assets are classified as non current:

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

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non current:

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

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(f) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investment that are readily convertible to known amounts of cash, and are subject to an insignificant risk of changes in value.

Time deposits which meet the above definition and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(g) Financial instruments

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

(i) Financial assets

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

1) Financial assets measured at amortized cost

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

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

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

2) Financial assets at fair value through other comprehensive income (FVOCI)

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

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

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

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

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

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

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

3) Financial assets at fair value through profit or loss (FVTPL)

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

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

4) Business model assessment

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

- a) the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;

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- b) how the performance of the portfolio is evaluated and reported to the Group's management;
- c) the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- d) the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

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

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

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

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

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

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

- 6) Impairment of financial assets

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

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

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

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- b) other debt securities and bank balances for which credit risk (i.e., the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivable is measured at an amount equal to lifetime ECLs.

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

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

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

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

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

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

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

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

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- e) the disappearance of an active market for a security because of financial difficulties.

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

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

7) Derecognition of financial assets

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

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

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

3) Treasury shares

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

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

4) Financial liabilities

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

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

5) Derecognition of financial liabilities

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

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

6) Offsetting of financial assets and liabilities

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

(h) Inventories

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

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

(i) Non-current assets classified as held for sale (disposal groups)

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

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortized or depreciated.

(j) Investment in associates

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

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

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

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

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

(k) Investment property

Investment property is a property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at cost less accumulated depreciation and accumulated impairment loss. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

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

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

Depreciation is provided over the estimated economic lives using the straight-line method as the method most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

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

The estimated useful lives of investment properties are as follows:

Buildings	20 years
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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

When the use of an investment property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

(l) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

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

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

(ii) Subsequent cost

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

(iii) Depreciation

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

Land is not depreciated.

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

Buildings	1 - 50 years
Machinery	1 - 10 years
Instrument equipment	2 - 5 years
Miscellaneous equipment	1 - 25 years

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

(iv) Reclassification to investment property

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

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PEGATRON CORPORATION AND SUBSIDIARIES
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(m) Leases

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

(i) As a lessee

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

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

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

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

- 1) fixed payments, including in-substance fixed payments;
- 2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- 3) amounts expected to be payable under a residual value guarantee; and
- 4) the exercise price of a purchase option if the Company is reasonably certain to exercise that option or payments of penalties for terminating the lease, if the lease term reflects the Company exercising an option to terminate the lease.

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

- 1) there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments;
- 2) there is a change in the amount expected to be payable under a residual value guarantee;
- 3) there is a change in the assessment of an option to purchase the underlying asset;
- 4) there is a change in the assessment of the lease term resulting from a change in the assessment on whether it is reasonably certain to exercise a purchase, or termination option;

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- 5) there is any modification on lease object, scope or other items

When the lease liability is remeasured due to the conditions mentioned above, the amount of the remeasurement of the lease liability shall be recognized as an adjustment to the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, any remaining amount of the remeasurement shall be recognized in profit or loss.

For lease modifications that decrease the scope of the lease, the Group decreases the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognizes in profit or loss any gain or loss relating to the partial or full termination of the lease.

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

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

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

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

- (ii) As a lessor

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

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

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

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PEGATRON CORPORATION AND SUBSIDIARIES
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(n) Intangible assets

(i) Recognition and measurement

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

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

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

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

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

(iii) Amortization

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

The estimated useful lives of intangible assets are as follows:

Computer software cost	1-20 years
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Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(o) Impairment of non financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

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

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

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

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

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

(p) Provisions

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

(q) Revenue from contracts with customers

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

(i) Sale of goods

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

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

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

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PEGATRON CORPORATION AND SUBSIDIARIES
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(ii) Rendering of services

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

(iii) Financial components

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

(r) Income taxes

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

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

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

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

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

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

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

- (i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- 1) the same taxable entity; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.
- (s) Employee benefits
- (i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are expensed as the related service is provided.
 - (ii) Defined benefit plans

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

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

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

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

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

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PEGATRON CORPORATION AND SUBSIDIARIES
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(t) Share-based payment

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

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

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

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

(u) Business combination

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

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

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

All acquisition-related transaction costs are expensed as incurred, except for the issuance of debt or equity instruments.

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

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

(v) Government grants

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

Government assistance in the form of a guarantee from the government for loans from financial institutions is using market interest rate to calculate the fair value of the loan, and recognizes the difference between the amount received and the fair value as deferred revenues. The deferred revenues will then be amortized as other income on a systematic basis.

(w) Earnings per share

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

(x) Operating segments

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

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

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

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

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

- Judgment regarding control of subsidiaries

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

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

- Valuation of inventories

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

(6) Explanation of significant accounts

- (a) Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash on hand	\$ 13,015	9,424
Cash in banks	52,836,216	47,438,984
Time deposits	40,331,023	34,399,399
Cash equivalents	<u>4,541,338</u>	<u>2,729,575</u>
	<u>\$ 97,721,592</u>	<u>84,577,382</u>

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PEGATRON CORPORATION AND SUBSIDIARIES
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- (i) The above cash and cash equivalents were not pledged as collateral. Pledged time deposits were accounted for under other financial assets. Please refer to Notes 6(k) and 8 for details.
- (ii) Please refer to note 6(z) for the interest rate risk and sensitivity analysis.

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

	December 31, 2023	December 31, 2022
Current mandatorily measured at fair value through profit or loss:		
Non-derivative financial assets		
Shares of stock of listed companies	\$ 7,176,915	6,509,215
Shares of emerging stock of listed companies	-	114,810
Shares of stock of unlisted companies	498,643	10,688
Beneficiary certificates	4,421,010	2,308,443
Convertible bonds	<u>81,022</u>	<u>81,695</u>
Subtotal	<u>12,177,590</u>	<u>9,024,851</u>
Non-current mandatorily measured at fair value through profit or loss:		
Non-derivative financial assets		
Shares of stock of listed companies	\$ 442,435	711,352
Shares of stock of unlisted companies	570,214	344,173
Beneficiary certificates	<u>1,545,596</u>	<u>1,114,902</u>
Subtotal	<u>2,558,245</u>	<u>2,170,427</u>
Total	<u>\$ 14,735,835</u>	<u>11,195,278</u>

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

	December 31, 2023	December 31, 2022
Equity instruments at fair value through other comprehensive income:		
Shares of stock of listed companies	\$ 1,133,702	874,112
Shares of stock of unlisted companies	<u>583,659</u>	<u>529,534</u>
Total	<u>\$ 1,717,361</u>	<u>1,403,646</u>

- (i) 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.

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For the years ended December 31, 2023 and 2022, the Group has recognized the dividend income of \$21,031 thousand, and \$33,145 thousand, respectively.

- (ii) Please refer to note 6(z) for credit risk and market risk.
 - (iii) The aforesaid financial assets were not pledged as collateral.
- (d) Accounts receivable, net
- (i) The components of notes and accounts receivable were as follows:

	December 31, 2023	December 31, 2022
Notes receivables from operating activities	\$ 4,833	11,200
Accounts receivable-measured at amortized cost	155,061,701	190,423,074
Less: Allowance for impairment	160,171	187,095
	\$ 154,906,363	190,247,179

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

- (ii) Credit loss

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

The loss allowance provision was determined as follows:

	December 31, 2023		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 151,514,060	0%~2%	(43,507)
Overdue 0 to 30 days	3,276,531	0%~30%	(42,337)
Overdue 31 to 120 days	225,027	2%~100%	(28,005)
Overdue 121 to 365 days	49,223	59%~100%	(44,629)
Over 365 days past due	1,693	100%	(1,693)
	\$ 155,066,534		(160,171)

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	December 31, 2022		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 187,806,209	0%~1%	(33,269)
Overdue 0 to 30 days	2,217,855	1%~30%	(61,117)
Overdue 31 to 120 days	378,226	2%~100%	(63,225)
Overdue 121 to 365 days	30,280	33%~100%	(27,780)
Over 365 days past due	1,704	100%	(1,704)
	\$ 190,434,274		(187,095)

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

	For the years ended December 31	
	2023	2022
Balance on January 1	\$ 187,095	119,064
Impairment losses recognized	13,591	67,017
Amounts written off	(40,690)	(1,631)
Effect of changes in foreign exchange	175	2,645
Balance on December 31	\$ 160,171	187,095

The aforesaid financial assets were not pledged as collateral.

- (iii) Please refer to note 6(z) for credit risk and market risk.
- (iv) Accounts receivable factoring

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

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

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

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December 31, 2022

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

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

December 31, 2023

Purchaser	Amount Derecognized	Factoring Line (thousands)	Amount Advanced (thousands) Paid	Collateral	Range of Interest Rate	Significant Factoring Terms
Mega International Commercial Bank - LanYa Branch	\$ <u>-</u>	USD <u>-</u>	\$ <u>-</u>	None	-	The accounts receivable factoring is without recourse.

December 31, 2022

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

Note: KINSUS did not sign a new factoring agreement after the expiration of the agreements. The credit limits were USD 30,000 thousand as of December 31, 2022.

(e) Inventories

	December 31, 2023	December 31, 2022
Merchandise	\$ 2,817,546	1,707,990
Finished goods	59,734,229	82,232,393
Work in process	9,097,630	23,693,836
Raw materials	<u>33,966,394</u>	<u>91,807,309</u>
	<u>\$ 105,615,799</u>	<u>199,441,528</u>

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The components of cost of goods sold were as follows:

	For the years ended December 31	
	2023	2022
Cost of goods sold	\$ 1,199,933,472	1,248,062,956
Provision on evaluation of (reversal of) inventory	(358,001)	1,710,563
Loss on disposal of inventory	10,948,113	11,263,798
Other	153,452	249,744
	<u>\$ 1,210,677,036</u>	<u>1,261,287,061</u>

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

(f) Non-current assets classified as held for sale (disposal groups)

The Group was approved by the Board of Directors on December 28, 2023 through the resolution for the proposed cash capital increase of the Group's shares in the Pegaglobe(Kunshan) Co., Ltd. for subscription by strategic investor, Luxsan ICT. The Group relinquished its pre-emptive rights to the cash capital increase of Pegaglobe (Kunshan) Co., Ltd., thereby losing control over Pegaglobe (Kunshan) Co., Ltd. due to reduction in its shareholding ratio. The unit has been reclassified as a held for sale (disposal group) and it is presented separately in the consolidated balance sheet. As the expected fair value less cost of disposal is higher than the carrying amount of the disposal group, liabilities directly related to non-current assets held for sale and non-current asset held for sale are transferred based on the carrying amounts of such assets and liabilities, the main categories of which are as follows:

	December 31,
	<u>2023</u>
Non-current assets classified as held for sale(disposal group) :	
Cash and cash equivalents	\$ 4,851,352
Net accounts receivable(Note)	660,356
Net other receivables(Note)	53,687
Inventories	26,467,592
Other current assets	288,400
Property, plant and equipment	6,083,757
Right-of-use assets	1,731,314
Deferred income tax assets	61,795
Other financial assets - non-current	29,114
	<u>\$ 40,227,367</u>

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	December 31, 2023
Liabilities related to non-current assets classified as held for sale (disposal groups) :	
Accounts payable(Note)	\$ 1,737,129
Other payable(Note)	1,707,324
Current lease liabilities	785,029
Other current liabilities	182,958
Non-current lease liabilities	522,296
Other non-current liabilities	129,758
	\$ 5,064,494

Note: The amount after consolidated written off is shown, and may differ from the net value at the time of disposal in the future.

(g) Investments accounted for using equity method

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

	December 31, 2023	December 31, 2022
Associates	\$ 31,944,926	27,861,177
Credit balance of investments accounted for using equity method- associate	\$ 4,529	4,314

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	
			December 31, 2023	December 31, 2022
Luxcase (Yancheng) (RI KAI)	Designing, developing, manufacturing and selling electronic components, precision, non-metal and metal tooling, 3C electronic product parts and accessories	China	48.17 %	48.17 %

The consolidated financial information of the material associate for the Group is listed below. The amounts in such financial information has been adjusted to reflect the fair value and accounting differences adjustments made by the Group upon acquiring associates.

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Luxcase (Yancheng)

	December 31, 2023	December 31, 2022
Current assets	\$ 113,699,021	94,901,775
Non-current assets	39,426,304	43,530,571
Current liabilities	(86,988,660)	(81,475,601)
Non-current liabilities	(1,899,596)	(923,620)
Net assets attributable to shareholders	<u>\$ 64,237,069</u>	<u>56,033,125</u>

	For the years ended December 31	
	2023	2022
Operating revenue	<u>\$ 347,229,759</u>	<u>327,854,052</u>
Profit from continuing operations	\$ 8,861,111	8,866,140
Other comprehensive income	37,585	139,034
Comprehensive income attributable to shareholders	<u>\$ 8,898,696</u>	<u>9,005,174</u>

	For the years ended December 31	
	2023	2022
Shares of net assets of the associate as of January 1	\$ 26,992,837	22,168,901
Profit attributable to the Group	4,257,999	4,271,086
Comprehensive income attributable to the Group	(507,697)	402,886
Changes in the ownership interest attributable to the Group	201,784	149,964
Shares of net assets of associates	30,944,923	26,992,837
Add: Goodwill	114,438	114,410
Carrying amount of the associate's equity as of December 31	<u>\$ 31,059,361</u>	<u>27,107,247</u>

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

	December 31, 2023	December 31, 2022
Carrying amount of individually insignificant associates' equity	<u>\$ 881,036</u>	<u>749,616</u>

	For the years ended December 31	
	2023	2022
Attributable to the Group:		
Profit from continuing operations	\$ 88,765	10,220
Other comprehensive income	72	164
Total comprehensive income	<u>\$ 88,837</u>	<u>10,384</u>

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As of December 31, 2023 and 2022, the aforesaid investments accounted for using equity method were not pledged as collateral.

- (h) 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>Percentage of non-controlling interest</u>	
		<u>December 31, 2023</u>	<u>December 31, 2022</u>
KINSUS and its subsidiaries	Taiwan	61.73 %	61.59 %
ASROCK and its subsidiaries	Taiwan	44.54 %	44.70 %

The financial information regarding the above-mentioned subsidiaries, which was not adjusted in proportion to the Group's percentage of ownership, is summarized as follows:

- (i) Information regarding KINSUS and its subsidiaries

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current assets	\$ 29,368,923	28,100,289
Non-current assets	48,698,116	44,533,127
Current liabilities	(14,258,875)	(15,373,749)
Non-current liabilities	<u>(24,649,038)</u>	<u>(18,443,774)</u>
Net assets	<u>\$ 39,159,126</u>	<u>38,815,893</u>
Non-controlling interest	<u>\$ 25,241,438</u>	<u>24,764,767</u>
	<u>For the years ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Operating revenue	<u>\$ 26,832,187</u>	<u>42,441,054</u>
Net income for the year	1,170,402	7,933,470
Other comprehensive (loss) income	<u>(98,057)</u>	<u>102,874</u>
Comprehensive income	<u>\$ 1,072,345</u>	<u>8,036,344</u>
Net income attribute to non-controlling interest	<u>\$ 967,382</u>	<u>5,137,644</u>
Comprehensive income attribute to non-controlling interest	<u>\$ 941,609</u>	<u>5,162,947</u>

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PEGATRON CORPORATION AND SUBSIDIARIES
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	For the years ended December 31	
	2023	2022
Cash flows from operating activities	\$ 6,256,067	15,960,956
Cash flows used in investing activities	(12,486,482)	(16,534,731)
Cash flows from financing activities	5,335,272	1,869,946
Effect of movement in exchange rate	(88,288)	56,000
Net (decrease) increase in cash and cash equivalents	<u>\$ (983,431)</u>	<u>1,352,171</u>
Dividends to non-controlling interest	<u>\$ 2,207,802</u>	<u>1,572,159</u>
 (ii) Information regarding ASROCK and its subsidiaries		
	December 31,	December 31,
	2023	2022
Current assets	\$ 13,552,525	13,993,593
Non-current assets	822,799	774,221
Current liabilities	(5,380,375)	(5,813,692)
Non-current liabilities	(111,825)	(60,195)
Net assets	<u>\$ 8,883,124</u>	<u>8,893,927</u>
Non-controlling interest	<u>\$ 4,376,677</u>	<u>4,399,123</u>
	For the years ended December 31	
	2023	2022
Operating revenue	<u>\$ 18,991,845</u>	<u>17,120,919</u>
Net income for the year	977,554	1,226,800
Other comprehensive (loss) income	(3,167)	427,240
Comprehensive income	<u>\$ 974,387</u>	<u>1,654,040</u>
Net income attribute to non-controlling interest	<u>\$ 462,863</u>	<u>634,989</u>
Comprehensive income attribute to non-controlling interest	<u>\$ 461,821</u>	<u>828,531</u>
	For the years ended December 31	
	2023	2022
Cash flows from operating activities	\$ 2,636,297	1,140,829
Cash flows (used in) from investing activities	(1,497,096)	868,782
Cash flows used in financing activities	(1,679,934)	(1,028,870)
Effect of movement in exchange rate	(1,126)	393,399
Net (decrease) increase in cash and cash equivalents	<u>\$ (541,859)</u>	<u>1,374,140</u>
Dividends to non-controlling interest	<u>\$ 540,863</u>	<u>734,195</u>

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(i) Property, plant and equipment

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

	<u>Land</u>	<u>Buildings</u>	<u>Machinery equipment</u>	<u>Instrument equipment</u>	<u>Other facilities</u>	<u>Construction in progress</u>	<u>Total</u>
Cost or deemed cost:							
Balance on January 1, 2023	\$ 12,099,104	55,266,759	52,705,931	1,343,727	38,236,146	8,661,817	168,313,484
Additions	667,236	995,635	344,295	144,048	1,520,420	7,657,992	11,329,626
Disposals and obsolescence	-	(863,823)	(2,283,961)	(230,024)	(2,748,704)	-	(6,126,512)
Reclassifications	-	4,063,337	3,528,037	42,245	4,550,466	(7,773,704)	4,410,381
Transferred to non-current assets held for sale	-	(6,390,806)	(1,485,915)	-	(3,559,528)	(2,348)	(11,438,597)
Effect of movement in exchange rate	10,254	(27,456)	312	(818)	180,091	123,407	285,790
Balance on December 31, 2023	<u>\$ 12,776,594</u>	<u>53,043,646</u>	<u>52,808,699</u>	<u>1,299,178</u>	<u>38,178,891</u>	<u>8,667,164</u>	<u>166,774,172</u>
Balance on January 1, 2022	<u>\$ 11,856,650</u>	<u>51,500,156</u>	<u>53,338,900</u>	<u>1,313,354</u>	<u>34,999,356</u>	<u>3,058,362</u>	<u>156,066,778</u>
Additions	-	380,275	631,950	160,155	1,658,360	9,108,027	11,938,767
Disposals and obsolescence	-	(276,499)	(12,406,988)	(238,272)	(4,494,837)	(249)	(17,416,845)
Reclassifications	227,744	(126,914)	9,367,528	32,180	3,734,860	(3,692,312)	9,543,086
Effect of movement in exchange rate	14,710	3,789,741	1,774,541	76,310	2,338,407	187,989	8,181,698
Balance on December 31, 2022	<u>\$ 12,099,104</u>	<u>55,266,759</u>	<u>52,705,931</u>	<u>1,343,727</u>	<u>38,236,146</u>	<u>8,661,817</u>	<u>168,313,484</u>
Depreciation and impairment loss:							
Balance on January 1, 2023	\$ -	26,668,850	36,379,503	1,054,512	24,521,010	-	88,623,875
Depreciation for the year	-	3,164,033	5,029,863	167,225	5,231,429	-	13,592,550
Impairment loss	-	7,595	-	-	11,893	-	19,488
Disposals and obsolescence	-	(861,967)	(2,070,800)	(219,413)	(2,153,558)	-	(5,305,738)
Reclassifications	-	3,599	(5,448)	-	(22,644)	-	(24,493)
Transferred to non-current assets held for sale	-	(1,748,750)	(988,244)	-	(2,617,846)	-	(5,354,840)
Effect of movement in exchange rate	-	(30,550)	(46,491)	(876)	(2,173)	-	(80,090)
Balance on December 31, 2023	<u>\$ -</u>	<u>27,202,810</u>	<u>38,298,383</u>	<u>1,001,448</u>	<u>24,968,111</u>	<u>-</u>	<u>91,470,752</u>
Balance on January 1, 2022	<u>\$ -</u>	<u>21,880,939</u>	<u>41,304,823</u>	<u>1,023,595</u>	<u>22,120,891</u>	<u>-</u>	<u>86,330,248</u>
Depreciation for the year	-	2,911,626	4,905,375	179,281	4,933,279	-	12,929,561
Impairment loss (reversal gain)	-	9,798	(257)	-	29,272	-	38,813
Disposals and obsolescence	-	(276,482)	(12,098,446)	(222,579)	(4,110,172)	-	(16,707,679)
Reclassifications	-	366,209	814,088	-	(55,546)	-	1,124,751
Effect of movement in exchange rate	-	1,776,760	1,453,920	74,215	1,603,286	-	4,908,181
Balance on December 31, 2022	<u>\$ -</u>	<u>26,668,850</u>	<u>36,379,503</u>	<u>1,054,512</u>	<u>24,521,010</u>	<u>-</u>	<u>88,623,875</u>
Carrying value:							
Balance on December 31, 2023	<u>\$ 12,776,594</u>	<u>25,840,836</u>	<u>14,510,316</u>	<u>297,730</u>	<u>13,210,780</u>	<u>8,667,164</u>	<u>75,303,420</u>
Balance on January 1, 2022	<u>\$ 11,856,650</u>	<u>29,619,217</u>	<u>12,034,077</u>	<u>289,759</u>	<u>12,878,465</u>	<u>3,058,362</u>	<u>69,736,530</u>
Balance on December 31, 2022	<u>\$ 12,099,104</u>	<u>28,597,909</u>	<u>16,326,428</u>	<u>289,215</u>	<u>13,715,136</u>	<u>8,661,817</u>	<u>79,689,609</u>

(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 years ended December 31	
	2023	2022
Impairment loss	<u>\$ 19,488</u>	<u>38,813</u>

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- (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(y) 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.
- (j) Right-of-use assets

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

	<u>Land</u>	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Total</u>
Cost:				
Balance on January 1, 2023	\$ 4,359,191	4,986,033	2,822	9,348,046
Additions	19,979	2,426,564	2,365	2,448,908
Reductions	(6,619)	(1,697,070)	(384)	(1,704,073)
Transferred to non-current assets held for sale	(520,482)	(2,331,381)	-	(2,851,863)
Effect of movement in exchange rate	(9,442)	64,449	6	55,013
Balance on December 31, 2023	<u>\$ 3,842,627</u>	<u>3,448,595</u>	<u>4,809</u>	<u>7,296,031</u>
Balance on January 1, 2022	\$ 4,051,052	5,015,576	3,977	9,070,605
Additions	16,804	1,247,763	-	1,264,567
Reductions	(86,035)	(1,664,572)	(1,300)	(1,751,907)
Reclassifications	-	28,827	-	28,827
Effect of movement in exchange rate	377,370	358,439	145	735,954
Balance on December 31, 2022	<u>\$ 4,359,191</u>	<u>4,986,033</u>	<u>2,822</u>	<u>9,348,046</u>
Accumulated depreciation:				
Balance on January 1, 2023	\$ 974,270	2,196,561	1,081	3,171,912
Depreciation for the year	109,861	1,477,045	1,061	1,587,967
Reductions	(2,492)	(1,275,323)	(384)	(1,278,199)
Transferred to non-current assets held for sale	(78,396)	(1,042,153)	-	(1,120,549)
Effect of movement in exchange rate	(3,973)	10,237	(5)	6,259
Balance on December 31, 2023	<u>\$ 999,270</u>	<u>1,366,367</u>	<u>1,753</u>	<u>2,367,390</u>
Balance on January 1, 2022	\$ 837,553	1,995,046	1,547	2,834,146
Depreciation for the year	104,951	1,634,960	785	1,740,696
Reductions	(43,839)	(1,617,948)	(1,300)	(1,663,087)
Effect of movement in exchange rate	75,605	184,503	49	260,157
Balance on December 31, 2022	<u>\$ 974,270</u>	<u>2,196,561</u>	<u>1,081</u>	<u>3,171,912</u>

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	<u>Land</u>	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Total</u>
Carrying value:				
Balance on December 31, 2023	\$ <u>2,843,357</u>	<u>2,082,228</u>	<u>3,056</u>	<u>4,928,641</u>
Balance on January 1, 2022	\$ <u>3,213,499</u>	<u>3,020,530</u>	<u>2,430</u>	<u>6,236,459</u>
Balance on December 31, 2022	\$ <u>3,384,921</u>	<u>2,789,472</u>	<u>1,741</u>	<u>6,176,134</u>

(k) Other financial assets and other assets

Other financial assets and other assets were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Other financial assets - current	\$ 5,571,740	12,012,749
Other financial assets - non-current	401,139	374,605
Other current assets	3,748,863	5,854,949
Other non-current assets	<u>198,912</u>	<u>21,612</u>
	<u>\$ 9,920,654</u>	<u>18,263,915</u>

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

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

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

(l) Short-term loans

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Unsecured bank loans	\$ <u>45,164,344</u>	<u>79,589,451</u>
Range of interest rate	<u>0.75%~6.58%</u>	<u>0.38%~5.94%</u>

The Group has no related assets pledged as collateral. Please refer to Note 8 for details.

(m) Other current liabilities and other non-current liabilities

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Other current liabilities	\$ 11,499,756	34,939,573
Other non-current liabilities	<u>5,600,820</u>	<u>5,571,664</u>
	<u>\$ 17,100,576</u>	<u>40,511,237</u>

(i) Other current liabilities consisted of receipts under custody, refund liabilities, and others.

(ii) Other non-current liabilities consisted of guarantee deposits received and others.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
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(n) Long-term loans

The details, terms and conditions were as follows:

	December 31, 2023	December 31, 2022
Unsecured bank loans	\$ 20,282,414	16,726,682
Secured bank loans	<u>255,478</u>	<u>272,216</u>
	20,537,892	16,998,898
Less: current portion	<u>(3,752,009)</u>	<u>(2,773,471)</u>
Total	\$ <u>16,785,883</u>	<u>14,225,427</u>
Range of interest rate	<u>0.95%~6.40%</u>	<u>0.35%~5.74%</u>

(i) Please refer to Note 6(y) 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.

(o) Bonds payable

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

	December 31, 2023	December 31, 2022
Ordinary corporate bonds issued	\$ 30,400,000	34,900,000
Unamortized discount on bonds payable	<u>(15,611)</u>	<u>(23,008)</u>
Bonds payable, end of the year	30,384,389	34,876,992
Less: current portion	<u>(8,000,000)</u>	<u>(4,500,000)</u>
	\$ <u>22,384,389</u>	<u>30,376,992</u>
	<u>For the years ended December 31</u>	
	2023	2022
Interest expense	\$ <u>227,198</u>	<u>278,960</u>

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

<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.
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.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
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Item	2nd unsecured ordinary bonds issued in 2017
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 be no calculation of extra interest.
8. Guarantee	The Bonds are unsecured ordinary corporate bonds.

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

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

On March 26, 2020, the Company's Board of Directors approved to issue unsecured ordinary corporate bonds with the total maximum amount of \$10,000,000 thousand, which have been approved and declared effective by the Taipei Exchange (TPEX) on October 12, 2020 and December 29, 2020, respectively, the offering information and main rights and obligations, were as follows:

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PEGATRON CORPORATION AND SUBSIDIARIES
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Item	1st unsecured ordinary bonds issued in 2020
1. Issuing amount	The Bonds are issued at \$5,000,000 thousand.
2. Par value	Each unit is valued at \$1,000 thousand.
3. Offering price	The Bonds are issued by par value at the issuance date.
4. Issuance period	The Bonds has 5-year term. The issuance period of The Bonds commences from October 21, 2020 and matures on October 21, 2025.
5. Coupon rate	The Bonds bears annual coupon rates of 0.65%.
6. Repayment	The Bonds are repayable on maturity.
7. Interest payment	Interests are payable annually at coupon rate from the issuance date. The payment of each bond is rounded to the nearest dollar. If the repayment date and interest payment date are bank closing days, principal and interest shall be paid without extra interest on the next business day. If bondholders receive principal and interest past due the repayment date and interest payment date, there will no calculation of extra interest.
8. Guarantee	The Bonds are unsecured ordinary corporate bonds.
Item	2st unsecured ordinary bonds issued in 2020
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.

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

<u>Item</u>	<u>1st unsecured ordinary bonds issued in 2021</u>
1. Issuing amount	The Bonds are issued at \$8,900,000 thousand, which comprise Tranche A, and Tranche B. The issuing amounts of Tranche A, and Tranche B are \$7,500,000 thousand and \$1,400,000 thousand, respectively.
2. Par value	Each unit is valued at \$1,000 thousand.
3. Offering price	The Bonds are issued by par value at the issuance date.
4. Issuance period	Each of Tranche A and Tranche B has 5-year term and 7-year term, respectively. The issuance period of Tranche A commences from December 2, 2021 and matures on December 2, 2026. The issuance period of Tranche B commences from December 2, 2021 and matures on December 2, 2028.
5. Coupon rate	Tranche A, and B bear annual coupon rates of 0.56% and 0.65%, respectively.
6. Repayment	Tranche A, and Tranche B are repayable on maturity.
7. Interest payment	Interests are payable annually at coupon rate from the issuance date. The payment of each bond is rounded to the nearest dollar. If the repayment date and interest payment date are bank closing days, principal and interest shall be paid without extra interest on the next business day. If bondholders receive principal and interest past due the repayment date and interest payment date, there will no calculation of extra interest.
8. Guarantee	The Bonds are unsecured ordinary corporate bonds.

(p) Lease liabilities

The Group's lease liabilities were as follows:

	<u>December 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
Current	<u>\$ 529,806</u>	<u>1,366,074</u>
Non-current	<u>\$ 1,688,735</u>	<u>1,522,527</u>

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

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The amounts recognized in profit or loss were as follows:

	For the years ended December 31	
	2023	2022
Interest on lease liabilities	<u>\$ 125,932</u>	<u>113,163</u>
Variable lease payments not included in the measurement of lease liabilities	<u>\$ 39,075</u>	<u>42,492</u>
Income from sub-leasing right-of-use assets	<u>\$ 882</u>	<u>516</u>
Expenses relating to short-term leases	<u>\$ 100,758</u>	<u>340,107</u>
Expenses relating to leases of low-value, excluding short-term leases of low-value assets	<u>\$ 15,932</u>	<u>2,611</u>
Covid-19 related rent concessions	<u>\$ 19</u>	<u>2,411</u>

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

	For the years ended December 31	
	2023	2022
Total cash outflow for leases	<u>\$ 1,704,282</u>	<u>2,034,579</u>

The Group leases land, buildings and transportation equipment. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term. According to the lease contracts, some leases shall not be rented, 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.

(q) Employee benefits

(i) Defined benefit plans

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

	December 31, 2023	December 31, 2022
Present value of defined benefit obligations	\$ 267,111	236,933
Fair value of plan assets	(219,815)	(210,644)
Net defined benefit liabilities	<u>\$ 47,296</u>	<u>26,289</u>

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group's employee benefit liabilities were as follows:

	December 31, 2023	December 31, 2022
Short-term employee benefits liabilities	\$ 462,368	416,786
Cash-settled share-based payment liability	65,730	207,035
Total employee benefit liabilities	\$ 528,098	623,821

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

1) Composition of plan assets

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

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

2) Movements in present value of the defined benefit obligations

The movements in the present value of the defined benefit obligations for the years ended December 31, 2023 and 2022 were as follows:

	For the years ended December 31	
	2023	2022
Defined benefit obligation, January 1	\$ 236,933	304,145
Current service costs and interest	20,649	6,915
Re-measurements of the net defined benefit liability		
– Actuarial gains arising from changes in demographic assumptions	2,882	3,774
– Actuarial gains (losses) arising from changes in financial assumption	6,079	(29,222)
– Experience adjustments	1,759	(21,365)
Past service costs	-	(11,661)
Effect of movements in exchange rates	1,646	463
Benefits paid by the plan	(2,837)	(16,116)
Defined benefit obligation, December 31	\$ 267,111	236,933

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
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3) Movements in the fair value of plan assets

The movements in the fair value of the defined benefit plan assets for the years ended December 31, 2023 and 2022 were as follows:

	For the years ended December 31	
	2023	2022
Fair value of plan assets, January 1	\$ 210,644	192,394
Interests revenue	3,152	1,510
Re-measurements of the net defined benefit liability		
— Experience adjustments	459	14,134
Contributions made	5,560	2,606
Fair value of plan assets, December 31	\$ 219,815	210,644

4) Expenses recognized in profit or loss

The Group's pension expenses recognized in profit or loss for the years ended December 31, 2023 and 2022 were as follows:

	For the years ended December 31	
	2023	2022
Current service cost	\$ 16,272	4,283
Net interest on net defined benefit liability	1,225	1,122
Past service costs	-	(11,661)
	\$ 17,497	(6,256)
Operating costs	\$ 946	(10,036)
Operating expenses	16,551	3,780
	\$ 17,497	(6,256)

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

The Group's net defined benefit liability recognized in other comprehensive income for the years ended December 31, 2023 and 2022 were as follows:

	For the years ended December 31	
	2023	2022
Cumulative amount, January 1	\$ 36,802	97,749
Recognized during the year	10,261	(60,947)
Cumulative amount, December 31	\$ 47,063	36,802

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Notes to the Consolidated Financial Statements

6) Actuarial assumptions

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

	December 31, 2023	December 31, 2022
Discount rate	1.31%~1.58%	1.44%~1.75%
Future salary increase rate	2.00%~3.25%	2.00%~3.00%

Based on the actuarial report, the Group is expected to make a contribution payment of \$5,943 thousand to the defined benefit plans for the one year period after the reporting date.

The weighted-average duration of the defined benefit plans is between 5 and 27 years.

7) Sensitivity Analysis

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

As of December 31, 2023 and 2022, the changes in the principal actuarial assumptions will impact on the present value of defined benefit obligation as follows:

	Impact on the present value of defined benefit obligation	
	Increase by 0.50%	Decrease by 0.50%
December 31, 2023		
Discount rate	(18,093)	19,916
Future salary increase rate	19,445	(17,863)
December 31, 2022		
Discount rate	(17,180)	18,947
Future salary increase rate	18,510	(16,969)

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

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

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Defined contribution plans

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

The costs of the pension contributions to the Labor Insurance Bureau for the years ended December 31, 2023 and 2022 were amounted to \$4,381,974 thousand and \$5,299,101 thousand, respectively.

(r) Income tax

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

	For the years ended December 31	
	2023	2022
Current income tax expense		
Current period incurred	\$ 4,938,032	6,783,354
Prior years income tax adjustment	(213,848)	(149,945)
Tax on undistributed surplus earnings	<u>886,521</u>	<u>325,328</u>
	<u>5,610,705</u>	<u>6,958,737</u>
Deferred tax expense		
The origination and reversal of temporary differences	<u>1,283,755</u>	<u>(166,283)</u>
Income tax expense	<u>\$ 6,894,460</u>	<u>6,792,454</u>

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

	For the years ended December 31	
	2023	2022
Items that will not be reclassified subsequently to profit or loss		
Re-measurements of the net defined benefit plans	\$ <u>(582)</u>	<u>3,327</u>
Items that will be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign financial statements	\$ <u>4,346</u>	<u>10,502</u>

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PEGATRON CORPORATION AND SUBSIDIARIES
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(iii) Reconciliation of income tax and profit before tax were as follows:

	For the years ended December 31	
	2023	2022
Profit before income	\$ 24,307,253	27,955,413
Income tax at the statutory rates	5,767,125	8,155,301
Permanent differences	(1,384,531)	(1,730,349)
Changes in unrecognized temporary differences	987,561	693,859
Oversea dividends received	180,230	10,859
Prior years income tax adjustment	(213,848)	(149,945)
Tax on undistributed surplus earnings	886,521	325,328
Others	671,402	(512,599)
	\$ 6,894,460	6,792,454

(iv) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

As of December 31, 2023 and 2022, the temporary differences associated with investments in subsidiaries were not recognized as deferred income tax liabilities as the Group has the ability to control the reversal of these temporary differences which are not expected to reverse in the foreseeable future. The related amounts were as follows:

	December 31, 2023	December 31, 2022
The aggregate temporary differences associated with investments in subsidiaries	\$ 82,359,587	85,913,779
Unrecognized deferred tax liabilities	\$ 16,471,917	17,182,756

2) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	December 31, 2023	December 31, 2022
Deductible temporary differences	\$ 974,086	1,047,304
Tax losses	1,753,615	1,403,675
	\$ 2,727,701	2,450,979

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

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PEGATRON CORPORATION AND SUBSIDIARIES
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As of December 31, 2023, the Group had not recognized the prior years' loss carry-forwards as deferred tax assets, and the expiry years thereof were as follows:

<u>Company Name</u>	<u>Year of occurrence</u>	<u>Unused balance</u>	<u>Expiry year</u>
KINSUS and its subsidiaries	2014~2023	\$ 5,049,032	2024~2033
AZUREWAVE and its subsidiaries	2018~2023	107,690	2028~2033
ASROCK and its subsidiaries	2021~2023	121,003	2031~2033
PEGATRON and its subsidiaries	2015~2023	<u>2,944,651</u>	2025~2033
		<u>\$ 8,222,376</u>	

3) Recognized deferred tax assets and liabilities

The movements in deferred tax assets and liabilities for the years ended December 31, 2023 and 2022 were as follows:

	<u>Gain on foreign investments</u>	<u>Others</u>	<u>Total</u>		
Deferred tax liabilities:					
Balance on January 1, 2023	\$ 1,347,510	542,152	1,889,662		
Recognized in loss (profit)	590,620	181,848	772,468		
Recognized in other comprehensive income	4,453	28	4,481		
Exchange differences on translation	<u>(32,402)</u>	<u>(1,043)</u>	<u>(33,445)</u>		
Balance on December 31, 2023	<u>\$ 1,910,181</u>	<u>722,985</u>	<u>2,633,166</u>		
Balance on January 1, 2022	\$ 843,976	1,290,421	2,134,397		
Recognized in loss (profit)	528,158	(850,456)	(322,298)		
Recognized in other comprehensive income	9,098	-	9,098		
Exchange differences on translation	<u>(33,722)</u>	<u>102,187</u>	<u>68,465</u>		
Balance on December 31, 2022	<u>\$ 1,347,510</u>	<u>542,152</u>	<u>1,889,662</u>		
	<u>Provision for Contingent Service Cost</u>	<u>Loss on valuation of inventory</u>	<u>Unrealized expenses</u>	<u>Others</u>	<u>Total</u>
Deferred tax assets:					
Balance on January 1, 2023	\$ 145,015	932,788	858,894	858,047	2,794,744
Recognized in profit (loss)	(69,470)	(31,010)	(315,035)	(95,772)	(511,287)
Recognized in other comprehensive income	-	-	53	664	717
Transferred to non-current assets held for sale	-	(61,795)	-	-	(61,795)
Exchange differences on translation	<u>-</u>	<u>451</u>	<u>8,741</u>	<u>(7,250)</u>	<u>1,942</u>
Balance on December 31, 2023	<u>\$ 75,545</u>	<u>840,434</u>	<u>552,653</u>	<u>755,689</u>	<u>2,224,321</u>

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PEGATRON CORPORATION AND SUBSIDIARIES
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	Provision for Contingent Service Cost	Loss on valuation of inventory	Unrealized expenses	Others	Total
Balance on January 1, 2022	\$ 146,791	782,889	1,113,860	777,287	2,820,827
Recognized in profit (loss)	(1,776)	96,724	(327,483)	76,520	(156,015)
Recognized in other comprehensive income	-	-	(1,372)	(3,359)	(4,731)
Exchange differences on translation	-	53,175	73,889	7,599	134,663
Balance on December 31, 2022	<u>\$ 145,015</u>	<u>932,788</u>	<u>858,894</u>	<u>858,047</u>	<u>2,794,744</u>

(v) Status of approval of income tax

The Company's income tax returns through 2020 have been assessed and approved by the Tax Authority.

(s) Capital and other equity

(i) Ordinary shares

Reconciliation of shares outstanding for 2023 and 2022 was as follows:

	Ordinary Shares (In thousands of shares)	
	For the years ended December 31	
	2023	2022
Beginning balance on January 1	2,666,924	2,668,878
Expiration of restricted shares of stock issued to employees	(2,700)	(1,954)
Ending balance on December 31	<u>2,664,224</u>	<u>2,666,924</u>

For the years ended December 31, 2023 and 2022, the Company had retired 3,288 thousand and 1,498 thousand shares, respectively, of restricted stock to employees. The authorized ordinary shares consisted of both 3,000,000 thousand shares, with par value of \$10 per share of which 2,664,346 thousand and 2,667,634 thousand shares were issued and outstanding as of December 31, 2023 and 2022, respectively. All share proceeds from outstanding capital have been collected.

As of December 31, 2023 and 2022, the restricted Company shares of stock issued to employees have expired, of which 122 thousand and 710 thousand shares, respectively, have not been retired.

(ii) Global depositary receipts

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
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The Company may issue new GDRs with no more than 60,819,020 of the Company's common shares and deliver them to ASUSTEK GDR holders pursuant to the "Guidelines for Offering and Issuing by Issuer of Overseas Securities". As of December 31, 2023 and 2022, the Company has listed, in total, 225 thousand and 225 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 and 1,126 thousand shares of stock, respectively.

1) Voting rights

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

2) Dividend distributions, pre-emptive rights, and other rights

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

(iii) Capital surplus

The components of the capital surplus were as follows:

	December 31, 2023	December 31, 2022
Premium from issuance of share capital	\$ 68,106,944	67,629,957
Premium from conversion of convertible bonds	11,073,663	11,073,663
From treasury stock transactions	47,865	47,865
Difference between consideration and carrying amount of subsidiaries acquired or disposed	2,273,401	2,273,401
Changes in equity of associates accounted for using the equity method	372,610	170,826
Changes in ownership interest in subsidiaries	1,524,450	1,353,306
Employee stock options	6,094	6,094
Restricted stock to employees	380,702	386,975
Other	409,917	409,917
	<u>\$ 84,195,646</u>	<u>83,352,004</u>

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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 by the solution of the Board of Meeting and present for approval in the shareholder's meeting.

According to the R.O.C. Company Act, the Company should distribute dividends and bonuses, 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 dividend policy. Therefore, dividend distributions should not be less than 10% of distributable earnings. The distribution of cash dividend is not lower than 10% of total distribution of dividend.

1) Legal reserve

The Company may distribute legal reserve by paying cash by the resolution of the Board of Director and present for approval in the shareholders' meeting.

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, 2023 and June 15, 2022, the Company's shareholders' meeting resolved to appropriate the 2022 and 2021 earnings, respectively, as follows.

	For the years ended December 31	
	2022	2021
Common stock dividends per share (dollars)		
— Cash	\$ 4.00	5.00

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Other equity (net of tax)

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Deferred compensation arising from issuance of restricted stock	Total
Balance on January 1, 2023	\$ (7,603,630)	79,970	(68,877)	(7,592,537)
Exchange differences on foreign operations	751,266	-	-	751,266
Exchange differences on associates and joint ventures accounted for using equity method	(507,625)	-	-	(507,625)
Unrealized gains from financial assets measured at fair value through other comprehensive income	-	295,285	-	295,285
Unearned compensation	-	-	(56,394)	(56,394)
Balance on December 31, 2023	<u>\$ (7,359,989)</u>	<u>375,255</u>	<u>(125,271)</u>	<u>(7,110,005)</u>
Balance on January 1, 2022	\$ (21,363,627)	444,778	(712,701)	(21,631,550)
Exchange differences on foreign operations	13,356,947	-	-	13,356,947
Exchange differences on associates and joint ventures accounted for using equity method	403,050	-	-	403,050
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	(364,808)	-	(364,808)
Unearned compensation	-	-	643,824	643,824
Balance on December 31, 2022	<u>\$ (7,603,630)</u>	<u>79,970</u>	<u>(68,877)</u>	<u>(7,592,537)</u>

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

	For the years ended December 31	
	2023	2022
Balance on January 1	\$ 32,079,698	27,662,332
Income attributable to non-controlling interests	1,699,835	6,066,779
Other comprehensive income attributable to non-controlling interests		
Exchange differences on foreign operations	(23,972)	330,867
Remeasurements of defined benefit plans	(10,268)	32,669
Changes in ownership interest in subsidiaries	(171,144)	(12,950)
Changes in non-controlling interests	(766,274)	(1,999,999)
Balance on December 31	<u>\$ 32,807,875</u>	<u>32,079,698</u>

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(t) Share-based payment

Information on share-based payment transactions as of December 31, 2023 and 2022 were as follows:

	Equity-settled share-based payment
	Restricted stock to employee
	Issued in 2020
Thousand units granted	60,000
Contractual life	4 years
Vesting period	Note A
Actual turnover rate of employees	4.71% and 3.56%
Estimated future turnover rate of employees	6.50%~12.53%

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

The provisions of the “ Measures for the Issuance of New Shares of Employee Restricted stocks options for 2020” were amended by a resolution of the Board of Directors on April 18, 2023 and approved by the shareholders’ meeting on June 15, 2023.

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

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Determining the fair value of equity instruments granted

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

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

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

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

(ii) Restricted stock to employee

For the years ended December 31, 2023 and 2022, 2,699 thousand and 1,952 thousand shares of the restricted shares of stock issued to employees have expired, respectively.

As of December 31, 2023 and 2022, there are \$125,271 thousand and \$68,877 thousand in the balance of unearned compensation, respectively.

(iii) Expenses recognized in profit or loss

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

	For the years ended December 31	
	2023	2022
Expenses resulting from the issuance of new shares of restricted stock awards	\$ 249,232	614,728

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(u) Subsidiary's share-based payments

(i) AZUREWAVE

A resolution was decided during the shareholders meeting held on July 15, 2021 to issue 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 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 are 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 they are vested. These shares of stock shall not be sold, pledged, transferred, gifted, or by any other means disposed to third parties during the custody period. These shares of stock are entitled to the same rights 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 right to recall the shares without cost.

For the years ended December 31, 2023 and 2022, AZUREWAVE's employees entitled to restricted employees new shares fail to meet vesting conditions. Thus, AZUREWAVE passed the resolution on May 10, August 8, and November 8, 2023, March 7, and May 11, November 8 2022 to cancel all repurchased restricted employee new shares of 20 thousand, 88 thousand, 33 thousand, 45 thousand, 531 thousand and 127 thousand. The date of the capital reduction was May 15, August 15 and November 15, 2023, March 15, May 13 and November 11, 2022, respectively.

For the years ended December 31, 2023 and 2022, AZUREWAVE recognized share-based compensation cost of \$17,343 thousand, and \$32,162 thousand, respectively, due to the issuance of restricted employee.

(ii) New shares of restricted stock awards of ASROCK

1) ASROCK

On August 20, 2021 the shareholders' meeting of ASROCK approved a resolution to issue 2,300 thousand new shares of restricted stock awards to those full-time employees who meet certain requirements. 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 with a fair value of \$145 per share at the grant date.

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

- A. The overall performance of ASROCK:
- a. The EPS of ASROCK in the previous year is higher than 10, with an overall weight of 100%.
 - b. The EPS of ASROCK in the previous year is between 7.5 and 10, with an overall weight of 50%.
 - c. The EPS of ASROCK in the previous year is less than 7.5, without any overall weight.
- B. Personal performance:
- a. The mid-year assessment is A or above (including A), with a personal weight of 100%.
 - b. The mid-year assessment is between B+~A (excluding A), with a personal weight of 80%.
 - c. The mid-year assessment is between B~B+ (excluding B+), with a personal weight of 60%.
 - d. The mid-year assessment is C, without any personal weight.
- C. One year of employment after the subscription of new shares of restricted stock awards, and there should be no violation of laws or regulations, company's 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 the subscription of new shares of restricted stock awards, and there should be no violation of laws or regulations, company's working rules, business ethics codes, as well as other related regulations and agreements, in the second year, with the existing 30% of the shares multiplied by the overall weight, then multiplied by the personal weight.
- E. Three years of employment after the subscription of new shares of restricted stock awards, and there should be no violation of laws or regulations, company's working rules, business ethics codes, as well as other related regulations and agreements, in the third year, with the existing 30% of the shares multiplied by the overall weight, then multiplied by the personal weight.

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PEGATRON CORPORATION AND SUBSIDIARIES
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The new shares of restricted stock awards are kept by a trust, which is appointed by ASROCK, before they are 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 those that do not meet the vesting condition.

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	Total
Original vested shares (In thousands of units)	913	685	685	2,283
Operating performance issue ratio	100.00 %	50.00 %	2.54 %	
Estimated employee turnover rate	0.02 %	2.32 %	3.78 %	
Qualified rate of performance	-	100.00 %	76.92 %	
Vested shares (In thousands of units)	-	335	12	347
Fair value (dollars)	\$ 145	145	145	
Service costs	\$ -	45,158	1,698	46,856

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

2) ASRock Rack

As of December 31, 2023, 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 (Note)	June 30, 2022	2,300	3 years and 6 months	2 years of service vested 50% 3 years of service vested 50%

Note: After the employee stock option is issued, except when ASRock Rack's securities with common share convertible right or stock option are converted to common stock or issue new shares as employee bonus, if ASRock Rack's common shares increase, and in the event of capital reduction for reasons other than treasury stock cancellation thereby causing a 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.

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

If ASRock Rack is required to apply for a public issuance of shares due to its anticipated listing onto emerging stock board, it is exempted from the provisions of item 1 of the employee share option measures, and the option certificates without the right to exercise shall be automatically accelerated in process without the restrictions of aforementioned expiration and proportion. Within 60 days from receiving the note of public issuance date from ASRock Rack, the employee share option holder shall exercise all or part of options. If such options are not subscribed by the deadline, the right to share subscription shall be deemed abandoned, and the option holder shall not further exercise the right to share subscription.

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	596	1,235
Fair value (dollars)	\$ -	-	5.53	5.53	
Service costs (dollars)	\$ -	-	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 on June 30, 2022 was as follows:

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

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

June 30, 2022	For the year ended December 31			
	2023		2022	
	Outstanding number of options (In thousand units)	Weighted average exercise price (dollars)	Outstanding number of options (In thousand units)	Weighted average exercise price (dollars)
Outstanding as of January 1	2,300	\$ 19.45	-	\$ -
Granted during the period	-	-	2,300	22
Expired during the period	(80)	19.45	-	-
Exercised during the period	(2,220)	19.45	-	-
Outstanding as of December 31	<u>-</u>	<u>-</u>	<u>2,300</u>	<u>19.45</u>
Exerisable as of December 31	<u>-</u>		<u>-</u>	

As of December 31, 2023 and 2022, related information about outstanding options on the share-based payment was as follows:

	Exercise price (dollars)(Note)	Weighted average residual duration (years)
December 31, 2023		
Outstanding option	\$ 19.45	-
December 31, 2022		
Outstanding option	\$ 19.45	3

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

On June 13, 2023, ASRock Rack notified the option holders of the resolution for public issuance. The option certificates which do not have the right to exercise according to the Employee Share Option Measures shall be automatically accelerated in process without the original expiry date and proportion restrictions.

3) ASRock Industrial

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

Type of agreement	Grant date	Number of shares granted (In thousands of shares)	Contract term	Vesting condition
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%

(Continued)

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

If ASRock Industrial is required to apply for a public issuance of shares due to its anticipated listing onto emerging stock board, it is exempted from the provisions of item 1 of the Employee Share Option Measures, and the option certificates without the right to exercise shall be automatically accelerated in process without the restrictions of aforementioned expiration and proportion. Within 60 days from receiving the note of public issuance date from ASRock Industrial, the employee share option holder shall exercise all or part of options. If such options are not subscribed by the deadline, the right to share subscription shall be deemed abandoned, and the option holder shall not further exercise the right to share subscription.

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 on April 20, 2021 and July 8, 2022 were as follows:

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

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	For the years ended December 31			
	2023		2022	
	Outstanding number of options (In thousand units)	Weighted average exercise price (dollars)	Outstanding number of options (In thousand units)	Weighted average exercise price (dollars)
April 20, 2021				
Outstanding as of January 1	1,430	\$ 10	2,200	\$ 12.5
Granted during the period	-	-	-	-
Exercised during the period	(1,412)	10	(770)	12.5
Expired during the period	(18)	-	-	-
Outstanding as of December 31	<u>-</u>	<u>-</u>	<u>1,430</u>	<u>10</u>
Exercisable as of December 31	<u>-</u>		<u>-</u>	

As of December 31, 2023 and 2022, the related information about outstanding options on the share-based payment was as follows:

	Exercise price (dollars) (Note)	Weighted average residual duration (years)
December 31, 2023		
Outstanding option	\$10.0	-
December 31, 2022		
Outstanding option	\$10.0	1.8

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

On May 16, 2023, ASRock Industrial notified the option holders of the resolution for public issuance. The option certificates which do not have the right to exercise according to the Employee Share Option Measures shall be automatically accelerated in process without the original expiry date and proportion restrictions

	For the years ended December 31			
	2023		2022	
	Outstanding number of options (In thousand units)	Weighted average exercise price (dollars)	Outstanding number of options (In thousand units)	Weighted average exercise price (dollars)
July 8, 2022				
Outstanding as of January 1	2,100	\$ 16.15	-	\$ -
Granted during the period	-	-	2,100	22
Exercised during the period	(2,086)	16.15	-	-
Expired during the period	(14)	16.15	-	-
Outstanding as of December 31	<u>-</u>	<u>-</u>	<u>2,100</u>	<u>16.15</u>
Exercisable as of December 31	<u>-</u>		<u>-</u>	

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

As of December 31, 2023 and 2022, the related information about outstanding options on the share-based payments was as follows:

	<u>Exercise price (dollars) (Note)</u>	<u>Weighted average residual duration (years)</u>
December 31, 2023		
Outstanding option	\$ 16.15	-
December 31, 2022		
Outstanding option	\$ 16.15	3.02

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

On May 16, 2023, ASRock Industrial notified the option holders of the resolution for public issuance. The option certificates which do not have the right to exercise according to the Employee Share Option Measures shall be automatically accelerated in process without the original expiry date and proportion restrictions.

4) ASJade

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

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

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

The assumptions and pricing model adopted in the aforesaid share-based payments on September 7, 2022 were as follows:

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

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

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

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

As of December 31, 2023 and 2022, the share-based payment transactions issued by ASJade were as follows:

	Exercise price (dollars)	Weighted average residual duration (years)
December 31, 2023		
Outstanding option	\$ 10	8.65
December 31, 2022		
Outstanding option	10	9.65

- 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 year ended December 31, 2023.

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

	For the years ended December 31	
	2023	2022
Expense arising from share-based payment transaction (resulting from equity-settled share-based payment)	<u>\$ 7,503</u>	<u>43,864</u>

- (iii) Employee stock option of Lumens

On March 11, 2021, the Board of Lumens resolved to issue 2,000 units for employee stock options. Each option certificate can purchase 1 thousand ordinary shares, delivered by issuing new shares. The option certificates are awarded to those employees who meet certain requirements 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 units of employee stock options.

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<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 the grant date

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

	<u>For the year ended December 31, 2021</u>
Fair value at grant date (dollars)	\$ 97.7
Stock price at grant date (dollars)	\$ 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 years ended December 31</u>			
	<u>2023</u>		<u>2022</u>	
	<u>Weighted- average exercise price (dollars)</u>	<u>Units of stock option</u>	<u>Weighted- average exercise price (dollars)</u>	<u>Units of stock option</u>
Outstanding as of January 1 (In thousand units)	\$ 78.6	1,517	78.6	1,613
Granted during the period	78.6	(338)	-	-
Expired during the period	78.6	(7)	78.6	(96)
Outstanding as of December 31 (In thousand units)	78.6	<u>1,172</u>	78.6	<u>1,517</u>

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Exercise price (dollars)	\$78.6	78.6
Weighted average residual duration	3.67 years	4.67 years

(Continued)

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3) Expenses resulting from share-based payment

The expenses resulting from share-based payment transactions for the years ended December 31, 2023 and 2022, were as follows:

	For the years ended December 31	
	2023	2022
Expense arising from employee stock options	\$ 11,307	13,036

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

- 1) On May 27, 2022, the shareholders' meetings approved to issue 5,400 thousand new shares of restricted stock awards for certain requirements 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.

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

On April 28, 2023, the Board of KINSUS approved to issue 456 thousand new shares of restricted stock, with the record date for the capital increase on May 19, 2023. However, only 280 thousand shares were actually issued, with a fair value of \$108 (dollars) per share at the grant date.

New shares of restricted stock awards are entitled to purchase shares at the price of \$85.6 (dollars) 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 up to thousands of shares)
8 months from grant date	20% (Rounding up to thousands of shares)
13 months from grant date	20% (Rounding down to thousands of shares)
20 months from grant date	10% (Rounding up to thousands of shares)
25 months from grant date	10% (Rounding up to thousands of shares)
32 months from grant date	Remaining shares

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II. Employees from grade 6 to grade 7

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

The restricted obligation before vested was as follows:

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

On August 19, 2022, KINSUS issued 1,932 thousand new shares of restricted stock awards, and incurred \$146,059 thousand in capital surplus. As of December 31, 2023, 26 thousand new shares of restricted stock awards have expired, resulting in the increase of the capital surplus of KINSUS by \$260 thousand. Subsequently, as of December 31, 2023, the deferred compensation cost of KINSUS arising from the issuance of its new shares of restricted stock awards amounted to \$6,857 thousand.

On March 20, 2023, KINSUS issued 1,448 thousand new shares restricted stock awards, and incurred \$109,469 thousand in capital surplus, As of December 31, 2023, 22 thousand new shares of restricted stock awards have expired, resulting in the increase of the capital surplus of KINSUS by \$220 thousand. Subsequently, as of December 31, 2023, the deferred compensation cost of KINSUS arising from the issuance of its new shares of restricted stock amounted to \$6,081 thousand.

On May 19, 2023, KINSUS issued 280 thousand new shares of restricted stock awards, and incurred \$21,168 thousand in capital surplus. As of December 31, 2023, the deferred compensation cost of KINSUS arising from the issuance of its new shares of restricted stock amounted to \$1,675 thousand.

2) Kinsus group subsidiary's employee share-based payments plan

On April 28, 2023, PEGAVISION, a subsidiary of KINSUS, issued new shares to increase cash capital pursuant to the Board's resolution. The record date of the capital increase was September 7, 2023, and a portion of those shares was retained for employees' subscriptions.

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The information of the share-based payment transactions was as follows:

	For the year ended December 31 , 2023	
	Weighted-average exercise price (dollars)	Units of stock option
Outstanding as of January 1 (In thousand units)	\$ -	-
Granted during the period	310	1,200
Exercised during the period	310	(1,187)
Expired during the period	-	<u>(13)</u>
Outstanding as of December 31 (In thousand units)	-	<u>-</u>
Fair value at the grant date (dollars)		<u><u>\$ 49.57</u></u>

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

	July 7, 2023
Fair value at the grant date (dollars)	\$ 353.97
Stock price at the grant date (dollars)	\$ 310
Expected volatility rate	40.40%
Risk-free interest rate	0.7872%
Expected duration of option years	0.142 years
Expected dividends rate	-%

The Fair value at the grant date is evaluated by income method and market method.

The expected volatility is based on the annualized standard deviation of the rate of return on the transactions of the previous year.

3) Employee stock option of KINSUS

	For the years ended December 31	
	2023	2022
Expenses resulting from equity-settled share-based payment	<u>\$ 114,828</u>	<u>49,673</u>

4) KINSUS did not make any cancellation or amendment to share-based payment transactions for the years ended December 31, 2023 and 2022.

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(ii) Contract balances

	<u>December 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>January 1,</u> <u>2022</u>
Notes receivable	\$ 4,833	11,200	14,952
Accounts receivable	155,061,701	190,423,074	249,637,569
Less: Allowance for impairment	<u>160,171</u>	<u>187,095</u>	<u>119,064</u>
Total	<u>\$ 154,906,363</u>	<u>190,247,179</u>	<u>249,533,457</u>
Contract liabilities	<u>\$ 5,771,148</u>	<u>3,828,212</u>	<u>1,475,626</u>

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

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

(x) 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 profits should be reserved to offset the deficits. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

For the years ended December 31, 2023 and 2022 the Company estimated its employee remuneration amounting to \$1,533,000 thousand and \$1,365,000 thousand, and directors' remuneration amounting to \$153,000 thousand and \$135,000 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. 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 in next year. The numbers of shares to be distributed were calculated based on the closing price of the Company's ordinary shares, one day before the approval by the Board of Directors. Related information would be available at the Market Observation Post System website. There was no difference between the amounts approved in Board of Directors meeting and recognized for the year ended December 31, 2023 and 2022.

(y) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	<u>For the years ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Interest income	<u>\$ 4,918,316</u>	<u>2,276,429</u>

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(ii) Other income

The details of other income were as follows:

	For the years ended December 31	
	2023	2022
Subsidy income	\$ 1,658,940	2,760,380
Rent income	212,042	620,229
Dividend income	100,434	119,657
Technical service income	749,273	582,061
Other income	<u>627,555</u>	<u>692,932</u>
	<u>\$ 3,348,244</u>	<u>4,775,259</u>

(iii) Other gains and losses

The details of other gains and losses were as follows:

	For the years ended December 31	
	2023	2022
Foreign exchange losses	\$ (347,589)	(2,049,882)
(Losses) gains on disposal of property, plant and equipment	(4,751)	383,601
Gains on lease modifications	7,046	127,496
Impairment losses on non-financial assets	(19,488)	(40,502)
Net gains (losses) on financial assets measured at fair value through profit or loss	476,893	(4,389,072)
Others	<u>(217,276)</u>	<u>(419,097)</u>
	<u>\$ (105,165)</u>	<u>(6,387,456)</u>

(iv) Finance costs

The details of finance costs were as follows:

	For the years ended December 31	
	2023	2022
Interest expenses	\$ 2,920,031	1,971,143
Financial expenses-bank fees and factoring fees, etc.	<u>33,533</u>	<u>16,508</u>
	<u>\$ 2,953,564</u>	<u>1,987,651</u>

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(z) Financial instruments

(i) Credit risk

1) Credit risk exposure

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

2) Concentration of credit risk

As of December 31, 2023 and 2022, the accounts receivable from the Group's top three customers were amounted to \$114,857,525 thousand and \$131,973,672 thousand, representing 74% and 69% of accounts receivable, respectively, which exposes the Group to credit risk.

(ii) Liquidity risk

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>More than 2 years</u>
December 31, 2023					
Non-derivative financial liabilities					
Secured bank loans	\$ 255,478	255,478	14,125	1,622	239,731
Unsecured bank loans	65,446,758	65,487,407	48,902,228	3,594,381	12,990,798
Unsecured ordinary corporate bonds	30,384,389	30,400,000	8,000,000	7,500,000	14,900,000
Non-interest bearing liabilities	207,428,588	207,428,588	202,009,668	5,418,920	-
Lease liabilities	<u>2,218,541</u>	<u>2,218,541</u>	<u>529,806</u>	<u>316,225</u>	<u>1,372,510</u>
	<u>\$ 305,733,754</u>	<u>305,790,014</u>	<u>259,455,827</u>	<u>16,831,148</u>	<u>29,503,039</u>
December 31, 2022					
Non-derivative financial liabilities					
Secured bank loans	\$ 272,216	272,216	6,655	7,872	257,689
Unsecured bank loans	96,316,133	96,451,788	82,371,617	3,729,565	10,350,606
Unsecured ordinary corporate bonds	34,876,992	34,900,000	4,500,000	8,000,000	22,400,000
Non-interest bearing liabilities	240,715,180	240,715,180	235,385,475	5,329,705	-
Lease liabilities	<u>2,888,601</u>	<u>2,888,601</u>	<u>1,366,074</u>	<u>853,722</u>	<u>668,805</u>
	<u>\$ 375,069,122</u>	<u>375,227,785</u>	<u>323,629,821</u>	<u>17,920,864</u>	<u>33,677,100</u>

The liquidity of the aforesaid bank loans, bonds payable, and lease liabilities does not include the 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.

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(iii) Market risk

1) Exposure to currency risk

The Group's significant exposures to foreign currency risk of financial assets and liabilities were as follows:

(Unit: Foreign currency / NTD in thousands)

	December 31, 2023			December 31, 2022		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 13,339,684	30.7250	409,861,791	17,243,548	30.7175	529,678,686
USD:CNY	25,000	7.0827	768,124	71,105	6.9646	2,184,168
CNY:USD	4,857,157	0.1412	21,070,517	5,242,415	0.1436	23,121,770
USD:INR	-	-	-	379,710	82.7605	11,663,742
INR:USD	6,718,773	0.0120	2,482,778	-	-	-
<u>Non-monetary items</u>						
CNY:USD	7,157,037	0.1412	31,059,361	6,143,809	0.1436	27,107,247
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	12,997,258	30.7250	399,340,752	16,896,396	30.7175	519,015,044
USD:CNY	14,997	7.0827	460,782	26,744	6.9646	821,509
CNY:USD	2,987,877	0.1412	12,961,515	4,957,472	0.1436	21,865,029
USD:INR	-	-	-	784,019	82.7605	24,083,104
INR:USD	1,376,444	0.0120	508,635	-	-	-

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, accounts payable, and other payables that are denominated in foreign currency. Assuming other variables remain the same, 1% appreciation (depreciation) of TWD against foreign currency for the years ended December 31, 2023 and 2022 would have increased or decreased the net profit after tax by \$209,583 thousand and \$24,734 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 years ended December 31, 2023 and 2022, foreign exchange gain (loss), including realized and unrealized, amounted to (\$347,589) thousand and (\$2,049,882) thousand, respectively.

(iv) Interest rate analysis

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

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The following sensitivity analysis is based on the risk exposure to interest rate on derivative and non-derivative financial instruments on the reporting date. For variable rate instruments, the sensitivity analysis assumed that the variable rate liabilities are outstanding for the whole year on the reporting date. The rate of change is expressed as the interest rate increases or decreases by 1% when reporting to management internally, which also represents the Group management's assessment of the reasonably possible interest rate change.

If the interest rate increases / decreases by 1%, the Group's net profit after tax will decrease / increase by \$175,572 thousand and \$139,004 thousand for the years ended December 31, 2023 and 2022, respectively, assuming all other variable factors remaining constant. This is mainly due to the Group's borrowing in floating variable rate.

(v) Other market price risk

If the equity price changes, and if it is based on the same basis for both years and assumes that all variables remain the same, the impact to comprehensive income will be as follows.

<u>Equity price on reporting date</u>	For the years ended December 31			
	2023		2022	
	Comprehensive Income (Loss) (before tax)	Profit (Loss) (before tax)	Comprehensive Income (Loss) (before tax)	Profit (Loss) (before tax)
Increase 3%	\$ 51,521	239,439	42,109	230,707
Decrease 3%	\$ (51,521)	(239,439)	(42,109)	(230,707)

(vi) Fair value Information

1) Fair value hierarchy

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

	December 31, 2023				
	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	\$ 14,735,835	12,121,382	-	2,614,453	14,735,835

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

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

a) Non-derivative financial instruments

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

Financial instruments without an active market are unquoted equity instruments whose fair values are estimated using the net asset value method, primarily assuming that value is measured based on the net value of the investee's equity.

4) Transfers between levels of the fair value hierarchy

The Group held an investment in equity of AIROHA Technology Corp., which is classified as financial assets at fair value through profit or loss. The fair values were \$124,055 thousand and \$114,810 thousand as of December 31, 2023 and 2022, respectively.

The fair value hierarchy of the investment was categorized as level 3 for the year ended December 31, 2022, since there was no obvious quoted market price in active market, and the Group applied significant unobservable inputs to measure the fair value. However, their shares are listed on the exchange market in October 2023 with quoted market price in active market, so the fair value hierarchy transfers from level 3 to level 1 in 2023.

There have been no transfers from each level for the years ended December 31, 2022.

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5) Reconciliation of Level 3 fair values

	<u>Fair value through profit or loss</u>	<u>Fair value through other comprehensive income</u>		<u>Total</u>
	Non-derivative financial assets mandatorily measured at fair value through profit or loss	Unquoted equity instruments	Unquoted debt instruments	
Opening balance, January 1, 2023	\$ 1,584,573	529,534	-	2,114,107
Total gains and losses recognized:				
In profit or loss	32,748	-	-	32,748
In other comprehensive income	-	35,696	-	35,696
Acquired	1,117,161	19,659	-	1,136,820
Disposed	(11,500)	-	-	(11,500)
Effect in exchange rate	6,281	(1,230)	-	5,051
Transferred out from Level 3	(114,810)	-	-	(114,810)
Ending Balance, December 31, 2023	<u>\$ 2,614,453</u>	<u>583,659</u>	<u>-</u>	<u>3,198,112</u>
Opening balance, January 1, 2022	\$ 715,758	194,010	41,784	951,552
Total gains and losses recognized:				
In profit or loss	(70,346)	-	-	(70,346)
In other comprehensive income	-	18,160	-	18,160
Reclassification	41,784	-	(41,784)	-
Acquired	883,367	312,303	-	1,195,670
Effect in exchange rate	14,010	5,061	-	19,071
Ending Balance, December 31, 2022	<u>\$ 1,584,573</u>	<u>529,534</u>	<u>-</u>	<u>2,114,107</u>

For the years ended December 31, 2023 and 2022, total gains and losses that were accounted as “other gains and losses” and “unrealized gains from financial assets at fair value through other comprehensive income” were as follows:

	<u>For the years ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Total gains and losses recognized:		
In profit or loss and presented in “other gains and losses”	<u>\$ 32,748</u>	<u>(70,346)</u>
In other comprehensive income, and presented in “unrealized gains from financial assets at fair value through other comprehensive income”	<u>\$ 35,696</u>	<u>18,160</u>

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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, investment in debt securities private fund and financial assets measured at fair value through other comprehensive income—equity investments, private fund.

Most of the fair value measurements categorized within level 3 use the single and significant unobservable input. Equity investments without an active market contain multiple significant unobservable input. The significant unobservable inputs of the equity investments are independent from each other, as a result, there is no relevance between them.

Quantified information of significant unobservable inputs was as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through profit or loss-equity investments without an active market	Market Approach	<ul style="list-style-type: none"> ·The multiplier of price-to-book ratio (As of December 31, 2023 and December 31, 2022, were 3.8 and 2.1~9.5, respectively.) ·Market illiquidity discount (As of December 31, 2023 and December 31, 2022, were 20%) 	The estimated fair value would increase (decrease) if: <ul style="list-style-type: none"> ·the multiplier were higher (lower). ·the market illiquidity discount were lower (higher).
Financial assets at fair value through profit or loss-liability investments without an active market	Market Approach	<ul style="list-style-type: none"> ·Price to sales ratio (As of December 31, 2023 was 10.) ·Market illiquidity discount (As of December 31, 2023 was 20%.) 	The estimated fair value would increase (decrease) if: <ul style="list-style-type: none"> ·the multiplier were higher (lower). ·the market illiquidity discount were lower (higher).
Financial assets at fair value through other comprehensive income-equity investments without an active market	Market Approach	<ul style="list-style-type: none"> ·The multiplier of price-to-book ratio (As of December 31, 2023, and December 31, 2022, were 1.5~5.7 and 1.5~1.6, respectively.) ·Market illiquidity discount (As of December 31, 2023, and December 31, 2022, were 10%~40% and 20%, respectively.) 	The estimated fair value would increase (decrease) if: <ul style="list-style-type: none"> ·the multiplier were higher (lower). ·the market illiquidity discount were lower (higher).
Financial assets at fair value through profit or loss private fund	Net Asset Value Method	·Net Asset Value	Not applicable

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PEGATRON CORPORATION AND SUBSIDIARIES
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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
December 31, 2023						
Financial assets at fair value through profit or loss						
Equity investments without an active market	Multiplier of price-to-book ratio	1%	3,619	(3,619)	-	-
Equity investments without an active market	Market illiquidity discount	1%	3,619	(3,619)	-	-
Equity investments without an active market	Price to sales ratio	1%	7,069	(7,069)	-	-
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	Multiplier of price-to-book ratio	1%	-	-	5,837	(5,837)
Equity investments without an active market	Market illiquidity discount	1%	-	-	5,837	(5,837)
December 31, 2022						
Financial assets at fair value through profit or loss						
Equity investments without an active market	Multiplier of price-to-book ratio	1%	4,697	(4,697)	-	-
Equity investments without an active market	Market illiquidity discount	1%	4,697	(4,697)	-	-
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	Multiplier of price-to-book ratio	1%	-	-	5,295	(5,295)
Equity investments without an active market	Market illiquidity discount	1%	-	-	5,295	(5,295)

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

- (vii) Offsetting financial assets and financial liabilities

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

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PEGATRON CORPORATION AND SUBSIDIARIES
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The following tables present the aforesaid offsetting financial assets and financial liabilities.

December 31, 2023						
Financial assets that are offset which have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial assets (a)	Gross amounts of financial liabilities offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)		Net amounts (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral instruments	
Accounts Receivable and Payable	\$ 10,747,449	8,120,157	2,627,292	-	-	2,627,292
Other financial asset and short-term loan	\$ 11,185,409	11,185,409	-	-	-	-
December 31, 2023						
Financial liabilities that are offset which have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial liabilities (a)	Gross amounts of financial assets offset in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)		Net amounts (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral instruments	
Accounts Receivable and Payable	\$ 8,120,157	8,120,157	-	-	-	-
Other financial asset and short-term loan	\$ 11,185,409	11,185,409	-	-	-	-
December 31, 2022						
Financial assets that are offset which have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial assets (a)	Gross amounts of financial liabilities offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)		Net amounts (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral instruments	
Accounts Receivable and Payable	\$ 15,142,421	12,362,704	2,779,717	-	-	2,779,717
Other financial asset and short-term loan	\$ 76,770,949	76,770,949	-	-	-	-
December 31, 2022						
Financial liabilities that are offset which have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial liabilities (a)	Gross amounts of financial assets offset in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)		Net amounts (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral instruments	
Accounts Receivable and Payable	\$ 12,362,704	12,362,704	-	-	-	-
Other financial asset and short-term loan	\$ 76,770,949	76,770,949	-	-	-	-

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

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(aa) Financial risk management

(i) Overview

The Group is exposed to the following risks from its financial instruments:

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

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

(ii) Structure of risk management

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management team, which reports to the Board of Directors, is responsible for the development and control of the Group's risk management policies.

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

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

(iii) Credit risk

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

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

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

1) Accounts receivable and other receivables

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

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

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

2) Investment

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

3) Guarantee

The Group's policies were prepared in accordance with Guidelines for Lending of Capital, Endorsements and Guarantees by Public Companies. Please refer to Note 13(a) Table 2 for details of endorsements and guarantees provided by the Group as of December 31, 2023 and 2022.

(iv) Liquidity risk

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

The Group has sufficient working capital to meet its commitment for operation obligation and is not expecting any significant liquidity risk.

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PEGATRON CORPORATION AND SUBSIDIARIES
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(v) Market risk

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

1) Currency risk

The Group is exposed to currency risk on sales, purchases, and borrowings that are denominated in foreign currency other than the respective functional currencies of the Group's entities, such as NTD, EUR, USD, and CNY.

The Group's purchases and sales are denominated mainly in US dollars, which exposes the Group's current and future cash flows from foreign currency assets to the risk of market exchange rate fluctuations. The group follows the principle of natural hedging, the currency held by the group is consistent with the actual foreign exchange demand of the group's import and export transactions. The foreign currency positions of the Group are operated by self-levelling principle, and spot foreign exchange tools are used to avoid exchange rate risk.

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

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

2) Interest rate risk

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

3) Price floating risk on equity instruments

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

(ab) Capital management

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

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the year ended December 31, 2023, the Group had used the debt-to-equity ratio, interest-bearing liability-to-equity ratio, and other financial ratios to maintain an optimal capital structure and raise returns on equity.

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

	December 31, 2023	December 31, 2022
Total liabilities	\$ 335,451,430	421,654,524
Less: cash and cash equivalents	<u>(97,721,592)</u>	<u>(84,577,382)</u>
Net debt	<u>237,729,838</u>	<u>337,077,142</u>
Total capital (Note)	<u>\$ 459,347,605</u>	<u>551,645,405</u>
Debt to equity ratio	<u>51.75%</u>	<u>61.10%</u>

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

Management believes that there were no significant changes in the Group's approach to capital management for the years ended December 31, 2023 and 2022.

(ac) Financing activities not affecting current cash flow

For the years ended December 31, 2023 and 2022, reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2023	Cash flows	Non-cash changes		December 31, 2023
			Foreign exchange movement	Other	
Long-term loans	\$ 16,998,898	3,528,075	247	10,672	20,537,892
Short-term loans	79,589,451	(34,425,107)	-	-	45,164,344
Bonds payable	34,876,992	(4,500,000)	-	7,397	30,384,389
Lease liabilities	<u>2,888,601</u>	<u>(1,422,604)</u>	<u>54,518</u>	<u>698,026</u>	<u>2,218,541</u>
Total liabilities from financing activities	<u>\$ 134,353,942</u>	<u>(36,819,636)</u>	<u>54,765</u>	<u>716,095</u>	<u>98,305,166</u>

	January 1, 2022	Cash flows	Non-cash changes		December 31, 2022
			Foreign exchange movement	Other	
Long-term loans	\$ 13,237,371	3,666,527	115,311	(20,311)	16,998,898
Short-term loans	94,023,304	(14,433,853)	-	-	79,589,451
Bonds payable	36,869,595	(2,000,000)	-	7,397	34,876,992
Lease liabilities	<u>3,071,000</u>	<u>(1,538,617)</u>	<u>180,253</u>	<u>1,175,965</u>	<u>2,888,601</u>
Total liabilities from financing activities	<u>\$ 147,201,270</u>	<u>(14,305,943)</u>	<u>295,564</u>	<u>1,163,051</u>	<u>134,353,942</u>

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(7) Related-party transactions

(a) Names and relationship with related parties

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

<u>Name of related party</u>	<u>Relationship with the Group</u>
Luxcase Precision Technology (Kunshan) Co., Ltd. (Luxcase (Kunshan))	An associate
Luxcase Precision Technology (Yancheng) Co., Ltd. (Luxcase (Yancheng))	An associate
RI-MING (SHANGHAI) CO., LTD. (RI-MING)	An associate
RI SHAN COMPUTER ACCESSORY (JIASHAN) CO., LTD. (RI SHAN)	An associate
SHENG-RUI ELECTRONIC TECHNOLOGY (SHANGHAI) LIMITED (SHENG-RUI)	An associate
RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD. (RI PEI)	An associate
RI Da INTELLIGENT MANUFACTURING TECHNOLOGY CO., LTD. (RI Da)	An associate
CASETEK SINGAPORE PTE. LTD. (CSG)	An associate
ADVANTECH CO., LTD.	Other related party
ADVANTECH TECHNOLOGY (CHINA) CO., LTD.	Other related party
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd.	Other related party

(b) Significant transactions with related parties

(i) Operating revenue

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

	<u>Sales</u>	
	<u>For the years ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Associates	\$ 663,352	-
Other related parties	73,804	139,096
	<u>\$ 737,156</u>	<u>139,096</u>

The terms and the selling price for related parties were not significantly different from other customers.

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PEGATRON CORPORATION AND SUBSIDIARIES
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(ii) Purchase of Goods from Related Parties

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

	Purchases	
	For the years ended December 31	
	2023	2022
Associates	\$ 384,669	456,354

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

(iii) Loan to Related Parties

The loan to related parties was as follows:

	December 31,
	2022
Associates	\$ -
Range of interest rate	1%
Interest revenue	\$ 50,328

(c) Transactions with key management personnel

Compensation for key management personnel was as follows:

	For the years ended December 31	
	2023	2022
Short-term employee benefits	\$ 477,336	430,162
Post-employment benefits	4,589	4,357
Share-based payments	59,485	118,080
	\$ 541,410	552,599

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

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(8) Assets pledged as security

The carrying value of pledged assets was as follows:

Assets pledged as security	Object	December 31, 2023	December 31, 2022
Other financial asset-restricted deposit	Post-release duty deposits, customs duty, lease deposits, travel agency guarantee, etc.	\$ 124,937	136,674
Property, plant and equipment	Bank loans	309,637	321,504
Other financial asset-guarantee deposits	Customs duty guarantee, litigation guarantee, rental deposits, and deposits for performance guarantee	62,565	39,954
		<u>\$ 497,139</u>	<u>498,132</u>

(9) Commitments and contingencies**(a) Significant commitments and contingencies****(i) Unused standby letters of credit:**

	December 31, 2023	December 31, 2022
JPY	\$ 4,517,542	8,726,739
USD	7,216	10,244

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

	December 31, 2023	December 31, 2022
NTD	<u>\$ 3,930</u>	<u>14,190</u>

(iii) As of December 31, 2023 and 2022, the significant contracts for purchase of properties by the Group amounted to \$33,336,088 thousand and \$28,224,912 thousand, of which \$11,994,193 thousand and \$12,644,022 thousand, respectively, were unpaid.

(iv) As of December 31, 2023 and 2022, the Group issued a tariff guarantee of \$732,449 thousand and \$876,349 thousand, respectively, to the bank for the purpose of importing goods.

(10) Losses due to major disasters: None.

(11) Subsequent events: None.

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PEGATRON CORPORATION AND SUBSIDIARIES
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(12) Others

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

By function	For the years ended December 31					
	2023			2022		
By item	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Employee benefits						
Salary	\$ 34,560,500	16,369,705	50,930,205	47,881,605	16,416,538	64,298,143
Health and labor insurance	3,465,553	1,159,007	4,624,560	5,029,469	1,148,145	6,177,614
Pension	3,515,817	883,654	4,399,471	4,441,551	851,294	5,292,845
Others	1,342,065	841,243	2,183,308	1,704,763	1,447,763	3,152,526
Depreciation	12,706,182	2,474,335	15,180,517	12,290,435	2,379,822	14,670,257
Amortization	45,985	101,228	147,213	40,327	95,362	135,689

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

	For the years ended December 31	
	2023	2022
Depreciation in investment property	\$ <u>3,009</u>	<u>3,112</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 at the reporting date (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 real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock	Table 5
6	Disposal of real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock	Table 6
7	Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock	Table 7
8	Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock	Table 8
9	Trading in derivative instruments	None
10	Information on investees (excluding investees in Mainland China)	Table 9
11	Information on investment in Mainland China	Table 10
12	Business relationships and significant inter-company transactions	Table 11

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(b) Information on investees:

Please refer to Table 9 for the information on investees (excluding investees in Mainland China) for the year ended December 31, 2023.

(c) Information on investment in Mainland China: Please refer to Table 10.

(d) Major shareholders:

Shareholder's Name	Shares	Percentage
ASUSTEK COMPUTER INC.	448,506,484	16.83 %

(14) Segment information

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

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

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

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

<u>For the years ended December 31, 2023</u>	<u>DMS</u>	<u>Strategic Investment Group</u>	<u>Adjustment and Eliminations</u>	<u>Total</u>
Revenue:				
Revenue from external customers	\$ 1,200,846,199	55,937,195	-	1,256,783,394
Intersegment revenues	<u>347,025</u>	<u>524,740</u>	<u>(871,765)</u>	-
Total revenue	<u>\$ 1,201,193,224</u>	<u>56,461,935</u>	<u>(871,765)</u>	<u>1,256,783,394</u>
Share of profit of associates and joint ventures accounted for using equity method	<u>\$ 4,748,231</u>	<u>4,346,764</u>	<u>(4,748,231)</u>	<u>4,346,764</u>
Reportable segment profit or loss	<u>\$ 21,615,869</u>	<u>7,439,615</u>	<u>(4,748,231)</u>	<u>24,307,253</u>
Assets:				
Investments accounted for using equity method	<u>\$ 79,548,571</u>	<u>31,940,397</u>	<u>(79,548,571)</u>	<u>31,940,397</u>
Reportable segment assets	<u>\$ 485,364,901</u>	<u>156,952,639</u>	<u>(85,248,343)</u>	<u>557,069,197</u>
Reportable segment liabilities	<u>\$ 296,555,009</u>	<u>44,596,192</u>	<u>(5,699,771)</u>	<u>335,451,430</u>

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<u>For the years ended December 31, 2022</u>	<u>DMS</u>	<u>Strategic Investment Group</u>	<u>Adjustment and Eliminations</u>	<u>Total</u>
Revenue:				
Revenue from external customers	\$ 1,248,114,250	70,299,472	-	1,318,413,722
Intersegment revenues	<u>601,478</u>	<u>686,057</u>	<u>(1,287,535)</u>	<u>-</u>
Total revenue	<u>\$ 1,248,715,728</u>	<u>70,985,529</u>	<u>(1,287,535)</u>	<u>1,318,413,722</u>
Share of profit of associates and joint ventures accounted for using equity method	<u>\$ 8,795,885</u>	<u>4,281,306</u>	<u>(8,795,885)</u>	<u>4,281,306</u>
Other significant non-monetary items:				
Reportable segment profit or loss	<u>\$ 18,738,351</u>	<u>18,012,947</u>	<u>(8,795,885)</u>	<u>27,955,413</u>
Assets:				
Investments accounted for using equity method	<u>\$ 76,226,018</u>	<u>27,856,863</u>	<u>(76,226,018)</u>	<u>27,856,863</u>
Reportable segment assets	<u>\$ 572,454,496</u>	<u>147,756,160</u>	<u>(83,987,869)</u>	<u>636,222,787</u>
Reportable segment liabilities	<u>\$ 389,965,931</u>	<u>39,450,444</u>	<u>(7,761,851)</u>	<u>421,654,524</u>

(b) Geographic information

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

<u>Region</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Non-current assets:		
Taiwan	\$ 56,835,779	52,827,435
China	22,852,580	34,377,700
Others	<u>18,089,678</u>	<u>11,881,013</u>
Total	<u>\$ 97,778,037</u>	<u>99,086,148</u>

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

(c) Major Customer

Major customers from DMS in 2023 and 2022 were as follows:

<u>Customer</u>	<u>For the years ended December 31</u>	
	<u>2023</u>	<u>2022</u>
A	\$ 732,256,963	704,253,324
B	189,287,841	222,995,207
C	<u>73,930,264</u>	<u>86,904,519</u>
	<u>\$ 995,475,068</u>	<u>1,014,153,050</u>

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Table 1: Loans to other parties
(December 31, 2023)

Expressed in thousands of NTD

No.	Creditor	Borrower	General ledger account	Related party	Maximum outstanding balance	Ending balance	Actual amount drawn down	Interest rate	Nature of loan (Note1)	Amount of transactions with the borrower	Reasons for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party(Note 2)	Ceiling on total loans granted(Note 2)
													Item	Value		
1	MAINTEK	COTEK SUZHOU	Other Receivables	Y	1,536,250	1,536,250	1,536,250	0.59%	2	-	Financing necessities	-	-	-	32,792,754	32,792,754
2	ASUSPOWER	PEGATRON	Other Receivables	Y	5,963,723	5,656,473	5,656,473	0.00%	2	-	Business operation	-	-	-	6,628,461	6,628,461
2	ASUSPOWER	ASUS INVESTMENT	Other Receivables	Y	629,863	-	-	0.00%	2	-	Business operation	-	-	-	1,988,538	3,977,077
2	ASUSPOWER	ASUSPOWER INVESTMENT	Other Receivables	Y	522,325	307,250	307,250	0.00%	2	-	Business operation	-	-	-	1,988,538	3,977,077
2	ASUSPOWER	PVN	Other Receivables	Y	1,536,250	-	-	0.00%	2	-	Business operation	-	-	-	6,628,461	6,628,461
3	PEGA HOLDING	PEGATRON	Other Receivables	Y	660,588	660,588	660,588	0.00%	2	-	Business operation	-	-	-	96,460,112	96,460,112
4	UNIHAN	PEGATRON	Other Receivables	Y	1,843,500	1,843,500	1,843,500	0.00%	2	-	Business operation	-	-	-	6,619,523	6,619,523
5	CASETEK	PEGATRON	Other Receivables	Y	141,335	141,335	141,335	0.00%	2	-	Business operation	-	-	-	4,745,681	4,745,681
6	KTL	PEGATRON	Other Receivables	Y	476,238	-	-	0.00%	2	-	Business operation	-	-	-	509,088	509,088
6	KTL	PEL	Other Receivables	Y	460,875	460,875	460,875	5.12%	2	-	Business operation	-	-	-	509,088	509,088
7	DIGITEK CHONGQING	KAI-CHUAN	Other Receivables	Y	307,250	184,350	184,350	0.83%	2	-	Financing necessities	-	-	-	7,518,310	7,518,310
8	Pegapower Investment	ASUSPOWER INVESTMENT	Other Receivables	Y	390,000	-	-	0.85%	2	-	Business operation	-	-	-	399,044	399,044
9	Pegatron Investment	ASUSPOWER INVESTMENT	Other Receivables	Y	200,000	-	-	0.85%	2	-	Business operation	-	-	-	399,402	399,402
9	Pegatron Investment	ASUS INVESTMENT	Other Receivables	Y	190,000	-	-	0.85%	2	-	Business operation	-	-	-	399,402	399,402
10	CASETEK SUZHOU	PROTEK SHANGHAI	Other Receivables	Y	1,301,409	1,301,409	1,301,409	2.10%	2	-	Financing necessities	-	-	-	3,121,270	3,121,270
11	RI- TENG	RI-PRO	Long-Term Accounts Receivables	Y	130,141	130,141	130,141	1.00%	2	-	Business operation	-	-	-	5,950,563	5,950,563
11	RI- TENG	PROTEK SHANGHAI	Long-Term Accounts Receivables	Y	4,338,030	4,338,030	4,338,030	2.10%	2	-	Business operation	-	-	-	5,950,563	5,950,563
11	RI- TENG	PEGAGLOBE KUNSHAN	Long-Term Accounts Receivables	Y	1,735,212	-	-	2.10%	2	-	Business operation	-	-	-	5,950,563	5,950,563
12	CASETEK CAYMAN	PEGATRON	Short-Term Accounts Receivables	Y	7,066,750	2,458,000	2,458,000	0.00%	2	-	Business operation	-	-	-	46,662,870	46,662,870
13	Azwave	AIGALE	Other Receivables	Y	30,725	30,725	-	0.00%	2	-	Business operation	-	-	-	948,918	948,918

Note 1:Reference for the Nature of loan column

(1) the borrower has business contact with the creditor

(2) the borrower has short-term financing necessities

Note 2:Calculation for the ceiling on total loans granted

Ceiling on total loans granted

According to MAINTEK's policy for loans granted, the ceiling on total loans granted to all parties is 100% of net worth of MAINTEK.

While granting loans to Taiwan subsidiaries which are directly or indirectly not wholly-owned by the Company are as follows: ceiling on total loans granted to which is 40% of net worth of MAINTEK.

While granting loans to the Company and foreign subsidiaries which are directly or indirectly wholly-owned by the Company are as follows: ceiling on total loans granted to which is 100% of net worth of MAINTEK.

According to ASUSPOWER's policy for loans granted, the ceiling on total loans granted to all parties is 60% of net worth of ASUSPOWER.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
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While granting loans to the Company and foreign subsidiaries which are directly or indirectly wholly-owned by the Company are as follows: ceiling on total loans granted to which is 100% of net worth of ASUSPOWER.

According to PEGA HOLDING's policy for loans granted, the ceiling on total loans granted to all parties is 30% of net worth of PEGA HOLDING.

While granting loans to the Company and foreign subsidiaries which are directly or indirectly wholly-owned by the Company are as follows: ceiling on total loans granted to which is 100% of net worth of PEGA HOLDING.

According to UNIHAN's policy for loans granted, the ceiling on total loans granted to all parties is 30% of net worth of UNIHAN.

While granting loans to the Company and foreign subsidiaries which are directly or indirectly wholly-owned by the Company are as follows: ceiling on total loans granted to which is 100% of net worth of UNIHAN.

According to CASETEK's policy for loans granted, the ceiling on total loans granted to all parties is 30% of net worth of CASETEK.

While granting loans to the Company and foreign subsidiaries which are directly or indirectly wholly-owned by the Company are as follows: ceiling on total loans granted to which is 100% of net worth of CASETEK.

According to KTL's policy for loans granted, the ceiling on total loans granted to all parties is 30% of net worth of KTL.

While granting loans to the Company and foreign subsidiaries which are directly or indirectly wholly-owned by the Company are as follows: ceiling on total loans granted to which is 100% of net worth of KTL.

According to DIGITEK CHONGQING's policy for loans granted, the ceiling on total loans granted to all parties is 30% of net worth of DIGITEK CHONGQING.

While granting loans to the Company and foreign subsidiaries which are directly or indirectly wholly-owned by the Company are as follows: ceiling on total loans granted to which is 100% of net worth of DIGITEK CHONGQING.

According to Pegapower Investment's policy for loans granted, the ceiling on total loans granted to all parties is 40% of net worth of Pegapower Investment.

According to Pegatron Investment's policy for loans granted, the ceiling on total loans granted to all parties is 40% of net worth of Pegatron Investment.

According to CASETEK SUZHOU's policy for loans granted, the ceiling on total loans granted to all parties is 30% of net worth of CASETEK SUZHOU.

While granting loans to the Company and foreign subsidiaries which are directly or indirectly wholly-owned by the Company are as follows: ceiling on total loans granted to which is 100% of net worth of CASETEK SUZHOU.

According to RI-TENG's policy for loans granted, except for the Company(PEGATRON) or foreign subsidiaries whose voting shares are directly or indirectly wholly-owned by the Company,

when there is a short-term financing need, the ceiling on total loans granted to which is 100% of net worth of RI-TENG, the ceiling on total loans granted to all other parties is 30% of net worth of RI-TENG.

According to CASETEK CAYMAN's policy for loans granted, except for the Company(PEGATRON) or foreign subsidiaries whose voting shares are directly or indirectly wholly-owned by the Company,

when there is a short-term financing need, the ceiling on total loans granted to which is 100% of net worth of CASETEK CAYMAN, the ceiling on total loans granted to all other parties is 60% of net worth of CASETEK CAYMAN.

According to Azwave's policy for loans granted to foreign subsidiaries whose voting shares are directly or indirectly wholly-owned by the Company is as follows: ceiling on total loans granted to which is 40% of net worth of Azwave.

Ceiling on total loans granted to single party

According to MAINTEK's policy for loans granted, the ceiling on total loans granted to single party is 50% of net worth of MAINTEK.

While granting loans to Taiwan subsidiaries which are directly or indirectly not wholly-owned by the Company are as follows: ceiling on total loans granted to which is 40% of net worth of MAINTEK.

While granting loans to the Company and foreign subsidiaries which are directly or indirectly wholly-owned by the Company are as follows: ceiling on total loans granted to which is 100% of net worth of MAINTEK.

According to ASUSPOWER's policy for loans granted, the ceiling on total loans granted to a single party is 30% of net worth of ASUSPOWER.

While granting loans to the Company and foreign subsidiaries which are directly or indirectly wholly-owned by the Company are as follows: ceiling on total loans granted to which is 100% of net worth of ASUSPOWER.

According to PEGA HOLDING's policy for loans granted, the ceiling on total loans granted to a single party is 15% of net worth of PEGA HOLDING.

While granting loans to the Company and foreign subsidiaries which are directly or indirectly wholly-owned by the Company are as follows: ceiling on total loans granted to which is 100% of net worth of PEGA HOLDING.

According to UNIHAN's policy for loans granted, the ceiling on total loans granted to a single party is 15% of net worth of UNIHAN.

While granting loans to the Company and foreign subsidiaries which are directly or indirectly wholly-owned by the Company are as follows: ceiling on total loans granted to which is 100% of net worth of UNIHAN.

According to CASETEK's policy for loans granted, the ceiling on total loans granted to a single party is 15% of net worth of CASETEK.

While granting loans to the Company and foreign subsidiaries which are directly or indirectly wholly-owned by the Company are as follows: ceiling on total loans granted to which is 100% of net worth of CASETEK.

According to KTL's policy for loans granted, the ceiling on total loans granted to a single party is 15% of net worth of KTL.

While granting loans to the Company and foreign subsidiaries which are directly or indirectly wholly-owned by the Company are as follows: ceiling on total loans granted to which is 100% of net worth of KTL.

According to DIGITEK CHONGQING's policy for loans granted, the ceiling on total loans granted to a single party is 15% of net worth of DIGITEK CHONGQING.

While granting loans to the Company and foreign subsidiaries which are directly or indirectly wholly-owned by the Company are as follows: ceiling on total loans granted to which is 100% of net worth of DIGITEK CHONGQING.

According to Pegapower Investment's policy for loans granted, the ceiling on total loans granted to single party is 40% of net worth of Pegapower Investment.

According to Pegatron Investment's policy for loans granted, the ceiling on total loans granted to single party is 40% of net worth of Pegatron Investment.

According to CASETEK SUZHOU's policy for loans granted, the ceiling on total loans granted to single party is 15% of net worth of CASETEK SUZHOU.

While granting loans to the Company and foreign subsidiaries which are not wholly-owned by the Company are as follows: ceiling on total loans granted to which is 100% of net worth of CASETEK SUZHOU.

According to RI-TENG's policy for loans granted, except for the Company (PEGATRON) or foreign subsidiaries whose voting shares are directly or indirectly wholly-owned by the Company, when there is a short-term financing need,

the ceiling on total loans granted to which is 100% of net worth of RI-TENG, the ceiling on total loans granted to other single party is 15% of net worth of RI-TENG.

According to CASETEK CAYMAN's policy for loans granted, except for the Company (PEGATRON) or foreign subsidiaries whose voting shares are directly or indirectly wholly-owned by the Company, when there is a short-term financing need,

the ceiling on total loans granted to which is 100% of net worth of CASETEK CAYMAN, the ceiling on total loans granted to other single party is 30% of net worth of CASETEK CAYMAN.

According to Azwave's policy for loans granted to a foreign subsidiary whose voting shares are directly or indirectly wholly-owned by the Company is as follows: ceiling on total loans granted to a subsidiary is 40% of net worth of Azwave.

Note 3: If the amounts were based on foreign currencies, please refer to the spot exchange rate on the financial statement date.

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Table 2: Guarantees and endorsements for other parties
(December 31, 2023)

Expressed in thousands of NTD

Number	Endorser/ Guarantor	Party being endorsed / guaranteed	Relationship (Note 1)	Limit on endorsements/ guarantees provided for a single party (Note2)	Maximum outstanding balance for the period	Outstanding balance for the period (Note3 and Note4)	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor	Ceiling on total amount of endorsements/ guarantees provided (Note 2)	Endorsements/ guarantees by parent company to subsidiary	Endorsements/ guarantees by subsidiary to parent company	Endorsements/ guarantees to the party in Mainland China
1	PEL	PMX	(4)	308,509	33,242	33,242	33,242	-	2.15 %	771,272	N	N	N
2	ASROCK	ASJAROCK	(2)	5,686,032	2,593,960	2,458,000	1,861,935	-	30.26 %	5,686,032	Y	N	N

Note 1: Relationship with the endorser / guarantor:

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

Note 2: Ceiling on total endorsements / guarantees

According to PEL's policy of endorsements and guarantees, the ceiling on total endorsements and guarantees to all parties is 50% of net worth of PEL.

According to ASROCK's policy of endorsements and guarantees, the ceiling on total endorsements and guarantees to all parties is 70% of net worth of ASROCK.

Ceiling on endorsements/ guarantees to single party

According to PEL's policy of endorsements and guarantees, the total ceiling on total endorsements and guarantees to single party is 20% of net worth of PEL.

According to ASROCK's policy of endorsements and guarantees, the total ceiling on total endorsements and guarantees to single party is 70% of net worth of ASROCK.

Note 3: If the amounts were based on foreign currencies, please refer to the spot exchange rate on the financial statement date.

Note 4: The amount is approved by the Board of Directors.

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Table 3: Securities held as of December 31, 2023 (excluding investment in subsidiaries, associates and joint ventures)
(December 31, 2023)

Expressed in thousands of NTD

Securities held by	Marketable securities			General ledger account	As of December 31, 2023				
	Category	Item	Relationship		Number of shares	Book value	Percentage of ownership	Fair value	NOTE
PEGATRON	Stock	ABILITY ENTERPRISE CO.,LTD.	-	Non-current financial assets at fair value through other comprehensive income	33,135,300	874,772	11.52%	874,772	
	Stock	Airoha Technology Corp.	-	Current financial assets at fair value through profit or loss	215,000	124,055	0.13%	124,055	
	Stock	Fubon Financial Holding Co., Ltd. Preferred Shares B	-	Non-current financial assets at fair value through profit or loss	3,500,000	209,650	0.53%	209,650	
	Fund	China Renewable Energy Fund, LP (CREF)	-	Non-current financial assets at fair value through profit or loss	-	995,414	N/A	995,414	
	Stock	TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED	-	Current financial assets at fair value through profit or loss	400,000	237,200	0.00%	237,200	
	Stock	DELTA ELECTRONICS, INC.	-	Current financial assets at fair value through profit or loss	290,000	90,915	0.01%	90,915	
	Stock	MEDIATEK INC.	-	Current financial assets at fair value through profit or loss	255,000	258,825	0.02%	258,825	
ASUSPOWER INVESTMENT	Stock	SPORTON INTERNATIONAL INC.	-	Current financial assets at fair value through profit or loss	700	169	0.00%	169	
	Stock	WIN SEMICONDUCTORS CORP.	-	Current financial assets at fair value through profit or loss	691,000	109,869	0.16%	109,869	
	Stock	ABILITY ENTERPRISE CO.,LTD.	-	Non-current financial assets at fair value through other comprehensive income	6,495	171	0.00%	171	
	Stock	ZOWIE Technology Corporation	-	Non-current financial assets at fair value through other comprehensive income	90,973	-	0.31%	-	
	Stock	Syntronix CO., LTD.	-	Non-current financial assets at fair value through other comprehensive income	6,778	-	0.02%	-	
	Stock	Cognito Health International Inc.	-	Non-current financial assets at fair value through other comprehensive income	1,136,363	20,949	1.20%	20,949	
	Fund	AMED	-	Non-current financial assets at fair value through profit or loss	-	261,358	N/A	261,358	
ASUS INVESTMENT	Stock	Valens Semiconductor Ltd.	-	Non-current financial assets at fair value through profit or loss	3,092,412	232,785	2.94%	232,785	
	Stock	BATOM CO., LTD.	-	Non-current financial assets at fair value through profit or loss	4,130,000	198,240	11.09%	198,240	
	Stock	SPEED TECH CORPORATION	-	Current financial assets at fair value through profit or loss	8,000,000	466,400	4.67%	466,400	
	Stock	TAIWAN UNION TECHNOLOGY CORPORATION	-	Current financial assets at fair value through profit or loss	277,000	34,902	0.10%	34,902	
	Stock	TONG HSING ELECTRONIC INDUSTRIES, LTD.	-	Current financial assets at fair value through profit or loss	52,650	8,293	0.03%	8,293	
	Stock	Lightel Technologies Inc.	-	Non-current financial assets at fair value through other comprehensive income	2,000,000	64,578	9.40%	64,578	
	Stock	PT Sat Nusapersada Tbk	-	Non-current financial assets at fair value through other comprehensive income	531,434,100	258,759	10.00%	258,759	
ASUS INVESTMENT	Stock	LIONS Taiwan Technology Inc.	-	Non-current financial assets at fair value through other comprehensive income	5,000,000	200,000	18.22%	200,000	
	Fund	New Economy Ventures LP	-	Non-current financial assets at fair value through profit or loss	-	60,136	N/A	60,136	
	Fund	AMED	-	Non-current financial assets at fair value through profit or loss	-	228,688	N/A	228,688	
	Stock	Neuroblade	-	Non-current financial assets at fair value through profit or loss	332,680	5,435	0.80%	5,435	
	Stock	Reed Semiconductor	-	Non-current financial assets at fair value through profit or loss	1,194,616	146,818	2.14%	146,818	

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Securities held by	Marketable securities		Relationship	General ledger account	As of December 31, 2023				NOTE
	Category	Item			Number of shares	Book value	Percentage of ownership	Fair value	
ASUSTEK INVESTMENT	Stock	BATOM CO., LTD.	-	Non-current financial assets at fair value through profit or loss	3,076,520	147,673	8.26%	147,673	
	Stock	Cognito Health International Inc.	-	Non-current financial assets at fair value through profit or loss	3,333,333	61,450	3.52%	61,450	
PROTEK SHANGHAI	Stock	LUXSHARE ICT CO., LTD.	-	Current financial assets at fair value through profit or loss	39,845,105	5,840,136	0.56%	5,840,136	
	Bond	LUXSHARE ICT CO., LTD.(Convertible Bond)	-	Current financial assets at fair value through profit or loss	170,816	81,022	N/A	81,022	
	Stock	Contemporary Amperex Technology Co. Limited	-	Current financial assets at fair value through profit or loss	5,400	3,861	0.00%	3,861	
Pegatron Venture	Stock	Ark Semiconductor Corp. Ltd.	-	Non-current financial assets at fair value through profit or loss	-	10,598	5.42%	10,598	
	Stock	KG Invest TW Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	2,500,000	1,484	3.22%	1,484	
	Stock	Panmedia Co., Ltd	-	Non-current financial assets at fair value through other comprehensive income	2,600,010	38,058	9.89%	38,058	
	Stock	TXOne Networks Inc.	-	Current financial assets at fair value through profit or loss	236,363	41,098	0.42%	41,098	
	Stock	BSOS Holdings INC.	-	Non-current financial assets at fair value through other comprehensive income	5,639,098	22,533	7.06%	22,533	
	Stock	Fansi Me Inc.	-	Non-current financial assets at fair value through other comprehensive income	394,909	6,000	5.22%	6,000	
	Stock	All Win Fintech Company Limited	-	Non-current financial assets at fair value through other comprehensive income	2,000,000	24,000	2.00%	24,000	
	Stock	Humane Inc.	-	Current financial assets at fair value through profit or loss	64,065	46,708	0.17%	46,708	
	Stock	YunTan Technology Inc.	-	Non-current financial assets at fair value through other comprehensive income	107,984	10,714	5.00%	10,714	
	Stock	Bestmade Inc.	-	Non-current financial assets at fair value through other comprehensive income	8,434,900	8,000	7.29%	8,000	
	Stock	Wavenet Holding CO., Ltd	-	Current financial assets at fair value through profit or loss	2,379,182	50,979	2.13%	50,979	
	Stock	POMO Network INC.	-	Non-current financial assets at fair value through other comprehensive income	157,894	9,000	2.03%	9,000	
	Stock	Modernity Financial Holdings, Ltd(Cayman)	-	Non-current financial assets at fair value through other comprehensive income	143,147	15,628	0.32%	15,628	
ASUSPOWER	Stock	Tesla, Inc.	-	Current financial assets at fair value through profit or loss	300	8,812	0.00%	8,812	
	Stock	TXOne Networks Inc.	-	Current financial assets at fair value through profit or loss	1,454,545	245,800	2.61%	245,800	
	Stock	Humane Inc.	-	Current financial assets at fair value through profit or loss	149,486	107,537	0.39%	107,537	
RI-KUAN	Stock	Ethos Original Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	5,000,000	50,000	7.49%	50,000	
HUA-YUAN	Stock	Ethos Original Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	5,000,000	52,028	7.49%	52,028	
Lumens	Fund	Fuh Hwa Money Market	-	Current financial assets at fair value through profit or loss	82,955,929	1,226,785	N/A	1,226,785	
KINSUS	Fund	Mega Diamond Money Market Fund	-	Current financial assets at fair value through profit or loss	21,355,432	275,475	N/A	275,475	
	Fund	Jih Sun Money Market	-	Current financial assets at fair value through profit or loss	17,776,549	271,172	N/A	271,172	
KINSUS INVESTMENT	Fund	Taishin Ta-Chong Money Market Fund	-	Current financial assets at fair value through profit or loss	829,070	12,112	N/A	12,112	
	Stock	Ethos Original Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	5,000,000	50,000	7.49%	50,000	
	Stock	Li Chang Finery Inc.	-	Non-current financial assets at fair value through other comprehensive income	32,653	1,000	1.01%	1,000	
PEGAVISION	Fund	Yuanta Wan-Tai Money Market Fund	-	Current financial assets at fair value through profit or loss	6,400,626	99,550	N/A	99,550	
	Fund	Yuanta De-Li Money Market Fund	-	Current financial assets at fair value through profit or loss	6,475,107	108,558	N/A	108,558	
	Fund	Mega Diamond Money Market Fund	-	Current financial assets at fair value through profit or loss	88,870,417	1,146,384	N/A	1,146,384	

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Notes to the Consolidated Financial Statements

Securities held by	Marketable securities		Relationship	General ledger account	As of December 31, 2023				NOTE
	Category	Item			Number of shares	Book value	Percentage of ownership	Fair value	
	Fund	FSITC Taiwan Money Market Fund	-	Current financial assets at fair value through profit or loss	67,078,751	1,055,719	N/A	1,055,719	
Mayin	Fund	Mega Diamond Money Market Fund	-	Current financial assets at fair value through profit or loss	392,329	5,061	N/A	5,061	
	Fund	FSITC Taiwan Money Market Fund	-	Current financial assets at fair value through profit or loss	1,653,209	26,019	N/A	26,019	
FacialBeau	Fund	Mega Diamond Money Market Fund	-	Current financial assets at fair value through profit or loss	673,797	10,605	N/A	10,605	
BeautyTech	Fund	Yuanta De-Li Money Market Fund	-	Current financial assets at fair value through profit or loss	502,952	8,432	N/A	8,432	
	Fund	Yuanta Wan-Tai Money Market Fund	-	Current financial assets at fair value through profit or loss	2,221,592	34,553	N/A	34,553	
	Fund	FSITC Taiwan Money Market Fund	-	Current financial assets at fair value through profit or loss	8,932,500	140,584	N/A	140,584	
AZUREWAVE	Stock	Ultimems, Inc.	-	Non-current financial assets at fair value through other comprehensive income	230	9,687	0.57%	9,687	

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Table 4: Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock
(For the year ended December 31, 2023)

Expressed in thousands of NTD															
Marketable securities					Relationship with the investor	Beginning balance		Addition		Disposal			Ending balance		
Investor	Category	Item	General ledger account	Counterparty		Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Book Value	Gain (loss) on disposal	Number of shares	Amount (Note 1)
CASETEK CAYMAN	Stock	PMX	Investments accounted for using the equity method	-	-	-	-	1,527,436	-	1,556,547	-	-	-	-	3,390,253
CASETEK CAYMAN	Stock	PVN	Investments accounted for using the equity method	-	-	-	-	-	-	3,113,094	-	-	-	-	2,978,511
PEGAVISION	Fund	Yuanta Wan-Tai Money Market Fund	Current financial assets at fair value through profit or loss	-	-	17,190,427	264,208	40,450,950	623,500	51,240,751	790,500	787,914	2,464	6,400,626	99,550
PEGAVISION	Fund	Yuanta De-Li Money Market Fund	Current financial assets at fair value through profit or loss	-	-	18,482,095	306,237	30,343,170	504,500	42,350,158	704,500	702,041	2,390	6,475,107	108,558
PEGAVISION	Fund	Mega Diamond Money Market Fund	Current financial assets at fair value through profit or loss	-	-	-	-	192,441,379	2,475,000	103,570,962	1,332,197	1,331,384	2,197	88,870,417	1,146,384
PEGAVISION	Fund	FSITC Taiwan Money Market Fund	Current financial assets at fair value through profit or loss	-	-	-	-	273,100,204	4,280,224	206,021,453	3,230,800	3,226,829	5,133	67,078,751	1,055,719
KINSUS	Stock	PEGAVISION	Investments accounted for using the equity method	-	-	-	-	1,820,034	564,210	-	-	-	-	1,820,034	564,210
KAEDAR	Stock	KAILEXING	Investments accounted for using the equity method	-	-	-	-	-	N/A (Note 2)	-	706,445	N/A (Note 2)	N/A (Note 2)	-	-
Lumens	Fund	Fuh Hwa Money Market	Current financial assets at fair value through profit or loss	-	-	74,510,785	1,089,892	105,152,824	1,552,652	96,707,680	1,429,252	1,415,791	32	82,955,929	1,226,785
Azwave	Stock	AZURE YANQZHOU	Investments accounted for using the equity method	-	-	-	198,102	-	-	-	308,170	193,584 (Note 3)	-	-	-
Azwave	Stock	Azurewave Shanghai	Investments accounted for using the equity method	-	-	-	763,330	-	193,584 (Note 3)	-	-	-	-	-	1,281,375

Note 1: The ending balance includes the gain/loss on equity investment and other related adjustment.

Note 2: As of the balance sheet date, the transaction has not yet been completed, and the actual amount will be determined upon completion of the transaction.

Note 3: AZUREWAVE passed the merger of Azurewave Shanghai and AZURE YANQZHOU through Board of Directors, and after the merger was completed in 2023, AZURE YANQZHOU is a dissolved company, and Azurewave Shanghai is a surviving company.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Table 5: Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock
(For the year ended December 31, 2023)

Expressed in thousands of NTD

Name of company	Type of property	Transaction date	Transaction amount	Payment term	Counter-party	Relationship	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and condition	Other
							Owner	Relationship	Date of transfer	Amount			
PEGATRON	Land and buildings	112.05.22	755,000	On the basis of the contract	TRIOCEAN INDUSTRIAL CORPORATION CO., LTD.	Non-related-party	None	None	None	None	After bargaining, the price will be approved by the chairman of the Board of Directors to determine.	For business use	None
PEL	Machinery equipments	112.01.19	307,658	On the basis of the contract	COTEK SUZHOU	Related-party	None	Group resource integration	None	None	After bargaining, the price will be approved by the chairman of the Board of Directors to determine.	For production and business use	None
PEL	Machinery equipments	112.05.08	308,224	On the basis of the contract	COTEK SUZHOU	Related-party	None	Group resource integration	None	None	After bargaining, the price will be approved by the chairman of the Board of Directors to determine.	For production use	None
PMX	Right-of-use assets- buildings	112.03.06	329,427	On the basis of the contract	American Industries	Non-related-party	None	None	None	None	After bargaining, the price will be approved by the chairman of the Board of Directors to determine.	For production and business use	None
PMX	Plant (electrical engineering)	112.03.10	612,825	N/A	TRANSDIEN MEXICO S.A. DE C.V	Non-related-party	None	None	None	None	N/A	For production and business use	None
PEGAVISION	Land and buildings	112.09.21	3,040,000	On the basis of the contract	PEGATRON	The ultimate parent of the Company	ASUSTek Computer Inc.	None	97.01	1,415,191	The transaction amount refer to professional appraisal institutions.	For business growth	None
KAILEXING	Land and buildings	112.09.08	354,774	On the basis of the contract	KAEDAR	Parent company	None	None	90.04	17,135	The transaction amount refer to professional appraisal institutions.	Group resource integration	None
PTI	Right-of-use assets- buildings	112.10.27	316,826	On the basis of the contract	M/s Chengalpattu Warehousing Parks Private Limited	Non-related-party	None	None	None	None	Appraisal report and negotiation results.	For business use	None
PVN	Plant (engineering)	112.12.28	1,188,551	N/A	Jianxing Vietnam Construction and Development Co., Ltd.	Non-related-party	None	None	None	None	N/A	For production and business use	None
PVN	Dormitory (engineering)	112.12.28	824,559	N/A	Zhongyifeng Vietnam Construction and Development Co., Ltd.	Non-related-party	None	None	None	None	N/A	For business use	None

Note :If the amounts were based on foreign currencies, please refer to the spot exchange rate on the financial statement date.

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Table 6: Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock
(For the year ended December 31, 2023)

Expressed in thousands of NTD

<u>Name of company</u>	<u>Type of property</u>	<u>Transaction date</u>	<u>Acquisition date</u>	<u>Book value</u>	<u>Transaction amount</u>	<u>Payment term</u>	<u>Gain from disposal</u>	<u>Counter-party</u>	<u>Relationship</u>	<u>References for detemining price</u>	<u>Purpose of acquisition and condition</u>	<u>Other</u>
PEGATRON	Land and buildings	112.09.21	97.01	1,078,146	3,040,000	On the basis of the contract	N/A	PEGAVISION	Related-party	The transaction amount refer to professional appraisal institutions.	Group resource integration	None
KAEDAR	Land and buildings	112.09.08	90.04	25,106	354,774	On the basis of the contract	308,310	KAILEXING	Related-party	The transaction amount refer to professional appraisal institutions.	Group resource integration	None

Note :If the amounts were based on foreign currencies, please refer to the spot exchange rate on the financial statement date.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
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Table 7: Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock
(For the year ended December 31, 2023)

Expressed in thousands of NTD

Purchaser/seller	Counterparty	Relationship	Transaction			Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)			
			Purchases (sales)	Amount	Percentage of total	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Note
PEGATRON	PTSI	Subsidiary	Sale	(117,649)	(0.01)%	90 days on delivery	-	-	63,716	0.02 %	
PEGATRON	COTEK SUZHOU	Subsidiary	Sale	(2,271,832)	(0.19)%	Open Account 90 Days	-	-	761,803	0.22 %	
PEGATRON	MAINTEK	Subsidiary	Sale	(15,223,665)	(1.29)%	Open Account 90 Days	-	-	18,844,313	5.45 %	
PEGATRON	PTI	Subsidiary	Sale	(13,930,030)	(1.18)%	Open Account 60 Days	-	-	18,593,889	5.38 %	
PEGATRON	PTX	Subsidiary	Sale	(7,939,106)	(0.67)%	Open Account 90 Days	-	-	3,126,504	0.90 %	
PEGATRON	CSG	Associate	Sale	(614,630)	(0.05)%	30 days on delivery	-	-	-	-	%
PEGATRON	PROTEK SHANGHAI	Subsidiary	Purchase	1,673,858	0.15 %	Open Account 60 Days	-	-	(50,167,974)	(14.01)%	
PEGATRON	CASETEK SUZHOU	Subsidiary	Purchase	195,108	0.02 %	Open Account 60 Days	-	-	(22,626)	(0.01)%	
PEGATRON	DIGITEK CHONGQING	Subsidiary	Purchase	4,322,588	0.38 %	Open Account 60 Days	-	-	(19,942,781)	(5.57)%	
PEGATRON	COTEK SUZHOU	Subsidiary	Purchase	1,694,311	0.15 %	Open Account 60 Days	-	-	(69,071)	(0.02)%	
PEGATRON	AZUREWAVE	Subsidiary	Purchase	111,525	0.01 %	Open Account 60 Days	-	-	(27,899)	(0.01)%	
PEGATRON	PVN	Subsidiary	Purchase	105,811	0.01 %	Open Account 60 Days	-	-	(8,751,206)	(2.44)%	
PEGATRON	PEGAGLOBE KUNSHAN	Subsidiary	Purchase	60,450,107	5.26 %	Open Account 60 Days	-	-	(72,295,686)	(20.19)%	
PEGATRON	MAINTEK	Subsidiary	Purchase	34,527,302	3.01 %	Open Account 60 Days	-	-	(21,093,763)	(5.89)%	
PEGATRON	ASRock Rack	Subsidiary	Purchase	133,041	0.01 %	Open Account 60 Days	-	-	(24,177)	(0.01)%	
PEGATRON	PTB	Subsidiary	Purchase	7,654,658	0.67 %	Open Account 60 Days	-	-	(13,874,201)	(3.87)%	
PEGATRON	RI Da	Associate	Purchase	346,039	0.03 %	Open Account 60 Days	-	-	(108,520)	(0.03)%	
PEGATRON	PTI	Subsidiary	Purchase	7,626,424	0.66 %	Open Account 60 Days	-	-	(6,239,563)	(1.74)%	
PEGATRON	PHP	Subsidiary	Purchase	608,279	0.05 %	Open Account 60 Days	-	-	(710,164)	(0.20)%	
MAINTEK	PEGATRON	Parent company	Purchase	15,223,665	98.93 %	Open Account 90 Days	-	-	(18,844,313)	(96.05)%	
MAINTEK	PEGATRON	Parent company	Sale	(34,527,302)	(92.39)%	Open Account 60 Days	-	-	21,093,763	75.76 %	
MAINTEK	COTEK SUZHOU	Associate	Purchase	353,573	0.18 %	Open Account 60 Days	-	-	(67,278)	(0.34)%	
MAINTEK	COTEK SUZHOU	Associate	Sale	(17,800,752)	(7.61)%	Open Account 90 Days	-	-	6,519,049	23.41 %	
MAINTEK	CASETEK SUZHOU	Associate	Purchase	1,808,728	0.91 %	Open Account 60 Days	-	-	(131,098)	(0.67)%	
PEGAGLOBE KUNSHAN	PEGATRON	Parent company	Sale	(60,450,107)	(98.84)%	Open Account 60 Days	-	-	72,295,686	99.04 %	
PEGAGLOBE KUNSHAN	PROTEK SHANGHAI	Associate	Sale	(293,489)	(0.07)%	Open Account 60 Days	-	-	40,056	0.05 %	
PEGAGLOBE KUNSHAN	PROTEK SHANGHAI	Associate	Purchase	45,962,591	12.15 %	Open Account 60 Days	-	-	(5,608,740)	(6.15)%	
DIGITEK CHONGQING	PEGATRON	Parent company	Sale	(4,322,588)	(99.97)%	Open Account 60 Days	-	-	19,942,781	99.95 %	
DIGITEK CHONGQING	KAI-CHUAN	Associate	Purchase	254,761	0.39 %	Open Account 60 Days	-	-	(22,082)	(0.11)%	
PROTEK SHANGHAI	PEGATRON	Parent company	Sale	(1,673,858)	(85.75)%	Open Account 60 Days	-	-	50,167,974	89.67 %	
PROTEK SHANGHAI	PEGAGLOBE KUNSHAN	Associate	Purchase	293,489	0.10 %	Open Account 60 Days	-	-	(40,056)	(0.11)%	
PROTEK SHANGHAI	PEGAGLOBE KUNSHAN	Associate	Sale	(45,962,591)	(13.90)%	Open Account 60 Days	-	-	5,608,740	10.03 %	
COTEK SUZHOU	PEGATRON	Parent company	Purchase	2,271,832	13.63 %	Open Account 90 Days	-	-	(761,803)	(10.06)%	
COTEK SUZHOU	PEGATRON	Parent company	Sale	(1,694,311)	(10.00)%	Open Account 60 Days	-	-	69,071	0.75 %	
COTEK SUZHOU	MAINTEK	Associate	Purchase	17,800,752	83.37 %	Open Account 90 Days	-	-	(6,519,049)	(86.09)%	
COTEK SUZHOU	MAINTEK	Associate	Sale	(353,573)	(1.52)%	Open Account 60 Days	-	-	67,278	0.73 %	
COTEK SUZHOU	POWTEK SHANGHAI	Associate	Sale	(19,809,740)	(84.92)%	Open Account 60 Days	-	-	8,654,238	94.38 %	
POWTEK SHANGHAI	COTEK SUZHOU	Associate	Purchase	19,809,740	99.97 %	Open Account 60 Days	-	-	(8,654,238)	(99.93)%	
KAI-CHUAN	DIGITEK CHONGQING	Associate	Sale	(254,761)	(62.81)%	Open Account 60 Days	-	-	22,082	55.84 %	
CASETEK SUZHOU	PEGATRON	Parent company	Sale	(195,108)	(7.61)%	Open Account 60 Days	-	-	22,626	8.83 %	
CASETEK SUZHOU	MAINTEK	Associate	Sale	(1,808,728)	(70.59)%	Open Account 60 Days	-	-	131,098	51.14 %	
CORE-TEK	PROTEK SHANGHAI	Associate	Sale	(153,445)	(100.00)%	Open Account 60 Days	-	-	-	-	%
PHP	PEGATRON	Parent company	Sale	(608,279)	(99.89)%	Open Account 60 Days	-	-	710,164	100.00 %	

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Expressed in thousands of NTD

Purchaser/seller	Counterparty	Relationship	Transaction			Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)			
			Purchases (sales)	Amount	Percentage of total	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Note
PTB	PEGATRON	Parent company	Sale	(7,654,658)	(99.96)%	Open Account 60 Days	-	-	13,874,201	100.00 %	
PTI	PEGATRON	Parent company	Purchase	13,930,030	96.11 %	Open Account 60 Days	-	-	(18,593,889)	(100.00)%	
PTI	PEGATRON	Parent company	Sale	(7,626,424)	(79.81)%	Open Account 60 Days	-	-	6,239,563	79.67 %	
PTSI	PEGATRON	Parent company	Purchase	117,649	8.02 %	90 days on delivery	-	-	(63,716)	(31.93)%	
PTX	PEGATRON	Parent company	Purchase	7,939,106	98.35 %	Open Account 90 Days	-	-	(3,126,504)	(91.00)%	
PVN	PEGATRON	Parent company	Sale	(105,811)	(100.00)%	Open Account 60 Days	-	-	8,751,206	99.98 %	
CSG	PEGATRON	Associate	Purchase	614,630	- %	30 days on delivery	-	-	-	- %	
RI Da	PEGATRON	Associate	Sale	(346,039)	- %	Open Account 60 Days	-	-	108,520	- %	
KINSUS	KINSUS SUZHOU	Subsidiary	Purchase	1,614,862	21.60 %	Open Account 60 Days	Incomparable due to different product specification	No comparable non-related party.	(306,633)	(10.38)%	
KINSUS SUZHOU	KINSUS	Parent company	Sale	(1,614,862)	(68.87)%	Open Account 60 Days	Incomparable due to different product specification	No comparable non-related party.	306,633	71.10 %	
PEGAVISION	PEGAVISION JAPAN	Subsidiary	Sale	(2,961,338)	(49.55)%	Open Account 90 Days	Same as other clients.	Telex transfer~Open Accounts 90 Days	584,894	54.70 %	
PEGAVISION	BeautyTech	Subsidiary	Sale	(296,073)	(4.95)%	Open Account 120 Days	Same as other clients.	Telex transfer~Open Accounts 90 Days	114,430	10.70 %	
PEGAVISION	Gemvision Zhejiang	Subsidiary	Sale	(274,483)	(4.59)%	Open Account 180 Days	Same as other clients.	Telex transfer~Open Accounts 90 Days	59,203	5.54 %	
PEGAVISION JAPAN	PEGAVISION	Parent company	Purchase	2,961,338	100.00 %	Open Account 90 Days	No other comparable vendors.	No other comparable vendors.	(584,894)	(100.00)%	
BeautyTech	PEGAVISION	Parent company	Purchase	296,073	77.17 %	Open Account 120 Days	No other comparable vendors.	No other comparable vendors.	(114,430)	(94.37)%	
Gemvision Zhejiang	PEGAVISION	Parent company	Purchase	274,483	95.74 %	Open Account 180 Days	No other comparable vendors.	No other comparable vendors.	(59,203)	(97.39)%	
ASROCK	ASROCK EUROPE	Subsidiary	Sale	(4,174,702)	(29.10)%	Open Account 45 Days	Same as other clients.	Same as other clients.	258,626	10.24 %	
ASROCK	ASRock America	Subsidiary	Sale	(4,174,621)	(29.10)%	Open Account 90 Days	Same as other clients.	Same as other clients.	1,681,803	66.58 %	
ASROCK	ASIAROCK	Subsidiary	Purchase	12,336,665	96.54 %	Open Account 90 Days	No other comparable vendors.	No other comparable vendors.	(2,956,639)	(97.40)%	
ASRock Rack	PEGATRON	Parent company	Sale	(133,041)	(5.05)%	Open Account 60 Days	Same as other clients.	Same as other clients.	24,177	6.12 %	
ASRock Rack	ASRock America	Associate	Sale	(300,497)	(10.98)%	Open Account 90 Days	Same as other clients.	Same as other clients.	109,501	27.73 %	
ASRock Rack	ASROCK EUROPE	Associate	Sale	(138,239)	(5.05)%	Open Account 60 Days	Same as other clients.	Same as other clients.	12,119	3.07 %	
ASRock Rack	ASIAROCK	Associate	Purchase	971,746	55.06 %	Open Account 60 Days	No other comparable vendors.	No other comparable vendors.	(232,107)	(35.23)%	
ASRock Industrial	ASROCK EUROPE	Associate	Sale	(241,413)	(17.24)%	Open Account 60 Days	Same as other clients.	Same as other clients.	-	- %	
ASRock Industrial	ASIAROCK	Associate	Purchase	395,886	62.04 %	Open Account 60 Days	No other comparable vendors.	No other comparable vendors.	(134,098)	(48.72)%	
ASRock Industrial	ASRock America	Associate	Sale	(137,432)	(9.82)%	Open Account 60 Days	Same as other clients.	Same as other clients.	8,350	6.89 %	
ASIAROCK	ASROCK	Parent company	Sale	(12,336,665)	(87.51)%	Open Account 90 Days	Same as other clients.	Same as other clients.	2,956,639	85.93 %	
ASIAROCK	ASRock Rack	Associate	Sale	(971,746)	(6.89)%	Open Account 60 Days	Same as other clients.	Same as other clients.	232,107	6.75 %	
ASIAROCK	ASRock Industrial	Associate	Sale	(395,886)	(2.81)%	Open Account 60 Days	Same as other clients.	Same as other clients.	134,098	3.90 %	
ASRock America	ASROCK	Parent company	Purchase	4,174,621	90.51 %	Open Account 90 Days	No other comparable vendors.	No other comparable vendors.	(1,681,803)	(93.45)%	
ASRock America	ASRock Rack	Associate	Purchase	300,497	6.51 %	Open Account 90 Days	No other comparable vendors.	No other comparable vendors.	(109,501)	(6.08)%	
ASRock America	ASRock Industrial	Associate	Purchase	137,432	2.98 %	Open Account 60 Days	No other comparable vendors.	No other comparable vendors.	(8,350)	(0.46)%	
ASROCK EUROPE	ASROCK	Parent company	Purchase	4,174,702	91.66 %	Open Account 45 Days	No other comparable vendors.	No other comparable vendors.	(258,626)	(95.52)%	
ASROCK EUROPE	ASRock Rack	Associate	Purchase	138,239	3.04 %	Open Account 60 Days	No other comparable vendors.	No other comparable vendors.	(12,119)	(4.48)%	
ASROCK EUROPE	ASRock Industrial	Associate	Purchase	241,413	5.30 %	Open Account 60 Days	No other comparable vendors.	No other comparable vendors.	-	- %	
AZUREWAVE	PEGATRON	Parent company	Sale	(111,525)	(1.00)%	Open Account 60 Days	Same as non-related party	Same as non-related party	27,899	2.00 %	
AZUREWAVE	Azurewave Shanghai	Subsidiary	Purchase and processing fee	1,663,793	28.00 %	Open Account 30~60 Days	Same as non-related party	shorter than non-related party.	(1,167,971)	(44.00)%	
Azurewave Shanghai	AZUREWAVE	Parent company	Sale	(1,663,793)	(52.00)%	Open Account 30~60 Days	Same as non-related party	shorter than non-related party.	1,172,194	81.00 %	

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Table 8: Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock
(December 31, 2023)

						Expressed in thousands of NTD			
Creditor	Counterparty	Relationship	Balance of Receivables	Turnover rate	Overdue Receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts	
					Amount	Action taken			
PEGATRON	COTEK SUZHOU	Subsidiary	761,803	1.43 Times	-	-	-	-	
PEGATRON	MAINTEK	Subsidiary	18,844,313	9.62 Times	-	-	-	-	
PEGATRON	PTI	Subsidiary	18,593,889	3.04 Times	-	-	-	-	
PEGATRON	PTX	Subsidiary	3,126,504	2.67 Times	-	-	-	-	
PEGATRON	PROTEK SHANGHAI	Subsidiary	37,035,840	3.12 Times	-	-	-	-	
PEGATRON	DIGITEK CHONGQING	Subsidiary	19,329,470	2.72 Times	-	-	-	-	
PEGATRON	PEGAGLOBE KUNSHAN	Subsidiary	83,758,057	3.86 Times	-	-	32,262	-	
PEGATRON	PTB	Subsidiary	17,384,760	3.04 Times	-	-	-	-	
PEGATRON	PHP	Subsidiary	946,889	2.71 Times	-	-	-	-	
PEGATRON	PVN	Subsidiary	11,035,783	2.39 Times	-	-	-	-	
PEGA HOLDING	PEGATRON	Parent company	660,588	N/A (Note 1)	-	-	-	-	
UNIHAN	PEGATRON	Parent company	1,843,500	N/A (Note 1)	-	-	-	-	
CASETEK	PEGATRON	Parent company	141,335	N/A (Note 1)	-	-	-	-	
KTL	PEL	Associate	460,875	N/A (Note 1)	-	-	-	-	
PEGAGLOBE KUNSHAN	PEGATRON	Parent company	72,295,686	4.11 Times	-	-	44,451	-	
MAINTEK	PEGATRON	Parent company	21,093,763	7.15 Times	-	-	-	-	
MAINTEK	COTEK SUZHOU	Associate	6,519,049	2.60 Times	-	-	-	-	
MAINTEK	COTEK SUZHOU	Associate	1,536,250	N/A (Note 1)	-	-	-	-	
DIGITEK CHONGQING	PEGATRON	Parent company	19,942,781	2.98 Times	-	-	-	-	
DIGITEK CHONGQING	KAI-CHUAN	Associate	184,350	N/A (Note 1)	-	-	-	-	
PROTEK SHANGHAI	PEGATRON	Parent company	50,167,974	3.93 Times	-	-	-	-	
PROTEK SHANGHAI	PEGAGLOBE KUNSHAN	Associate	5,608,740	2.50 Times	-	-	-	-	
COTEK SUZHOU	POWTEK SHANGHAI	Associate	8,654,238	2.24 Times	-	-	-	-	
COTEK SUZHOU	PEL	Associate	163,078	5.02 Times	112,178	Dunning	-	-	
COTEK SUZHOU	KINSUS	Associate	152,384	0.70 Times	94,815	Dunning	-	-	
CASETEK SUZHOU	MAINTEK	Associate	131,098	7.49 Times	3	Dunning	-	-	
CASETEK SUZHOU	PROTEK SHANGHAI	Associate	1,301,409	N/A (Note 1)	-	-	-	-	
ASUSPOWER	PEGATRON	Parent company	5,656,473	N/A (Note 1)	-	-	-	-	
ASUSPOWER	ASUSPOWER INVESTMENT	Parent company	307,250	N/A (Note 1)	-	-	-	-	
PHP	PEGATRON	Parent company	710,164	5.45 Times	-	-	233	-	
PTB	PEGATRON	Parent company	13,874,201	4.88 Times	-	-	-	-	
PTI	PEGATRON	Parent company	6,239,563	6.45 Times	-	-	-	-	
PVN	PEGATRON	Parent company	8,751,206	3.62 Times	-	-	3,242	-	

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Notes to the Consolidated Financial Statements

Expressed in thousands of NTD

Creditor	Counterparty	Relationship	Balance of Receivables	Turnover rate	Overdue Receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
RI Da	PEGATRON	Associate	108,520	3.78 Times	-	-	33	-
RI-TENG	RI-PRO	Associate	130,141	N/A (Note 1)	-	-	-	-
RI-TENG	PROTEK SHANGHAI	Associate	4,338,030	N/A (Note 1)	-	-	-	-
CASETEK CAYMAN	PEGATRON	Parent company	2,458,000	N/A (Note 1)	-	-	-	-
KINSUS SUZHOU	KINSUS	Parent company	306,633	5.65 Times	-	-	-	-
PEGAVISION	PEGAVISION JAPAN	Subsidiary	584,894	6.44 Times	-	-	99,456	-
PEGAVISION	BeautyTech	Subsidiary	114,430	2.77 Times	-	-	300	-
ASROCK	ASROCK EUROPE	Subsidiary	258,626	26.54 Times	-	-	60,263	-
ASROCK	ASRock America	Subsidiary	1,681,803	2.26 Times	-	-	225,397	-
ASIA ROCK	ASROCK	Parent company	2,956,639	6.19 Times	-	-	-	-
ASIA ROCK	ASRock Rack	Associate	232,107	3.11 Times	-	-	-	-
ASIA ROCK	ASRock Industrial	Associate	134,098	2.08 Times	-	-	9,979	-
ASRock Rack	ASRock America	Associate	109,501	2.80 Times	-	-	-	-
Azurewave Shanghai	AZUREWAVE	Parent company	1,172,194	2.35 Times	-	-	1,172,194	-

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Table 9: Information on investees
(December 31, 2023)

Expressed in thousands of NTD

Investor	Investee	Location	Main business activities	Initial investment amount		Ending balance			Net profit (loss) of the investee	Investment income (loss)	Note
				Ending balance	Beginning balance	Number of shares	Percentage of ownership	Book value			
PEGATRON	ASUSPOWER INVESTMENT	Taipei	Investing activities	13,033,429	13,033,429	932,844,700	100.00 %	12,149,660	352,560	352,560	
	ASUS INVESTMENT	Taipei	Investing activities	16,184,982	16,184,982	979,254,600	100.00 %	14,058,552	596,671	596,671	
	ASUSTEK INVESTMENT	Taipei	Investing activities	14,593,543	14,593,543	951,278,300	100.00 %	9,402,127	206,621	206,621	
	PEGA HOLDING	Cayman Islands	Investing activities	34,318,691	34,318,691	991,906,463	100.00 %	96,801,153	3,397,202	3,739,325	
	PUSA	CA, USA	Sales and repair service center in North America	16,085	16,085	50,000	100.00 %	20,214	1,517	1,517	
	PHH	Wijchen, NETHERLANDS	Investing activities	1,278,287	1,278,287	-	100.00 %	3,292,393	115,410	115,410	
	AMA	Taipei	Designing and developing computer parts	408,394	408,394	33,500,000	100.00 %	443,521	5,170	5,170	
	AZUREWAVE	New Taipei City	Wireless network development and computer and business equipment, wholesale and retail sales of telecommunications equipment and information software, provision of computer peripheral hardware and mobile e-commerce services	525,750	525,750	35,750,000	23.42 %	681,420	333,439	78,054	
	UNIHAN	Cayman Islands	Investing activities	5,823,962	5,823,962	170,110,010	100.00 %	6,619,826	162,186	161,407	
	CASETEK CAYMAN	Cayman Islands	Investing activities	14,717,122	14,717,122	1	100.00 %	46,662,870	3,831,902	3,831,902	
	PAU	Australia	Sales and repair service center in Australia	139,088	139,088	6,000,000	100.00 %	296,586	46,360	46,360	
	PTB	Indonesia	Data storage and processing equipment, manufacturing wired and wireless communication equipment, installing and selling of computer equipment and electronic components	1,249,369	1,249,369	39,999	99.99 %	2,417,147	661,961	555,790	
	PVN	Vietnam	Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts	4,314,741	4,314,741	-	60.00 %	4,467,839	22,620	(42,864)	
	PHP	Vietnam	Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts	429,459	429,459	-	100.00 %	356,129	127,504	128,468	
	PTI	India	Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts	4,287,623	4,287,623	1,099,890,000	99.99 %	1,192,428	(1,148,393)	(1,065,944)	
	PTX	TX, USA	Sales center in North America	144,033	144,033	500	100.00 %	(1,128,273)	(1,431,500)	(1,431,500)	
	PEL	TX, USA	Sales center in North America	1,498,950	1,498,950	5,000	100.00 %	1,542,543	(9,465)	(9,465)	
	Pegapower Investment	Taipei	Investing activities	1,000,000	1,000,000	100,000,000	100.00 %	997,611	(5,061)	(5,061)	
	Pegatron Investment	Taipei	Investing activities	1,000,000	1,000,000	100,000,000	100.00 %	998,505	(4,174)	(4,174)	
	PELI	India	Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts	3,856	-	999,900	99.99 %	3,288	(413)	(413)	
ASUSPOWER INVESTMENT	STARLINK	New Taipei City	Manufacturing electronic parts and plastic products, and manufacturing and wholesaling electronic components	135,144	135,144	15,000,000	50.00 %	249,734	4,754	Not required to disclose	
	KINSUS	Taoyuan	Manufacturing electronic parts, whole selling and retailing of electronic components, as well as providing business management consultant service	727,473	727,473	55,556,221	12.23 %	3,858,560	47,516	Not required to disclose	

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investor	Investee	Location	Main business activities	Initial investment amount		Ending balance			Net profit (loss) of the investee	Investment income (loss)	Note
				Ending balance	Beginning balance	Number of shares	Percentage of ownership	Book value			
ASUSPOWER INVESTMENT	ASROCK	Taipei	Selling motherboards, related product development and design	82,626	82,626	2,791,000	2.29 %	186,437	919,041	Not required to disclose	
	AZUREWAVE	New Taipei City	Wireless network development and computer and business equipment, wholesale and retail sales of telecommunications equipment and information software, provision of computer peripheral hardware and mobile e-commerce services	154,000	154,000	7,000,000	4.59 %	133,424	333,439	Not required to disclose	
	Lumens	Hsinchu	Developing, manufacturing and selling computer data projectors and related peripherals	508,932	508,932	10,043,490	49.38 %	1,091,394	104,369	Not required to disclose	
	PEGAVISION	Taoyuan	Medical equipment manufacturers, optical instruments, precision instruments manufacturers and sales of the preceding products	347,450	70,721	6,372,796	8.17 %	804,772	1,655,902	Not required to disclose	
	ASUSPOWER	Virgin Islands	Investing and trading activities	3,752,682	3,752,682	109,000,000	31.23 %	2,070,068	49,789	Not required to disclose	
	PTSI	Kentucky, USA	Sales and repair service center in North America	94,475	94,475	2,800	100.00 %	1,420,099	63,533	Not required to disclose	
	WISE INVESTMENT	Taipei	Investing activities	48,780	48,780	-	48.78 %	341,397	159,954	Not required to disclose	
	PEGA INTERNATIONAL	Taipei	Design service and sales	31,885	31,885	-	100.00 %	24,879	(1,004)	Not required to disclose	
	PJ	Japan	Sales and repair service center in Japan	27,287	27,287	1,632	100.00 %	442,128	141,460	Not required to disclose	
	PMX	Chihuahua, Mexico	Manufacture of electronic products, the whole-sale and retail-sale of electronic materials.	738,554	738,554	-	15.51 %	851,936	(31,850)	Not required to disclose	
	PSG	Singapore	Sales and repair service center in Singapore	23,990	23,990	1,000,000	100.00 %	224,228	32,106	Not required to disclose	
	PTB	Indonesia	Data storage and processing equipment, manufacturing wired and wireless communication equipment, installing and selling of computer equipment and electronic components	31	31	1	- %	62	661,961	Not required to disclose	
	PTI	India	Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts	429	429	110,000	0.01 %	175	(1,148,393)	Not required to disclose	
	PELI	India	Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts	-	-	100	0.01 %	-	(413)	Not required to disclose	
ASUS INVESTMENT	STARLINK	New Taipei City	Manufacturing electronic parts and plastic products, and manufacturing and wholesaling electronic components	90,000	90,000	9,000,000	30.00 %	149,840	4,754	Not required to disclose	
	KINSUS	Taoyuan	Manufacturing electronic parts, whole selling and retailing of electronic components, as well as providing business management consultant service	938,098	938,098	60,128,417	13.23 %	4,176,096	47,516	Not required to disclose	
	ASROCK	Taipei	Selling motherboards, related product development and design	155,718	155,718	57,217,754	47.04 %	3,822,038	919,041	Not required to disclose	
	Lumens	Hsinchu	Developing, manufacturing and selling computer data projectors and related peripherals	7,338	7,338	587,079	2.89 %	63,795	104,369	Not required to disclose	
	ASUSPOWER	Virgin Islands	Investing and trading activities	3,488,741	3,488,741	103,000,000	29.51 %	1,956,059	49,789	Not required to disclose	

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investor	Investee	Location	Main business activities	Initial investment amount		Ending balance			Net profit (loss) of the investee	Investment income (loss)	Note
				Ending balance	Beginning balance	Number of shares	Percentage of ownership	Book value			
ASUS INVESTMENT	AS FLY	Taipei	Travel agency	6,000	6,000	-	100.00 %	13,028	6,845	Not required to disclose	
	HUA-YUAN	Taipei	Investing activities	500,000	500,000	-	100.00 %	546,911	4,666	Not required to disclose	
	PMX	Chihuahua, Mexico	Manufacture of electronic products, the whole-sale and retail-sale of electronic materials.	1,114,671	1,114,671	-	22.77 %	1,251,053	(31,850)	Not required to disclose	
	FUYANG	Hsinchu	Manufacturing and wholesaling of wires, cables, and electronic components	464,711	464,711	32,088,436	17.83 %	196,019	(34,736)	Not required to disclose	
ASUSTEK INVESTMENT	STARLINK	New Taipei City	Manufacturing electronic parts and plastic products, and manufacturing and wholesaling electronic components	60,000	60,000	6,000,000	20.00 %	99,894	4,754	Not required to disclose	
	KINSUS	Taoyuan	Manufacturing electronic parts, whole selling and retailing of electronic components, as well as providing business management consultant service	794,252	794,252	58,233,091	12.81 %	4,044,455	47,516	Not required to disclose	
	ASROCK	Taipei	Selling motherboards, related product development and design	223,939	223,939	7,453,405	6.13 %	497,869	919,041	Not required to disclose	
	AZUREWAVE	New Taipei City	Wireless network development and computer and business equipment, wholesale and retail sales of telecommunications equipment and information software, provision of computer peripheral hardware and mobile e-commerce services	98,487	98,487	6,696,930	4.39 %	127,647	333,439	Not required to disclose	
	Lumens	Hsinchu	Developing, manufacturing and selling computer data projectors and related peripherals	5,117	5,117	409,427	2.01 %	44,491	104,369	Not required to disclose	
	PEGAVISION	Taoyuan	Medical equipment manufacturers, optical instruments, precision instruments manufacturers and sales of the preceding products	64,292	64,292	4,934,434	6.33 %	623,129	1,655,902	Not required to disclose	
	ASUSPOWER	Virgin Islands	Investing and trading activities	4,652,885	4,652,885	137,000,000	39.26 %	2,602,334	49,789	Not required to disclose	
	FUYANG	Hsinchu	Manufacturing and wholesaling of wires, cables, and electronic components	929,422	929,422	64,176,872	35.65 %	391,928	(34,736)	Not required to disclose	
	Dynaflex	Cayman Islands	Investing activities	254,574	228,635	5,714	11.43 %	260,735	41,764	Not required to disclose	
	PEGA HOLDING	MAGNIFICENT	Virgin Islands	Investing and trading activities	8,000,202	8,000,202	177,961,090	100.00 %	32,654,128	718,723	Not required to disclose
PROTEK		Virgin Islands	Investing and trading activities	9,199,020	9,199,020	308,100,000	100.00 %	32,646,732	1,075,306	Not required to disclose	
ASLINK		Cayman Islands	Investing and trading activities	6,919,477	6,919,477	229,711,968	100.00 %	18,675,809	1,107,665	Not required to disclose	
DIGITEK		Virgin Islands	Investing and trading activities	1,507,016	1,507,016	49,050,000	100.00 %	7,525,851	381,280	Not required to disclose	
COTEK		Virgin Islands	Investing and trading activities	2,120,486	2,120,486	81,275,000	100.00 %	2,352,527	64,764	Not required to disclose	
POWTEK		Virgin Islands	Investing and trading activities	403,896	403,896	8,050,000	100.00 %	1,580,913	106,090	Not required to disclose	

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investor	Investee	Location	Main business activities	Initial investment amount		Ending balance			Net profit (loss) of the investee	Investment income (loss)	Note
				Ending balance	Beginning balance	Number of shares	Percentage of ownership	Book value			
PEGA HOLDING	PIOTEK CAYMAN	Cayman Islands	Investing activities	2,835,103	2,835,103	92,000,000	49.00 %	348,122	(122,380)	Not required to disclose	
	GUT	Samoa	Investing and trading activities	40,749	40,749	5,000,000	100.00 %	5,028	61	Not required to disclose	
UNIHAN	CASETEK	Virgin Islands	Investing and trading activities	5,045,342	5,045,342	115,375,668	100.00 %	4,745,681	141,401	Not required to disclose	
PHH	PCZ	Czech	Installing, repairing and selling electronic products	994,783	994,783	-	100.00 %	2,853,654	120,147	Not required to disclose	
CASETEK	SLITEK	Samoa	Investing and trading activities	37,177	37,177	1,210,000	100.00 %	(3,258)	(296)	Not required to disclose	
	KHL	HongKong	Investing and trading activities	768,125	768,125	25,000,000	100.00 %	628,037	4,722	Not required to disclose	
	KTL	Samoa	Investing and trading activities	153,625	153,625	5,000,000	100.00 %	509,088	18,437	Not required to disclose	
CASETEK CAYMAN	RIH LI	Samoa	Investing activities	23,551,821	23,551,821	581,331,000	100.00 %	36,165,606	3,813,309	Not required to disclose	
	RI-KUAN	Taipei	Selling iron and aluminum products	309,758	309,758	30,000,000	100.00 %	623,611	8,768	Not required to disclose	
	MEGA	Samoa	Trading activities	30,725	30,725	1,000,000	100.00 %	61,087	4,081	Not required to disclose	
	PMX	Chihuahua, Mexico	Manufacture of electronic products, the whole-sale and retail-sale of electronic materials.	3,072,500	1,536,250	-	61.72 %	3,390,253	(31,850)	Not required to disclose	
	PVN	Vietnam	Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts	3,072,500	-	-	40.00 %	2,978,511	22,620	Not required to disclose	
RI-KUAN	RITENG	CA, USA	Market survey	7,067	7,067	230,000	100.00 %	7,386	-	Not required to disclose	
PSG	PKR	Korea	Sales and repair service center in Korea	46,088	46,088	360,000	100.00 %	126,658	18,173	Not required to disclose	
PTSI	PCBR	Brasil	Maintenance service	19,971	19,971	-	100.00 %	5,345	(1,780)	Not required to disclose	
ASUSPOWER	Dynaflex	Cayman Islands	Investing activities	283,433	248,889	6,429	12.86 %	283,433	41,764	Not required to disclose	
Pegapower Investment	Pegatron Venture	Taipei	Investing activities	500,000	500,000	50,000,000	50.00 %	494,328	(14,255)	Not required to disclose	
	Zhuhe	Taipei	Investing activities	60,000	-	6,000,000	35.29 %	59,443	(1,557)	Not required to disclose	
Pegatron Investment	Pegatron Venture	Taipei	Investing activities	500,000	500,000	50,000,000	50.00 %	494,328	(14,255)	Not required to disclose	

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investor	Investee	Location	Main business activities	Initial investment amount		Ending balance			Net profit (loss) of the investee	Investment income (loss)	Note
				Ending balance	Beginning balance	Number of shares	Percentage of ownership	Book value			
Lumens	Lumens	CA, USA	Developing, manufacturing and selling computer data projectors and related peripherals	37,208	37,208	1,222,000	100.00 %	18,251	(18,607)	Not required to disclose	
	Lumens SAMOA	Samoa	Investing activities	7,681	7,681	250,000	100.00 %	38,254	6,952	Not required to disclose	
KINSUS	KINSUS USA	CA, USA	Designing substracts, formulating marketing strategy analysis, developing new customers, researching and development new product technology	15,363	15,363	500,000	100.00 %	81,703	10,108	Not required to disclose	
	KINSUS SAMOA	Samoa	Investing activities	5,048	5,048	164,308,720	100.00 %	2,701,241	142,911	Not required to disclose	
	KINSUS INVESTMENT	Taoyuan	Investing activities	1,600,000	1,600,000	160,000,000	100.00 %	3,342,312	469,280	Not required to disclose	
	PEGAVISION	Taoyuan	Medical equipment manufacturers, optical instruments, precision instruments manufacturers and sales of the preceding products	564,210	-	1,820,034	2.33 %	231,184	1,655,902	Not required to disclose	
KINSUS INVESTMENT	PEGAVISION	Taoyuan	Medical equipment manufacturers, optical instruments, precision instruments manufacturers and sales of the preceding products	252,455	252,455	21,233,736	27.22 %	2,697,142	1,655,902	Not required to disclose	
	FUYANG	Hsinchu	Manufacturing and wholesaling of wires, cables, and electronic components	929,422	929,422	64,176,872	35.65 %	388,776	(34,736)	Not required to disclose	
	Zhuhe	Taipei	Investing activities	30,000	-	3,000,000	17.65 %	29,725	(1,557)	Not required to disclose	
KINSUS SAMOA	KINSUS CAYMAN	Cayman Islands	Investing activities	2,150,750	2,150,750	70,000,000	100.00 %	2,349,909	205,309	Not required to disclose	
	PIOTEK CAYMAN	Cayman Islands	Investing activities	2,897,644	2,897,644	95,755,000	51.00 %	362,340	(122,376)	Not required to disclose	
PIOTEK CAYMAN	PIOTEK	Virgin Islands	Investing activities	4,296,615	4,296,615	139,840,790	100.00 %	710,454	(122,376)	Not required to disclose	
PIOTEK	PIOTEK(H.K.)	HongKong	Trading activities	799	799	200,000	100.00 %	67,964	1,557	Not required to disclose	
PEGAVISION	PEGAVISION JAPAN	Japan	Selling medical appliances	2,151	2,151	198	100.00 %	129,255	42,034	Not required to disclose	
	Mayin	Taoyuan	Investing activities	246,003	246,003	21,000,000	100.00 %	468,615	128,085	Not required to disclose	
	Zhuhe	Taipei	Investing activities	20,000	-	2,000,000	11.76 %	19,817	(1,557)	Not required to disclose	
	PEGAVISION VIETNAM	Vietnam	Manufacturing and selling medical appliances	170,830	-	-	100.00 %	166,639	(3)	Not required to disclose	
Mayin	BeautyTech	Taoyuan	Selling medical appliances and cosmetics	107,500	107,500	8,500,000	85.00 %	311,329	156,991	Not required to disclose	
	FacialBeau	Taoyuan	Selling medical appliances and cosmetics	27,500	27,500	2,750,000	55.00 %	24,970	(922)	Not required to disclose	
BeautyTech	BEAUTYTECH SG	Singapore	Selling medical appliances and cosmetics	6,145	6,145	200,000	100.00 %	6,228	(109)	Not required to disclose	
FacialBeau	Aquamax	CA, USA	Selling medical appliances and cosmetics	33,798	33,798	11,000,000	100.00 %	6,683	(217)	Not required to disclose	
	RODNA	Korea	Selling medical appliances and cosmetics	2,370	2,370	-	100.00 %	2,224	(57)	Not required to disclose	

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investor	Investee	Location	Main business activities	Initial investment amount		Ending balance			Net profit (loss) of the investee	Investment income (loss)	Note
				Ending balance	Beginning balance	Number of shares	Percentage of ownership	Book value			
FacialBeau	IKIDO	Japan	Selling medical appliances and cosmetics	2,151	-	198	100.00 %	2,059	(93)	Not required to disclose	
ASROCK	ASRock Rack	Taipei	Manufacturing and selling computer and related peripherals	390,240	390,240	34,595,984	57.27 %	479,373	7,907	Not required to disclose	
	ASIAROCK	Virgin Islands	Investing and holding activities	1,320,886	1,320,886	40,000,000	100.00 %	3,802,566	16,790	Not required to disclose	
	Leader	Virgin Islands	Investing and holding activities	71,559	71,559	2,100,000	100.00 %	191,130	133,187	Not required to disclose	
	ASRock Industrial	Taipei	Manufacturing and selling computer and related peripherals	239,683	239,683	37,281,196	60.10 %	567,221	169,166	Not required to disclose	
	ASJade	Taipei	Information software service	216,563	216,563	17,325,000	82.50 %	122,430	(66,301)	Not required to disclose	
	Soaring	HongKong	Trading activities	592	592	150,000	100.00 %	595	4	Not required to disclose	
	Zhuhe	Taipei	Investing activities	20,000	-	2,000,000	11.76 %	20,000	(1,557)	Not required to disclose	
ASJade	ASJade Japan	Japan	Trading of charging piles	1,087	-	500	100.00 %	1,084	(3)	Not required to disclose	
ASIAROCK	ASROCK EUROPE	Wijchen, NETHERLANDS	Data storage and sale of electronic material and international trade	5,820	5,820	200,000	100.00 %	764,138	26,021	Not required to disclose	
	CalRock	CA, USA	Office building leasing	60,000	60,000	2,000,000	100.00 %	64,140	(865)	Not required to disclose	
	Orbweb	Virgin Islands	Installation of computer equipment and sale of computer related product	29,900	29,900	4,000,000	27.59 %	-	(2,241)	Not required to disclose	
Leader	Firstplace	Virgin Islands	Investing and holding activities	61,500	61,500	2,050,000	100.00 %	191,081	133,187	Not required to disclose	
Firstplace	ASRock America	CA, USA	Selling database service and trading electronic components	60,000	60,000	2,000,000	100.00 %	190,033	133,173	Not required to disclose	
AZUREWAVE	Azwave	Samoa	Investing activities	2,173,438	2,173,438	70,177,161	100.00 %	2,372,294	335,454	Not required to disclose	
	EZWAVE	New Taipei City	Information products service	5,015	5,015	500,000	100.00 %	(24,538)	(714)	Not required to disclose	
	AZURE	New Taipei City	Selling electronic parts	25,000	25,000	2,000,000	100.00 %	31,553	(777)	Not required to disclose	
	Azurewave USA	CA, USA	Market development activities	19,820	19,820	650,000	100.00 %	857	(194)	Not required to disclose	
AZUREWAVE	Azurewave(VN)	Vietnam	Development, design and sale of communication equipment	191,313	-	-	100.00 %	164,977	(19,628)	Not required to disclose	
	Zhuhe	Taipei	Investing activities	10,000	-	1,000,000	5.88 %	9,909	(1,557)	Not required to disclose	

Note 1: Income and expenses for each statement of comprehensive income are translated at average exchange rates of 2023, the others are translated at the spot exchange rate on the financial statement date.

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Table 10: Information on investment in Mainland China
(December 31, 2023)

Expressed in thousands of NTD /in dollars of foreign currency

(i)The names of investees in Mainland China, the main businesses and products, and other information:

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan at the beginning of period	Amount remitted from Taiwan to Mainland China /Amount remitted back to Taiwan		Accumulated amount of remittance from Taiwan at end of the period	Net income of investee	Ownership held by the Company (direct or indirect)	Investment income (loss) [Note2, (2)]	Book value of investments in Mainland China	Accumulated amount of investment income remitted back to Taiwan
					Remitted to Mainland China	Remitted back to Taiwan						
MAINTEK (Note 5)	Manufacture, develop and research and sale of power supplier, new electronic component, computer case, and computer system. Repair of laptop, motherboard and related product	7,023,428 USD 228,590,000	(2)	5,432,180 USD 176,800,000	-	-	5,432,180 USD 176,800,000	718,784 USD 23,089,069	100%	718,784 USD 23,089,069	32,792,754 USD 1,067,298,740	-
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	9,463,300 USD 308,000,000	(2)	9,463,300 USD 308,000,000	-	-	9,463,300 USD 308,000,000	1,069,587 USD 34,357,685	100%	1,069,587 USD 34,357,685	32,781,224 USD 1,066,923,487	3,923,738 USD 126,039,829
PIOTEK SUZHOU (Note 7)	Researching, developing, producing and selling electronic components, PCBs and related products and providing after-sale services	6,166,508 USD 200,700,000	(2)	1,396,337 USD 45,446,280	-	-	1,396,337 USD 45,446,280	(120,883) (USD 3,883,060)	68.52%	(82,828) (USD 2,660,627)	529,996 USD 17,249,669	-
COTEK SUZHOU	Developing, manufacturing and selling new electronic components, circuit boards and relevant products, and providing after-sales service	2,488,725 USD 81,000,000	(2)	2,120,025 USD 69,000,001	-	-	2,120,025 USD 69,000,001	60,554 USD 1,945,128	100%	60,554 USD 1,945,128	2,274,937 USD 74,041,880	-
RUNTOP (Note 8)	Manufacturing and selling computer parts and peripherals of digital automatic data processors, multimedia computer system accessories, power supply units, network switches, and modems.	215,075 USD 7,000,000	(2)	323,979 USD 10,544,482	-	-	323,979 USD 10,544,482	-	-	-	-	-
POWTEK SHANGHAI	Selling main boards, computer peripherals, notebooks, servers and software, and providing after-sales service	245,800 USD 8,000,000	(2)	403,896 USD 13,145,510	-	-	403,896 USD 13,145,510	106,196 USD 3,411,266	100%	106,196 USD 3,411,266	1,580,761 USD 51,448,698	-
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	1,505,525 USD 49,000,000	(2)	1,505,525 USD 49,000,000	-	-	1,505,525 USD 49,000,000	381,298 USD 12,248,213	100%	381,298 USD 12,248,213	7,518,310 USD 244,696,839	-
ZHANSHUO (Note 14)	Sale of computer software and hardware, computer parts, electronic products, electric appliance, industrial communication device.	130,141 CNY 30,000,000	(3)	-	-	-	-	2,456 USD 78,877	100%	2,456 USD 78,877	143,782 USD 4,679,658	-
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	5,960,650 USD 194,000,000	(2)	5,960,650 USD 194,000,000	-	-	5,960,650 USD 194,000,000	1,078,733 USD 34,651,470	100%	1,078,733 USD 34,651,470	18,204,685 USD 592,504,001	-
PEGAGLOBE JIANGSU	Investing activities with own funds: equity investment	921,750 USD 30,000,000	(2)	921,750 USD 30,000,000	-	-	921,750 USD 30,000,000	29,058 USD 933,421	100%	29,058 USD 933,421	514,056 USD 16,730,854	-

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan at the beginning of period	Amount remitted from Taiwan to Mainland China /Amount remitted back to Taiwan		Accumulated amount of remittance from Taiwan at end of the period	Net income of investee	Ownership held by the Company (direct or indirect)	Investment income (loss) (Note2, (2))	Book value of investments in Mainland China	Accumulated amount of investment income remitted back to Taiwan
					Remitted to Mainland China	Remitted back to Taiwan						
CASETEK SUZHOU	Manufacturing, developing and selling computers, computer parts, application systems, and providing after-sales service	1,720,600 USD 56,000,000	(2)	1,720,600 USD 56,000,000	-	-	1,720,600 USD 56,000,000	217,453 USD 6,985,123	100%	217,453 USD 6,985,123	3,121,270 USD 101,587,312	1,880,496 USD 64,756,881
KAEDAR	Tooling molds of stainless-steel computer cases	537,688 USD 17,500,000	(2)	752,980 USD 24,507,092	-	-	752,980 USD 24,507,092	4,620 USD 148,392	100%	4,620 USD 148,392	612,300 USD 19,928,410	475,076 USD 16,968,508
KAILEXING (Note 14)	Manufacture of electric and electronic components; wholesale and retail of electronic components; manufacture and sale of molds; manufacture and sale of equipment for processing plastics; manufacture of transportation equipment and counting scales for production.	434 CNY 100,000	(3)	-	-	-	-	(3) (USD 101)	100%	(3) (USD 101)	431 USD 14,018	-
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	368,700 USD 12,000,000	(2)	368,700 USD 12,000,000	-	-	368,700 USD 12,000,000	4,873 USD 156,533	100%	4,873 USD 156,533	214,486 USD 6,980,817	-
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	307,250 USD 10,000,000	(2)	307,250 USD 10,000,000	-	-	307,250 USD 10,000,000	(105,659) (USD 3,394,021)	100%	(105,659) (USD 3,394,021)	129,845 USD 4,226,026	-
Zhangjiagang East High-tech	Process, sale and transportation of steel.	184,350 USD 6,000,000	(2)	36,870 USD 1,200,000	-	-	36,870 USD 1,200,000	(1,454) (USD 46,695)	20%	(291) (USD 9,339)	(4,529) (USD 147,406)	-
FUYANG SUZHOU (Note 9)	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.	1,351,900 USD 44,000,000	(2)	1,351,900 USD 44,000,000	-	178,932 USD 5,823,656	1,172,968 USD 38,176,344	-	-	-	-	-
HONGJIE SHANGHAI (Note 8)	Manufacture of all kinds of paper boxes, paper materials, paper plastics, cushioning material, tray, etc.	153,625 USD 5,000,000	(2)	28,659 USD 932,769	-	-	28,659 USD 932,769	-	-	-	-	-
HONGJIE SUZHOU (Note 8)	Manufacture of all kinds of paper boxes, paper materials, paper plastics, cushioning material, tray, etc.	408,949 USD 13,309,984	(2)	185,142 USD 6,025,762	-	-	185,142 USD 6,025,762	-	-	-	-	-
Suzhou Eslite (Note 8)	Production and processing of plant fiber products such as mold processing, paper pulp production and processing, paper trays, and cushion packaging materials.	156,698 USD 5,100,000	(2)	35,547 USD 1,156,954	-	-	35,547 USD 1,156,954	-	-	-	-	-
HONGJIE CHONGQING (Note 8)	Manufacture of all kinds of paper boxes, paper materials, paper plastics, cushioning material, tray, etc.	15,363 USD 500,000	(2)	2,350 USD 76,500	-	-	2,350 USD 76,500	-	-	-	-	-
Hongruisheng (Note 6)	Manufacture of all kinds of paper boxes, paper materials, paper plastics, cushioning material, tray, etc.	80,192 USD 2,610,000	(2)	19,449 USD 633,000	-	-	19,449 USD 633,000	-	-	-	-	-
Heilongjiang Hongjie (Note 8)	Manufacture of all kinds of paper boxes, paper materials, paper plastics, cushioning material, tray, etc.	75,584 USD 2,460,000	(2)	13,605 USD 442,800	-	-	13,605 USD 442,800	-	-	-	-	-
Suzhou Lianshuo (Note 6)	Manufacture of plugs.	214,597 USD 6,984,441	(2)	235,237 USD 7,656,224	-	-	235,237 USD 7,656,224	-	-	-	-	-

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan at the beginning of period	Amount remitted from Taiwan to Mainland China /Amount remitted back to Taiwan		Accumulated amount of remittance from Taiwan at end of the period	Net income of investee	Ownership held by the Company (direct or indirect)	Investment income (loss) (Note 2, (2))	Book value of investments in Mainland China	Accumulated amount of investment income remitted back to Taiwan
					Remitted to Mainland China	Remitted back to Taiwan						
Shanghai Yiding (Note 8)	Research and develop, manufacture and sale of portable micro computer, laptop and related products.	952,475 USD 31,000,000	(2)	602,210 USD 19,600,000	-	-	602,210 USD 19,600,000	-	-	-	-	-
Jinhong (Note 8)	Design, process ,sale and manufacture of non-metal molds. Manufacture and sale of precision molds, standard molds, plastic and hardware.	27,653 USD 900,000	(2)	52,693 USD 1,715,000	-	-	52,693 USD 1,715,000	-	-	-	-	-
Honghua (Note 6)	Manufacture, research and develop, process non-metal molds, precision molds, standard molds, hardware components, new version of photoelectric trigger, disk driver and their components. Manufacture of number camera, essential components and providing after sale service.	196,640 USD 6,400,000	(2)	96,354 USD 3,136,000	-	-	96,354 USD 3,136,000	-	-	-	-	-
KAI HE (Note 6)	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling and surface processing for the aforementioned product	1,659,150 USD 54,000,000	(2)	520,035 USD 16,925,453	-	-	520,035 USD 16,925,453	7,046 USD 226,348	100%	7,046 USD 226,348	-	-
RI-TENG (Note 12)	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling	4,762,344 USD 154,999,000	(2)	9,483,979 USD 308,673,038	-	-	9,483,979 USD 308,673,038	(2,879) (USD 92,466)	100%	(2,879) (USD 92,466)	5,950,563 USD 193,671,685	1,461,505 USD 46,947,040
RI-PRO (Note 12)	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling	92,175 USD 3,000,000	(2)	19,378 USD 630,695	-	-	19,378 USD 630,695	(12,615) (USD 405,227)	100%	(12,615) (USD 405,227)	(23,388) (USD 761,196)	-
Luxcase (Yangcheng) (Note 12)	Designing, manufacturing and selling electronic components and providing after-sales services, idle equipments leasing, commission agency, trading services and their relevant corresponding services.	28,720,795 USD 934,769,575	(2)	19,733,782 USD 642,271,181	-	-	19,733,782 USD 642,271,181	8,861,111 USD 284,639,999	48.17%	4,257,999 USD 136,777,081	31,059,361 USD 1,010,882,382	-

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii)Limitation on investment in Mainland China:

Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023 (Note 11 and 12)	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) (Note 10, 12 and 13)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 4)
62,151,305	67,561,432	132,970,661
USD 2,022,825,215.92	USD 2,198,907,459.35	

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

- (1)The Company directly invests in the investee in Mainland China.
- (2)Indirect investment in Mainland China through an investee company in a third region.
- (3)Other methods.

Note 2:Recognition of investment gain or loss during current period is pursuant to the following:

- (1) If the coporation is in set-up phase with no income or loss recognized, notes are required.
- (2) Recognition of investment gain or loss can be classified to three categories:
 1. Financial statements of the investee company were audited and certified by an international firm in cooperation with an R.O.C. accounting firm.
 2. Financial statements of the investee company were audited and certified by the external accounting firm of parent company.
 3. Others: Financial statements of the significant subsidiaries were audited and certified by the accounting firm or those of non-significant subsidiaries were not.

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

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

Note 5:MAINTEK's paid-in capital includes capital increased by retained earning of USD51,790,000.

Note 6:The liquidation process has been completed. As of December 31, 2023, the funds have not been remitted.

Note 7:PIOTEK SUZHOU's paid-in capital includes capital increased by retained earning of USD27,000,000. The ownership percentage includes shares held by other subsidiaries.

Note 8:The investment has been disposed. As of December 31, 2023, the funds have not been remitted.

Note 9:The accumulated investment amount includes FUYANG transferred out USD26,000,000. The liquidation process of FUYANG SUZHOU has been completed. As of December 31, 2023, the funds have not been remitted.

Note 10:Due to the reinvestment of the Group's investee, China Renewable Energy Fund, LP (CREF), in Mainland China, the line of credit for the Group has been increased with the approval from the Investment Commission of MOEA.

Note 11:The difference from accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023 was the China Renewable Energy Fund, LP(CREF), an investee of the Group held the investment in Mainland China as well as the investment on Ark Semiconductor Corp., Ltd.

Note 12:The merger of CASETEK CAYMAN has been approved and completed by the Investment Comission of MOEA, and is included in the investment amount and quota in Mainland China after its accounting and distribution.

Note 13:The Group has increased investment amount authorized by Investment Commission MOEA due to China Renewable Energy Fund, LP(CREF) and Ark Semiconductor Corp., Ltd., the investees of the Group.

Note 14:The investee company was wholly-owned through the investment from own funds.

(iii)Significant transactions: Direct or indirect significant transactions between the Group and the investee company in Mainland China(already offset when preparing the consolidated financial report).

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Table 11: Business relationships and significant intercompany transactions
(December 31, 2023)

Expressed in thousands of NTD

No.	Company name	Counterparty	Relationship (Note 1)	Transaction			Percentage of consolidated total operating revenues or total assets
				General ledger account	Amount	Transaction terms (Note 2)	
0	PEGATRON	COTEK SUZHOU	1	Sales	2,271,832	-	0.18%
0	PEGATRON	MAINTEK	1	Sales	15,223,665	-	1.21%
0	PEGATRON	PTI	1	Sales	13,930,030	-	1.11%
0	PEGATRON	PTX	1	Sales	7,939,106	-	0.63%
0	PEGATRON	PTSI	1	Sales	117,649	-	0.01%
0	PEGATRON	COTEK SUZHOU	1	Accounts Receivables	761,803	-	0.14%
0	PEGATRON	MAINTEK	1	Accounts Receivables	18,844,313	-	3.38%
0	PEGATRON	PTI	1	Accounts Receivables	18,593,889	-	3.34%
0	PEGATRON	PTX	1	Accounts Receivables	3,126,504	-	0.56%
0	PEGATRON	PROTEK SHANGHAI	1	Accounts Receivables	37,035,840	-	6.65%
0	PEGATRON	DIGITEK CHONGQING	1	Accounts Receivables	19,329,470	-	3.47%
0	PEGATRON	PEGAGLOBE KUNSHAN	1	Accounts Receivables	83,758,057	-	15.04%
0	PEGATRON	PTB	1	Accounts Receivables	17,384,760	-	3.12%
0	PEGATRON	PHP	1	Accounts Receivables	946,889	-	0.17%
0	PEGATRON	PVN	1	Accounts Receivables	11,035,783	-	1.98%
1	PEGA HOLDING	PEGATRON	2	Other Receivables	660,588	-	0.12%
2	UNIHAN	PEGATRON	2	Other Receivables	1,843,500	-	0.33%
3	CASETEK	PEGATRON	2	Other Receivables	141,335	-	0.03%
4	CASETEK CAYMAN	PEGATRON	2	Short-Term Accounts Receivables	2,458,000	-	0.44%
5	KTL	PEL	3	Other Receivables	460,875	-	0.08%
6	MAINTEK	PEGATRON	2	Sales	34,527,302	-	2.75%
6	MAINTEK	COTEK SUZHOU	3	Sales	17,800,752	-	1.42%
6	MAINTEK	PEGATRON	2	Accounts Receivables	21,093,763	-	3.79%
6	MAINTEK	COTEK SUZHOU	3	Accounts Receivables	6,519,049	-	1.17%
6	MAINTEK	COTEK SUZHOU	3	Other Receivables	1,536,250	-	0.28%
7	DIGITEK CHONGQING	PEGATRON	2	Sales	4,322,588	-	0.34%

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

No.	Company name	Counterparty	Relationship (Note 1)	Transaction			Percentage of consolidated total operating revenues or total assets
				General ledger account	Amount	Transaction terms (Note 2)	
7	DIGITEK CHONGQING	PEGATRON	2	Accounts Receivables	19,942,781	-	3.58%
7	DIGITEK CHONGQING	KAI-CHUAN	3	Other Receivables	184,350	-	0.03%
8	PEGAGLOBE KUNSHAN	PEGATRON	2	Sales	60,450,107	-	4.81%
8	PEGAGLOBE KUNSHAN	PROTEK SHANGHAI	3	Sales	293,489	-	0.02%
8	PEGAGLOBE KUNSHAN	PEGATRON	2	Accounts Receivables	72,295,686	-	12.98%
9	PROTEK SHANGHAI	PEGATRON	2	Sales	1,673,858	-	0.13%
9	PROTEK SHANGHAI	PEGAGLOBE KUNSHAN	3	Sales	45,962,591	-	3.66%
9	PROTEK SHANGHAI	PEGATRON	2	Accounts Receivables	50,167,974	-	9.01%
9	PROTEK SHANGHAI	PEGAGLOBE KUNSHAN	3	Accounts Receivables	5,608,740	-	1.01%
10	COTEK SUZHOU	PEGATRON	2	Sales	1,694,311	-	0.13%
10	COTEK SUZHOU	MAINTEK	3	Sales	353,573	-	0.03%
10	COTEK SUZHOU	POWTEK SHANGHAI	3	Sales	19,809,740	-	1.58%
10	COTEK SUZHOU	PEL	3	Accounts Receivables	163,078	-	0.03%
10	COTEK SUZHOU	KINSUS	3	Accounts Receivables	152,384	-	0.03%
10	COTEK SUZHOU	POWTEK SHANGHAI	3	Accounts Receivables	8,654,238	-	1.55%
11	CORE-TEK	PROTEK SHANGHAI	3	Sales	153,445	-	0.01%
12	KAI-CHUAN	DIGITEK CHONGQING	3	Sales	254,761	-	0.02%
13	CASETEK SUZHOU	MAINTEK	3	Sales	1,808,728	-	0.14%
13	CASETEK SUZHOU	PEGATRON	2	Sales	195,108	-	0.02%
13	CASETEK SUZHOU	MAINTEK	3	Accounts Receivables	131,098	-	0.02%
13	CASETEK SUZHOU	PROTEK SHANGHAI	3	Other Receivables	1,301,409	-	0.23%
14	ASUSPOWER	PEGATRON	2	Other Receivables	5,656,473	-	1.02%
14	ASUSPOWER	ASUSPOWER INVESTMENT	2	Other Receivables	307,250	-	0.06%
15	PHP	PEGATRON	2	Sales	608,279	-	0.05%
15	PHP	PEGATRON	2	Accounts Receivables	710,164	-	0.13%
16	PTI	PEGATRON	2	Sales	7,626,424	-	0.61%
16	PTI	PEGATRON	2	Accounts Receivables	6,239,563	-	1.12%
17	PVN	PEGATRON	2	Sales	105,811	-	0.01%
17	PVN	PEGATRON	2	Accounts Receivables	8,751,206	-	1.57%
18	PTB	PEGATRON	2	Sales	7,654,658	-	0.61%
18	PTB	PEGATRON	2	Accounts Receivables	13,874,201	-	2.49%

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

No.	Company name	Counterparty	Relationship (Note 1)	Transaction			Percentage of consolidated total operating revenues or total assets
				General ledger account	Amount	Transaction terms (Note 2)	
19	RI-TENG	RI-PRO	3	Long-Term Accounts Receivables	130,141	-	0.02%
19	RI-TENG	PROTEK SHANGHAI	3	Long-Term Accounts Receivables	4,338,030	-	0.78%
20	KINSUS SUZHOU	KINSUS	2	Sales	1,614,862	-	0.13%
20	KINSUS SUZHOU	KINSUS	2	Accounts Receivables	306,633	-	0.06%
21	PEGAVISION	PEGAVISION JAPAN	1	Sales	2,961,338	-	0.24%
21	PEGAVISION	BeautyTech	1	Sales	296,073	-	0.02%
21	PEGAVISION	Gemvision Zhejiang	1	Sales	274,483	-	0.02%
21	PEGAVISION	PEGAVISION JAPAN	1	Accounts Receivables	584,894	-	0.10%
21	PEGAVISION	BeautyTech	1	Accounts Receivables	114,430	-	0.02%
22	ASROCK	ASROCK EUROPE	1	Sales	4,174,702	-	0.33%
22	ASROCK	ASRock America	1	Sales	4,174,621	-	0.33%
22	ASROCK	ASROCK EUROPE	1	Accounts Receivables	258,626	-	0.05%
22	ASROCK	ASRock America	1	Accounts Receivables	1,681,803	-	0.30%
23	ASRock Rack	PEGATRON	2	Sales	133,041	-	0.01%
23	ASRock Rack	ASRock America	3	Sales	300,497	-	0.02%
23	ASRock Rack	ASRock America	3	Accounts Receivables	109,501	-	0.02%
23	ASRock Rack	ASROCK EUROPE	3	Sales	138,239	-	0.01%
24	ASRock Industrial	ASROCK EUROPE	3	Sales	241,413	-	0.02%
24	ASRock Industrial	ASRock America	3	Sales	137,432	-	0.01%
25	ASIAROCK	ASROCK	2	Sales	12,336,665	-	0.98%
25	ASIAROCK	ASRock Rack	3	Sales	971,746	-	0.08%
25	ASIAROCK	ASRock Industrial	3	Sales	395,886	-	0.03%
25	ASIAROCK	ASROCK	2	Accounts Receivables	2,956,639	-	0.53%
25	ASIAROCK	ASRock Rack	3	Accounts Receivables	232,107	-	0.04%
25	ASIAROCK	ASRock Industrial	3	Accounts Receivables	134,098	-	0.02%
26	AZUREWAVE	PEGATRON	2	Sales	111,525	-	0.01%
27	Azurewave Shanghai	AZUREWAVE	2	Sales	1,663,793	-	0.13%
27	Azurewave Shanghai	AZUREWAVE	2	Accounts Receivables	1,172,194	-	0.21%

Note 1: The transaction relationships with the counterparties are as follows:

- (1) The Company to the consolidated subsidiary.
- (2) The consolidated subsidiary to the Company.
- (3) The consolidated subsidiary to another consolidated subsidiary.

Note 2: The terms of transactions and receipts of sales between the parent company and the subsidiary are not significantly different from those of ordinary sales, and the terms of these transactions are determined by mutual agreement.

Note 3: All the transactions which amount is lower than materiality will not be disclosed.