

**PEGATRON CORPORATION AND SUBSIDIARIES****Consolidated Financial Statements****With Independent Auditors' Review Report  
For the Nine Months Ended September 30, 2023 and 2022**

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

## Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Independent Auditors' Review Report	3
4. Consolidated Balance Sheets	4
5. Consolidated Statements of Comprehensive Income	5
6. Consolidated Statements of Changes in Equity	6
7. Consolidated Statements of Cash Flows	7
8. Notes to the Consolidated Financial Statements	
(1) Company history	8
(2) Approval date and procedures of the consolidated financial statements	8
(3) New standards, amendments and interpretations adopted	8~10
(4) Summary of significant accounting policies	10~21
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	21
(6) Explanation of significant accounts	21~60
(7) Related-party transactions	60~62
(8) Assets pledged as security	63
(9) Commitments and contingencies	63
(10) Losses due to major disasters	63
(11) Subsequent events	63
(12) Others	64
(13) Other disclosures	
(a) Information on significant transactions	65
(b) Information on investees	65
(c) Information on investment in Mainland China	65
(d) Major shareholders	65
(14) Segment information	66



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## Independent Auditors' Review Report

To the Board of Directors of Pegatron Corporation:

### Introduction

We have reviewed the accompanying consolidated balance sheets of Pegatron Corporation and its subsidiaries as of September 30, 2023 and 2022, and the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2023 and 2022, and changes in equity and cash flows for the nine months ended September 30, 2023 and 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with the Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" of the Republic of China. A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing of the Republic of China and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Basis for Qualified Conclusion

As stated in Note 4(b), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect total assets amounting to \$83,837,049 thousand and \$88,408,508 thousand, constituting 13.72% and 13.40% of consolidated total assets as of September 30, 2023 and 2022, respectively, total liabilities amounting to \$10,203,671 thousand and \$19,105,505 thousand, constituting 2.64% and 4.28% of consolidated total liabilities as of September 30, 2023 and 2022, respectively, and total comprehensive gain amounting to \$2,331,983 thousand, \$2,256,319 thousand, \$1,845,116 thousand and \$2,493,963 thousand, constituting 19.89%, 13.55%, 9.08% and 7.37% of consolidated total comprehensive income for the three months and nine months ended September 30, 2023 and 2022, respectively.

Furthermore, as stated in Note 6(g), the other equity accounted investments of Pegatron Corporation and its subsidiaries in its investee companies of \$31,681,514 thousand and \$25,525,685 thousand as of September 30, 2023 and 2022, respectively, and its equity in net earnings on these investee companies of \$2,105,248 thousand, \$1,323,446 thousand, \$3,196,497 thousand and \$2,464,132 thousand for the three months and nine months ended September 30, 2023 and 2022, respectively, were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.

### **Qualified Conclusion**

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Pegatron Corporation and its subsidiaries as of September 30, 2023 and 2022, and of its consolidated financial performance for the three months and nine months ended September 30, 2023 and 2022, and its consolidated cash flows for the nine months ended September 30, 2023 and 2022 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Other Matter**

We did not review the financial statements of certain consolidated subsidiaries, with total assets of \$96,533,960 thousand and \$88,607,404 thousand, representing 15.80% and 13.43% of the related consolidated total assets as of September 30, 2023 and 2022, and net sales of \$13,673,558 thousand, \$18,174,637 thousand, \$40,198,425 thousand and \$52,715,077 thousand, representing 4.33%, 5.15%, 4.40% and 5.49% of the related consolidated total net sales for the three months and nine months ended September 30, 2023 and 2022, respectively. Those financial statements were reviewed by other auditors whose reports have been furnished to us, and our review, insofar as it relates to the amounts included for certain consolidated subsidiaries, are based solely on the reports of the other auditors.

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

KPMG

Taipei, Taiwan (Republic of China)  
November 14, 2023

### **Notes to Readers**

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

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

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

## PEGATRON CORPORATION AND SUBSIDIARIES

## Consolidated Balance Sheets

September 30, 2023, December 31, 2022, and September 30, 2022

(Expressed in Thousands of New Taiwan Dollars)

Assets		September 30, 2023		December 31, 2022		September 30, 2022	
		Amount	%	Amount	%	Amount	%
<b>Current assets:</b>							
1100	Cash and cash equivalents (Note 6(a))	\$ 98,457,650	16	84,577,382	13	132,628,437	20
1110	Current financial assets at fair value through profit or loss (Note 6(b))	9,073,821	1	9,024,851	2	8,187,236	1
1170	Accounts receivable, net (Notes 6(d), (w) and 7)	207,993,683	34	190,247,179	30	170,346,922	26
1200	Other receivables, net (Notes 6(e) and 7)	692,811	-	1,329,144	-	1,749,506	-
130X	Inventories (Note 6(f))	138,665,495	23	199,441,528	31	198,741,814	30
1476	Other current financial assets (Notes 6(k) and 8)	4,733,139	1	12,012,749	2	10,499,046	2
1479	Other current assets (Note 6(k))	<u>5,037,002</u>	<u>1</u>	<u>5,854,949</u>	<u>1</u>	<u>7,640,127</u>	<u>1</u>
		<u>464,653,601</u>	<u>76</u>	<u>502,487,782</u>	<u>79</u>	<u>529,793,088</u>	<u>80</u>
<b>Non-current assets:</b>							
1510	Non-current financial assets at fair value through profit or loss (Note 6(b))	2,450,343	-	2,170,427	-	1,595,896	-
1517	Non-current financial assets at fair value through other comprehensive income (Note 6(c))	2,129,018	-	1,403,646	-	1,312,907	-
1550	Investments accounted for using the equity method (Note 6(g))	31,806,396	6	27,861,177	5	25,922,038	4
1600	Property, plant and equipment (Notes 6(i) and 8)	84,169,127	14	79,689,609	13	80,888,111	12
1755	Right-of-use assets (Note 6(j))	6,776,909	1	6,176,134	1	6,556,686	1
1760	Investment property, net	33,347	-	33,985	-	35,898	-
1780	Intangible assets	230,390	-	225,014	-	222,337	-
1840	Deferred tax assets	2,373,938	-	2,794,744	-	3,165,091	1
1915	Prepayments on purchase of equipment (Note 9)	15,890,308	3	12,984,052	2	9,691,769	2
1980	Other non-current financial assets (Notes 6(k) and 8)	455,889	-	374,605	-	356,615	-
1990	Other non-current assets (Note 6(k))	<u>105,706</u>	<u>-</u>	<u>21,612</u>	<u>-</u>	<u>52,319</u>	<u>-</u>
		<u>146,421,371</u>	<u>24</u>	<u>133,735,005</u>	<u>21</u>	<u>129,799,667</u>	<u>20</u>
<b>Total assets</b>		<b>\$ 611,074,972</b>	<b>100</b>	<b>636,222,787</b>	<b>100</b>	<b>659,592,755</b>	<b>100</b>

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)

September 30, 2023, December 31, 2022, and September 30, 2022

(Expressed in Thousands of New Taiwan Dollars)

	September 30, 2023		December 31, 2022		September 30, 2022		
	Amount	%	Amount	%	Amount	%	
<b>Liabilities and Equity</b>							
<b>Current liabilities:</b>							
2100	Short-term loans (Note 6(l))	\$ 50,896,666	8	79,589,451	13	104,953,974	16
2130	Current contract liabilities (Note 6(w))	1,147,419	-	1,200,270	-	1,314,029	-
2170	Accounts payable (Note 7)	209,157,277	34	202,467,364	32	211,201,027	32
2209	Accrued expenses (Note 7)	21,450,771	4	24,131,570	4	24,824,645	4
2219	Other payables (Notes 7 and 9)	4,845,407	1	9,203,327	2	8,676,452	2
2230	Current tax liabilities	3,141,029	1	5,264,896	1	3,747,619	1
2281	Current lease liabilities (Note 6(p))	1,279,046	-	1,366,074	-	1,393,877	-
2321	Bonds payable, current portion (Note 6(o))	8,000,000	1	4,500,000	-	4,500,000	1
2322	Long-term loans payable, current portion (Note 6(n))	3,584,259	1	2,773,471	-	2,204,466	-
2399	Other current liabilities (Notes 6(m), (n) and 7)	26,977,271	4	34,939,573	6	31,721,329	5
		<u>330,479,145</u>	<u>54</u>	<u>365,435,996</u>	<u>58</u>	<u>394,537,418</u>	<u>61</u>
<b>Non-Current liabilities:</b>							
2527	Non-current contract liabilities (Note 6(w))	5,589,324	1	2,627,942	-	1,111,326	-
2530	Bonds payable (Note 6(o))	22,382,540	4	30,376,992	5	30,375,143	5
2540	Long-term loans (Note 6(n))	17,681,726	3	14,225,427	2	14,329,679	2
2570	Deferred tax liabilities	2,964,915	-	1,889,662	-	1,410,741	-
2581	Non-current lease liabilities (Note 6(p))	2,164,871	-	1,522,527	-	1,747,193	-
2650	Credit balance of investments accounted for using equity method (Note 6(g))	4,671	-	4,314	-	4,527	-
2670	Other non-current liabilities (Notes 6(m) and (n))	5,948,622	1	5,571,664	1	2,798,263	-
		<u>56,736,669</u>	<u>9</u>	<u>56,218,528</u>	<u>8</u>	<u>51,776,872</u>	<u>7</u>
	<b>Total liabilities</b>	<u>387,215,814</u>	<u>63</u>	<u>421,654,524</u>	<u>66</u>	<u>446,314,290</u>	<u>68</u>
<b>Equity Attributable to Owners of the Parent Company (Note 6(s)):</b>							
3110	Ordinary share	26,645,804	4	26,676,337	4	26,679,264	4
<b>Capital surplus:</b>							
3210	Capital surplus, premium on capital stock	79,178,957	13	78,703,620	13	78,701,342	12
3280	Capital surplus, others (Note 6(t))	4,882,336	1	4,648,384	-	4,504,678	1
		<u>84,061,293</u>	<u>14</u>	<u>83,352,004</u>	<u>13</u>	<u>83,206,020</u>	<u>13</u>
<b>Retained earnings:</b>							
3310	Legal reserve	19,239,612	3	17,721,898	3	17,721,898	3
3320	Special reserve	7,523,660	1	20,918,849	3	20,918,849	3
3350	Unappropriated retained earnings	53,327,577	9	41,419,117	7	36,346,762	5
		<u>80,090,849</u>	<u>13</u>	<u>80,059,864</u>	<u>13</u>	<u>74,987,509</u>	<u>11</u>
<b>Other equity interest:</b>							
3410	Exchange differences on translation of foreign financial statements	714,657	-	(7,603,630)	(1)	(2,645,121)	-
3420	Unrealized Gains on financial assets measured at fair value through other comprehensive income	249,366	-	79,970	-	80,455	-
3491	Deferred compensation cost arising from issuance of restricted stock (Note 6(t))	(167,763)	-	(68,877)	-	(86,408)	-
		<u>796,260</u>	<u>-</u>	<u>(7,592,537)</u>	<u>(1)</u>	<u>(2,651,074)</u>	<u>-</u>
3500	Treasury stock	(2,345)	-	(7,103)	-	(2,928)	-
	<b>Equity attributable to the parent company</b>	<u>191,591,861</u>	<u>31</u>	<u>182,488,565</u>	<u>29</u>	<u>182,218,791</u>	<u>28</u>
36xx	<b>Non-controlling interests (Notes 6(h) and (s))</b>	<u>32,267,297</u>	<u>6</u>	<u>32,079,698</u>	<u>5</u>	<u>31,059,674</u>	<u>4</u>
	<b>Total equity</b>	<u>223,859,158</u>	<u>37</u>	<u>214,568,263</u>	<u>34</u>	<u>213,278,465</u>	<u>32</u>
	<b>Total liabilities and equity</b>	<u>\$ 611,074,972</u>	<u>100</u>	<u>636,222,787</u>	<u>100</u>	<u>659,592,755</u>	<u>100</u>

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Consolidated Statements of Comprehensive Income**  
**For the three months and nine months ended September 30, 2023 and 2022**  
**(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)**

	For the three months ended September 30				For the nine months ended September 30			
	2023		2022		2023		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
4000	<b>Operating revenue(Notes 6(w) and 7)</b>							
	\$ 315,769,506	100	352,867,049	100	914,613,914	100	960,349,105	100
5000	<b>Cost of sales (Notes 6(f), (p), (q), (t), (u), (x) and 7)</b>							
	<u>303,609,709</u>	96	<u>336,792,978</u>	95	<u>881,563,460</u>	96	<u>918,326,768</u>	96
	<b>Gross profit from operations</b>							
	<u>12,159,797</u>	4	<u>16,074,071</u>	5	<u>33,050,454</u>	4	<u>42,022,337</u>	4
6000	<b>Operating expenses (Notes 6(p), (q), (t), (u), (x) and 7):</b>							
6100	Selling expenses							
	1,184,161	-	1,342,962	-	3,403,218	-	3,911,884	-
6200	General and administrative expenses							
	2,468,152	1	2,915,806	1	7,703,018	1	8,022,856	1
6300	Research and development expenses							
	<u>4,022,402</u>	2	<u>4,182,809</u>	2	<u>11,649,853</u>	2	<u>11,680,752</u>	1
	<b>Total operating expenses</b>							
	<u>7,674,715</u>	3	<u>8,441,577</u>	3	<u>22,756,089</u>	3	<u>23,615,492</u>	2
	<b>Net operating income</b>							
	<u>4,485,082</u>	1	<u>7,632,494</u>	2	<u>10,294,365</u>	1	<u>18,406,845</u>	2
	<b>Non-operating income and expenses:</b>							
7100	Interest income (Notes 6(y) and 7)							
	1,035,504	-	582,486	-	3,460,920	-	1,364,845	-
7010	Other income (Note 6(y))							
	569,507	-	853,556	-	2,701,087	-	3,627,188	-
7020	Other gains and losses (Notes 6(i) and (y))							
	(560,398)	-	(902,568)	-	(834,542)	-	(5,153,285)	-
7050	Finance costs (Notes 6(d), (o), (p) and (y))							
	(453,383)	-	(626,339)	-	(2,412,631)	-	(1,286,958)	-
7060	Share of profit of associates and joint ventures accounted for using the equity method (Note 6(g))							
	<u>2,105,248</u>	1	<u>1,331,622</u>	-	<u>3,196,497</u>	-	<u>2,475,529</u>	-
	<b>Total non-operating income and expenses</b>							
	<u>2,696,478</u>	1	<u>1,238,757</u>	-	<u>6,111,331</u>	-	<u>1,027,319</u>	-
	<b>Profit before tax</b>							
	7,181,560	2	8,871,251	2	16,405,696	1	19,434,164	2
7950	Less: Tax expenses (Note 6(r))							
	<u>2,348,690</u>	-	<u>1,757,723</u>	-	<u>4,798,842</u>	-	<u>4,401,735</u>	-
	<b>Profit for the period</b>							
	<u>4,832,870</u>	2	<u>7,113,528</u>	2	<u>11,606,854</u>	1	<u>15,032,429</u>	2
8300	<b>Other comprehensive income:</b>							
8310	<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>							
8311	Gain on remeasurements of defined benefit plans (Note 6(q))							
	52	-	-	-	4,333	-	-	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income							
	117,407	-	(56,237)	-	169,396	-	(364,323)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss							
	-	-	-	-	-	-	-	-
	<b>Total components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>							
	<u>117,459</u>	-	<u>(56,237)</u>	-	<u>173,729</u>	-	<u>(364,323)</u>	-
8360	<b>Components of other comprehensive income that will be reclassified to profit or loss</b>							
8361	Exchange differences on translation of foreign financial statements							
	5,571,243	2	9,315,733	3	7,956,079	1	18,401,249	2
8370	Share of other comprehensive income of associates and joint ventures accounted for using the equity method, components of other comprehensive income that will be reclassified to profit or loss (Note 6(g))							
	1,214,448	-	292,909	-	600,500	-	772,360	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Note 6(r))							
	<u>13,062</u>	-	<u>8,224</u>	-	<u>6,333</u>	-	<u>3,505</u>	-
	<b>Total components of other comprehensive income that will be reclassified to profit or loss</b>							
	<u>6,772,629</u>	2	<u>9,600,418</u>	3	<u>8,550,246</u>	1	<u>19,170,104</u>	2
8300	<b>Other comprehensive income for the period, net of tax</b>							
	<u>6,890,088</u>	2	<u>9,544,181</u>	3	<u>8,723,975</u>	1	<u>18,805,781</u>	2
8500	<b>Total comprehensive income for the period</b>							
	<u>\$ 11,722,958</u>	4	<u>16,657,709</u>	5	<u>20,330,829</u>	2	<u>33,838,210</u>	4
	<b>Profit attributable to:</b>							
8610	Owners of the parent company							
	\$ 4,582,779	2	5,265,446	1	10,718,053	1	10,048,776	1
8620	Non-controlling interests							
	<u>250,091</u>	-	<u>1,848,082</u>	1	<u>888,801</u>	-	<u>4,983,653</u>	1
	<u>\$ 4,832,870</u>	2	<u>7,113,528</u>	2	<u>11,606,854</u>	1	<u>15,032,429</u>	2
	<b>Comprehensive income attributable to:</b>							
8710	Owners of the parent company							
	\$ 11,235,229	4	14,612,498	4	19,210,069	2	28,402,959	3
8720	Non-controlling interests							
	<u>487,729</u>	-	<u>2,045,211</u>	1	<u>1,120,760</u>	-	<u>5,435,251</u>	1
	<u>\$ 11,722,958</u>	4	<u>16,657,709</u>	5	<u>20,330,829</u>	2	<u>33,838,210</u>	4
	<b>Earnings per share, net of tax (Note 6(v))</b>							
9750	<b>Basic earnings per share</b>							
	<u>\$ 1.72</u>		<u>1.97</u>		<u>4.02</u>		<u>3.77</u>	
9850	<b>Diluted earnings per share</b>							
	<u>\$ 1.71</u>		<u>1.96</u>		<u>3.99</u>		<u>3.74</u>	

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

## PEGATRON CORPORATION AND SUBSIDIARIES

**Consolidated Statements of Changes in Equity**  
**For the nine months ended September 30, 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	Deferred compensation cost arising from issuance of restricted stock	Total other equity interest	Treasury stock	Total equity attributable to owners of the parent company		
<b>Balance on January 1, 2022</b>	\$ 26,691,316	83,321,308	15,698,039	15,866,201	46,661,789	78,226,029	(21,363,627)	444,778	(712,701)	(21,631,550)	(2,558)	166,604,545	27,662,332	194,266,877
Profit for the period	-	-	-	-	10,048,776	10,048,776	-	-	-	-	-	10,048,776	4,983,653	15,032,429
Other comprehensive income (loss) for the period	-	-	-	-	-	-	18,718,506	(364,323)	-	18,354,183	-	18,354,183	451,598	18,805,781
Total comprehensive income (loss) for the period	-	-	-	-	10,048,776	10,048,776	18,718,506	(364,323)	-	18,354,183	-	28,402,959	5,435,251	33,838,210
Appropriation and distribution of retained earnings:														
Legal reserve appropriated	-	-	2,023,859	-	(2,023,859)	-	-	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	5,052,648	(5,052,648)	-	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(13,343,303)	(13,343,303)	-	-	-	-	-	(13,343,303)	-	(13,343,303)
Changes in equity of associates and joint ventures accounted for using equity method	-	120,957	-	-	-	-	-	-	-	-	-	120,957	-	120,957
Changes in ownership interests in subsidiaries	-	(16,533)	-	-	-	-	-	-	-	-	-	(16,533)	16,533	-
Expiration of restricted shares of stock issued to employees	(12,052)	12,422	-	-	56,007	56,007	-	-	-	-	(370)	56,007	-	56,007
Compensation cost arising from restricted shares of stock	-	(232,134)	-	-	-	-	-	-	626,293	626,293	-	394,159	-	394,159
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(2,054,442)	(2,054,442)
<b>Balance on September 30, 2022</b>	<b>\$ 26,679,264</b>	<b>83,206,020</b>	<b>17,721,898</b>	<b>20,918,849</b>	<b>36,346,762</b>	<b>74,987,509</b>	<b>(2,645,121)</b>	<b>80,455</b>	<b>(86,408)</b>	<b>(2,651,074)</b>	<b>(2,928)</b>	<b>182,218,791</b>	<b>31,059,674</b>	<b>213,278,465</b>
<b>Balance on January 1, 2023</b>	\$ 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 period	-	-	-	-	10,718,053	10,718,053	-	-	-	-	-	10,718,053	888,801	11,606,854
Other comprehensive income (loss) for the period	-	-	-	-	4,333	4,333	8,318,287	169,396	-	8,487,683	-	8,492,016	231,959	8,723,975
Total comprehensive income (loss) for the period	-	-	-	-	10,722,386	10,722,386	8,318,287	169,396	-	8,487,683	-	19,210,069	1,120,760	20,330,829
Appropriation and distribution of retained earnings:														
Legal reserve appropriated	-	-	1,517,714	-	(1,517,714)	-	-	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	(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	-	129,353	-	-	-	-	-	-	-	-	-	129,353	-	129,353
Changes in ownership interests in subsidiaries	-	162,441	-	-	-	-	-	-	-	-	-	162,441	(162,441)	-
Expiration of restricted shares of stock issued to employees	(30,533)	25,775	-	-	(23,975)	(23,975)	-	-	-	-	4,758	(23,975)	-	(23,975)
Compensation cost arising from restricted shares of stock	-	391,720	-	-	-	-	-	-	(98,886)	(98,886)	-	292,834	-	292,834
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(770,720)	(770,720)
<b>Balance on September 30, 2023</b>	<b>\$ 26,645,804</b>	<b>84,061,293</b>	<b>19,239,612</b>	<b>7,523,660</b>	<b>53,327,577</b>	<b>80,090,849</b>	<b>714,657</b>	<b>249,366</b>	<b>(167,763)</b>	<b>796,260</b>	<b>(2,345)</b>	<b>191,591,861</b>	<b>32,267,297</b>	<b>223,859,158</b>

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 nine months ended September 30, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	<b>For the nine months ended September 30</b>	
	<b>2023</b>	<b>2022</b>
<b>Cash flows from operating activities:</b>		
<b>Profit before tax</b>	\$ 16,405,696	19,434,164
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit:</b>		
Depreciation expense	11,282,227	10,805,500
Amortization expense	113,510	106,953
Expected credit (gain) loss	(1,345)	26,701
Net loss on financial assets and liabilities at fair value through profit or loss	459,347	4,771,167
Interest expense	2,398,406	1,274,362
Interest income	(3,460,920)	(1,364,845)
Dividend income	(98,671)	(117,908)
Compensation cost arising from share-based payments	292,141	620,097
Amortization of issuance costs on bonds payable	5,548	5,548
Share of profit of associates and joint ventures accounted for using the equity method	(3,196,497)	(2,475,529)
Gain on lease modification	(8,533)	(117,242)
Gain on disposal of property, plant and equipment	(26,708)	(295,436)
Property, plant and equipment charged to expenses	437,927	172,849
Impairment loss on non-financial assets	11,893	34,696
Government grants income	(77,824)	(69,297)
<b>Total adjustments to reconcile profit</b>	<u>8,130,501</u>	<u>13,377,616</u>
<b>Changes in operating assets and liabilities:</b>		
<b>Changes in operating assets:</b>		
Increase in financial assets at fair value through profit or loss	(788,233)	(1,294,774)
(Increase) decrease in accounts receivable	(17,745,136)	79,159,406
Decrease in other receivables	643,756	7,695,860
Decrease (increase) in inventories	60,798,107	(50,790,253)
Decrease (increase) in other current assets	567,144	(3,043,509)
Decrease in other financial assets	7,279,609	19,817,898
Increase in other non-current assets	(84,094)	(2,286)
<b>Total changes in operating assets</b>	<u>50,671,153</u>	<u>51,542,342</u>
<b>Changes in operating liabilities:</b>		
Increase in contract liabilities	2,029,829	71,027
Increase (decrease) in accounts payable	6,689,913	(55,460,513)
Decrease in accrued expenses	(3,030,997)	(1,567,256)
Decrease in other payables	(1,225,429)	(928,507)
(Decrease) increase in other current liabilities	(7,944,303)	7,808,848
Increase in other non-current liabilities	416,648	264,223
<b>Total changes in operating liabilities</b>	<u>(3,064,339)</u>	<u>(49,812,178)</u>
<b>Total changes in operating assets and liabilities</b>	<u>47,606,814</u>	<u>1,730,164</u>
<b>Total adjustments</b>	<u>55,737,315</u>	<u>15,107,780</u>
Cash inflow generated from operations	72,143,011	34,541,944
Interest received	3,451,019	1,576,242
Dividends received	98,763	116,565
Interest paid	(2,529,302)	(1,128,183)
Income taxes paid	(4,624,538)	(4,019,262)
<b>Net cash flows from operating activities</b>	<u>68,538,953</u>	<u>31,087,306</u>

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

**PEGATRON CORPORATION AND SUBSIDIARIES****Consolidated Statements of Cash Flows (CONT'D)****For the nine months ended September 30, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	<b>For the nine months ended September 30</b>	
	<b>2023</b>	<b>2022</b>
<b>Cash flows from investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	(540,047)	(177,561)
Acquisition of property, plant and equipment	(15,828,492)	(16,452,775)
Proceeds from disposal of property, plant and equipment	721,465	764,256
Acquisition of intangible assets	(114,774)	(124,672)
Proceeds from disposal of right-of-use assets	-	140,832
(Increase) decrease in other financial assets	(78,294)	20,431
Increase in prepayments on purchase of equipment	(2,906,256)	(2,879,389)
<b>Net cash flows used in investing activities</b>	<b>(18,746,398)</b>	<b>(18,708,878)</b>
<b>Cash flows from financing activities:</b>		
(Decrease) increase in short-term loans	(28,692,785)	10,930,670
Repayments of bonds	(4,500,000)	(2,000,000)
Proceeds from long-term loans	7,160,000	4,854,270
Repayments of long-term loans	(2,941,002)	(1,688,160)
Repayments of lease liabilities	(1,058,162)	(1,130,440)
Cash dividends paid	(13,487,770)	(15,720,440)
Redemption of restricted stock	-	(12,422)
Changes in non-controlling interests	1,685,940	75,685
<b>Net cash flows used in financing activities</b>	<b>(41,833,779)</b>	<b>(4,690,837)</b>
<b>Effect of exchange rate fluctuations on cash held</b>	<b>5,921,492</b>	<b>13,916,760</b>
<b>Net increase in cash and cash equivalents</b>	<b>13,880,268</b>	<b>21,604,351</b>
<b>Cash and cash equivalents, beginning of the period</b>	<b>84,577,382</b>	<b>111,024,086</b>
<b>Cash and cash equivalents, end of the period</b>	<b>\$ 98,457,650</b>	<b>132,628,437</b>

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

September 30, 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 TSEC. The Company’s shares were listed on TSEC on June 24, 2010.

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

The consolidated financial statements of the Company as of and for the nine months ended September 30, 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 November 14, 2023.

#### (3) New standards, amendments and interpretations adopted

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

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

(Continued)

**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 condensed interim 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 expects to disclose the mandatory relief and the new disclosures in the Group’s consolidated financial statements for the year ended December 31, 2023.

(b) The impact of IFRS issued by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 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 IFRS issued by IASB but not yet endorsed by the FSC

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

<b>Standards or Interpretations</b>	<b>Content of amendment</b>	<b>Effective date per IASB</b>
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 significant accounting policies**

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

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

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2022. For the related information, please refer to Note 4 of the consolidated financial statements for the year ended December 31, 2022.

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

## (b) Basis of consolidation

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

Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			September 30, 2023	December 31, 2022	September 30, 2022	
THE COMPANY	UNIHAN HOLDING LTD. (UNIHAN)	Investing activities	100.00 %	100.00 %	100.00 %	Note 15
UNIHAN	CASETEK HOLDINGS LIMITED (CASETEK)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 15
CASETEK	SLITEK HOLDINGS LIMITED (SLITEK)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 15
CASETEK	CASETEK COMPUTER (SUZHOU) CO., LTD. (CASETEK SUZHOU)	Manufacturing, developing and selling computers, computer parts, application systems, and providing after-sales service	100.00 %	100.00 %	100.00 %	Note 15
CASETEK	KAEDAR HOLDINGS LIMITED (KHL)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 15
KHL	KAEDAR ELECTRONICS (KUNSHAN) CO., LTD. (KAEDAR)	Tooling molds of stainless-steel computer cases	100.00 %	100.00 %	100.00 %	Note 15
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 and 15
CASETEK	KAEDAR TRADING LTD. (KTL)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 15
CASETEK	CORE-TEK (SHANGHAI) LIMITED (CORE-TEK)	Researching and producing spare parts for notebook computers, designing nonmetal tooling, electronic specific equipment and related products, repairing and producing precision equipment and providing after-sales service	100.00 %	100.00 %	100.00 %	Note 15
CASETEK	KAI-CHUAN ELECTRONICS (CHONGQING) CO., LTD. (KAI-CHUAN)	Manufacturing, developing and inspecting computers and application systems, designing and manufacturing nonmetal and metal tooling, developing plastic and electronic component, selling self-manufactured products	100.00 %	100.00 %	100.00 %	Note 15
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 %	32.35 %	Note 1
AZUREWAVE	EZWAVE TECHNOLOGIES, INC. (EZWAVE)	Information products service	100.00 %	100.00 %	100.00 %	Note 15

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			September 30, 2023	December 31, 2022	September 30, 2022	
AZUREWAVE	Azurewave Technologies (USA) Inc. (Azurewave USA)	Market development activities	100.00 %	100.00 %	100.00 %	Note 15
AZUREWAVE	AZURE LIGHTING TECHNOLOGIES, INC. (AZURE)	Selling electronic parts	100.00 %	100.00 %	100.00 %	Note 15
AZUREWAVE	Azurewave Technologies (Vietnam) Company Limited (Azurewave(VN))	Development, design and sale of communication equipment	100.00 %	- %	- %	Note 13 and Note 15
AZUREWAVE	Azwave Holding (Samoa) Inc. (Azwave)	Investing activities	100.00 %	100.00 %	100.00 %	
Azwave	Azurewave Technologies (Shanghai) Inc. (Azurewave Shanghai)	Designing, manufacturing and trading computer products	100.00 %	100.00 %	100.00 %	Note 15
Azwave	AZURE LIGHTING TECHNOLOGIES, INC. (YANGZHOU) (AZURE YANQZHOU)	Manufacturing and selling LED and relevant lighting products	100.00 %	100.00 %	100.00 %	Note 15
Azwave	AIGALE CORPORATION (SHANGHAI) (AIGALE)	Designing and selling electronic products and communication equipment	100.00 %	100.00 %	100.00 %	Note 15
THE COMPANY	AMA PRECISION INC. (AMA)	Designing and developing computer parts	100.00 %	100.00 %	100.00 %	Note 15
THE COMPANY	PEGATRON HOLLAND HOLDING B.V. (PHH)	Investing activities	100.00 %	100.00 %	100.00 %	Note 15
PHH	PEGATRON Czech s.r.o. (PCZ)	Installing, repairing and selling electronic products	100.00 %	100.00 %	100.00 %	Note 15
THE COMPANY	PEGATRON HOLDING LTD. (PEGA HOLDING)	Investing activities	100.00 %	100.00 %	100.00 %	
PEGA HOLDING	POWTEK HOLDINGS LIMITED (POWTEK)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 15
POWTEK	POWTEK (SHANGHAI) LTD. (POWTEK SHANGHAI)	Selling main boards, computer peripherals, notebooks, servers and software, and providing after-sales service	100.00 %	100.00 %	100.00 %	Note 15
PEGA HOLDING, KINSUS SAMOA	PIOTEK HOLDINGS LTD. (CAYMAN) (PIOTEK CAYMAN)	Investing activities	100.00 %	100.00 %	100.00 %	
PIOTEK CAYMAN	PIOTEK HOLDING LIMITED (PIOTEK)	Investing activities	100.00 %	100.00 %	100.00 %	
PIOTEK	PIOTEK (H.K.) TRADING LIMITED (PIOTEK (H.K.))	Trading activities	100.00 %	100.00 %	100.00 %	
PEGA HOLDING	GRAND UPRIGHT TECHNOLOGY LIMITED (GUT)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 15
PEGA HOLDING	ASLINK PRECISION CO., LTD. (ASLINK)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 15

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			September 30, 2023	December 31, 2022	September 30, 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 %	100.00 %	
ASLINK	PEGAGLOBE INVESTMENT (JIANGSU) CO., LTD. (PEGAGLOBE JIANGSU)	Investing activities with own funds: equity investment	100.00 %	100.00 %	100.00 %	Note 15
PEGA HOLDING	DIGITEK GLOBAL HOLDINGS LIMITED (DIGITEK)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 15
DIGITEK	DIGITEK (CHONGQING) CO. LTD. (DIGITEK CHONGQING)	Research and development, manufacture, sale of satellite communication equipment, satellite navigation receive equipment, cellphone, internet related equipment, computer, video decoding equipment, car-used electrical equipment and component. The company also provides export, proxy, repair services	100.00 %	100.00 %	100.00 %	
DIGITEK CHONGQING	CHONGQING ZUANSHUO TRADING CO., LTD. (ZUANSHUO)	Computer software and hardware, computer parts, electronic products (excluding electronic publications), electric appliance, industrial communication device (excluding wireless transmitter and transmitter), communication equipment (excluding wireless transmitter and satellite ground receiving facilities), and providing related technical consulting services. Import and export of goods and technology. Packaging service, product design, marketing planning, business consulting	100.00 %	100.00 %	100.00 %	Note 15
PEGA HOLDING	MAGNIFICENT BRIGHTNESS LIMITED (MAGNIFICENT)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 15
MAGNIFICENT	MAINTEK COMPUTER (SUZHOU) CO., LTD. (MAINTEK)	Manufacture, develop and research and sale of power supplier, new electronic component, computer case, and computer system. Repair of laptop, motherboard and related product	100.00 %	100.00 %	100.00 %	

(Continued)



**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			September 30, 2023	December 31, 2022	September 30, 2022	
PEGA HOLDING	PROTEK GLOBAL HOLDINGS LTD. (PROTEK)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 15
PROTEK	PROTEK (SHANGHAI) LTD. (PROTEK SHANGHAI)	Develop and research, manufacture, assemble, repair, sale and design of satellite communication equipment, satellite navigation receive equipment and essential component. Sale of cellphone, medium and large sized computer, portable computer, printing machine and electrical component, and providing after-sales service	100.00 %	100.00 %	100.00 %	
PEGA HOLDING	COTEK HOLDINGS LIMITED (COTEK)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 15
COTEK	COTEK ELECTRONICS (SUZHOU) CO., LTD. (COTEK SUZHOU)	Developing, manufacturing and selling new electronic components, circuit boards and relevant products, and providing after-sales service	100.00 %	100.00 %	100.00 %	Note 15
PEGA HOLDING	TOP QUARK LIMITED (TOP QUARK)	Investing activities	- %	100.00 %	100.00 %	Note 10
THE COMPANY	ASUSPOWER INVESTMENT CO., LTD. (ASUSPOWER INVESTMENT)	Investing activities	100.00 %	100.00 %	100.00 %	
THE COMPANY	ASUS INVESTMENT CO., LTD. (ASUS INVESTMENT)	Investing activities	100.00 %	100.00 %	100.00 %	
THE COMPANY	ASUSTEK INVESTMENT CO., LTD. (ASUSTEK INVESTMENT)	Investing activities	100.00 %	100.00 %	100.00 %	
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	ASROCK INCORPORATION (ASROCK)	Selling motherboards, related product development and design	55.46 %	55.30 %	54.88 %	Note 3
ASROCK	ASIAROCK TECHNOLOGY LIMITED (ASIAROCK)	Investing and holding activities	100.00 %	100.00 %	100.00 %	
ASIAROCK	ASROCK EUROPE B.V. (ASROCK EUROPE)	Data storage and sale of electronic material and international trade	100.00 %	100.00 %	100.00 %	
ASIAROCK	Calrock Holdings, LLC. (Calrock)	Office building leasing	100.00 %	100.00 %	100.00 %	Note 15
ASROCK	LEADER INSIGHT HOLDINGS LIMITED. (LEADER)	Investing and holding activities	100.00 %	100.00 %	100.00 %	Note 15
LEADER	FIRSTPLACE INTERNATIONAL LTD. (FIRSTPLACE)	Investing and holding activities	100.00 %	100.00 %	100.00 %	Note 15
FIRSTPLACE	ASRock America, Inc. (ASRock America)	Selling database service and trading electronic components	100.00 %	100.00 %	100.00 %	
ASROCK	ASRock Rack Incorporation (ASRock Rack)	Manufacturing and selling computer and related peripherals	57.27 %	59.68 %	59.68 %	Note 4

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			September 30, 2023	December 31, 2022	September 30, 2022	
ASROCK	ASRock Industrial Computer Corporation (ASRock Industrial)	Manufacturing and selling computer and related peripherals	60.10 %	64.46 %	64.46 %	Note 5
ASROCK	Soaring Asia Limited (Soaring)	Trading activities	100.00 %	100.00 %	100.00 %	Note 15
ASROCK	ASJade Technology Incorporation (ASJade)	Information software service	82.50 %	82.50 %	78.57 %	Note 6
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 %	100.00 %	Note 7 and Note 15
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 %	38.41 %	Note 2
KINSUS	KINSUS INVESTMENT CO., LTD. (KINSUS INVESTMENT)	Investing activities	100.00 %	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 %	45.21 %	Note 8
PEGAVISION	PEGAVISION JAPAN INC. (PEGAVISION JAPAN)	Selling medical appliances	100.00 %	100.00 %	100.00 %	
PEGAVISION	Pegavision (Jiangsu) Limited. (Pegavision Jiangsu)	Manufacturing and selling medical appliances	100.00 %	100.00 %	100.00 %	
PEGAVISION	PEGAVISION CONTACT LENSES CORPORATION (PEGAVISION SHANGHAI)	Selling medical appliances	- %	- %	100.00 %	Note 9
PEGAVISION	Mayin Investment Co., Ltd.(Mayin)	Investing activities	100.00 %	100.00 %	100.00 %	
Mayin	BeautyTech Platform Corporation (BeautyTech)	Selling medical appliances and cosmetics	85.00 %	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 %	100.00 %	
BeautyTech	BEAUTYTECH PLATFORM (SINGAPORE) PTE. LTD (BEAUTYTECH SG)	Selling medical appliances and cosmetics	100.00 %	100.00 %	100.00 %	

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			September 30, 2023	December 31, 2022	September 30, 2022	
BeautyTech	BeautyTech Platform (Shanghai) Corporation (BeautyTech Shanghai)	Selling medical appliances and cosmetics	100.00 %	100.00 %	100.00 %	Note 9
BeautyTech	Aquamax Vision Corporation(Aquamax)	Selling medical appliances and cosmetics	- %	- %	- %	
Mayin	FacialBeau International Corporation(FacialBeau)	Selling medical appliances and cosmetics	55.00 %	55.00 %	55.00 %	
FacialBeau	FacialBeau (Jiangsu) Corporation (FacialBeau Jiangsu)	Selling medical appliances and cosmetics	100.00 %	100.00 %	100.00 %	Note 9
FacialBeau	Aquamax Vision Corporation(Aquamax)	Selling medical appliances and cosmetics	100.00 %	100.00 %	100.00 %	
FacialBeau	IKIDO Inc. (IKIDO)	Selling medical appliances and cosmetics	100.00 %	100.00 %	100.00 %	
FacialBeau	RODNA CO. LTD. (RODNA)	Selling medical appliances and cosmetics	100.00 %	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 %	89.13 %	Note 15
FUYANG	FUYANG FLEX HOLDING LTD. (FUYANG HOLDING)	Investing activities	- %	100.00 %	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 %	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 %	100.00 %	
KINSUS	KINSUS HOLDING (SAMOA) LIMITED (KINSUS SAMOA)	Investing activities	100.00 %	100.00 %	100.00 %	
KINSUS SAMOA	KINSUS HOLDING (CAYMAN) LIMITED (KINSUS CAYMAN)	Investing activities	100.00 %	100.00 %	100.00 %	
KINSUS CAYMAN	KINSUS INTERCONNECT TECHNOLOGY (SUZHOU) CORP. (KINSUS SUZHOU)	Manufacturing and selling circuit boards (PCB) (not high-density fine-line)	100.00 %	100.00 %	100.00 %	
KINSUS CAYMAN	XIANG-SHOU (SUZHOU) TRADING LIMITED (XIANG-SHOU)	Trading of PCB related products and materials (not high-density fine-line)	- %	- %	- %	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 %	100.00 %	Note 11

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			September 30, 2023	December 31, 2022	September 30, 2022	
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	STARLINK ELECTRONICS CORPORATION (STARLINK)	Manufacturing electronic parts and plastic products, and manufacturing and wholesaling electronic components	100.00 %	100.00 %	100.00 %	Note 15
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	ASUSPOWER CORPORATION (ASUSPOWER)	Investing and trading activities	100.00 %	100.00 %	100.00 %	
THE COMPANY	CASETEK HOLDINGS LIMITED (CAYMAN) (CASETEK CAYMAN)	Investing activities	100.00 %	100.00 %	100.00 %	
CASETEK CAYMAN	RIH LI INTERNATIONAL LIMITED (RIH LI)	Investing activities	100.00 %	100.00 %	100.00 %	
RIH LI	RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD. (RI-TENG)	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling	100.00 %	100.00 %	100.00 %	Note 15
RIH LI	RI-PRO PRECISION MODEL (SHANGHAI) CO., LTD. (RI-PRO)	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling	100.00 %	100.00 %	100.00 %	Note 15
CASETEK CAYMAN	RI-KUAN METAL CORPORATION (RI-KUAN)	Selling iron and aluminum products	100.00 %	100.00 %	100.00 %	Note 15
RI-KUAN	RITENG USA, INC (RITENG)	Market survey	100.00 %	100.00 %	100.00 %	Note 15
CASETEK CAYMAN	APLUS PRECISION LIMITED (CAYMAN) (APLUS)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 15
APLUS	UNITED NEW LIMITED (UNITED)	Investing and trading activities	- %	100.00 %	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 %	100.00 %	Note 10
CASETEK CAYMAN	MEGA MERIT LIMITED (MEGA)	Trading activities	100.00 %	100.00 %	100.00 %	Note 15
ASUS INVESTMENT	AS FLY TRAVEL SERVICE LIMITED (AS FLY)	Travel agency	100.00 %	100.00 %	100.00 %	Note 15
ASUSPOWER INVESTMENT	PEGATRON TECHNOLOGY SERVICE INC. (PTSI)	Sales and repair service center in North America	100.00 %	100.00 %	100.00 %	Note 15
PTSI	PEGATRON SERVICOS DE INFORMATICA LTDA.(PCBR)	Maintenance service	100.00 %	100.00 %	100.00 %	Note 15
ASUSPOWER INVESTMENT	PEGA INTERNATIONAL LIMITED (PEGA INTERNATIONAL)	Design service and sales	100.00 %	100.00 %	100.00 %	Note 15

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			September 30, 2023	December 31, 2022	September 30, 2022	
ASUSPOWER INVESTMENT	PEGATRON JAPAN INC.(PJ)	Sales and repair service center in Japan	100.00 %	100.00 %	100.00 %	Note 15
ASUSPOWER INVESTMENT	PEGATRON LOGISTIC SERVICE INC.(PLSI)	Sales and logistics center in North America	- %	100.00 %	100.00 %	Note 10
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 %	55.21 %	Note 14 and Note 15
Lumens	Lumens Integration Inc. (Lumens Integration)	Selling computer communication products and peripherals	100.00 %	100.00 %	100.00 %	Note 15
Lumens	Lumens Digit Image Inc. (SAMOA) (Lumens SAMOA)	Investing activities	100.00 %	100.00 %	100.00 %	Note 15
Lumens SAMOA	Lumens (Suzhou) Digital Image Inc. (Lumens Suzhou)	Manufacturing and selling projectors, projection screens and related products	100.00 %	100.00 %	100.00 %	Note 15
ASUSPOWER INVESTMENT	Pegatron Service Singapore Pte. Ltd. (PSG)	Sales and repair service center in Singapore	100.00 %	100.00 %	100.00 %	Note 15
PSG	PEGATRON SERVICE KOREA LLC.(PKR)	Sales and repair service center in Korea	100.00 %	100.00 %	100.00 %	Note 15
ASUS INVESTMENT	HUA-YUAN INVESTMENT LIMITED (HUA-YUAN)	Investing activities	100.00 %	100.00 %	100.00 %	Note 15
THE COMPANY	PEGATRON SERVICE AUSTRALIA PTY. LTD.(PAU)	Sales and repair service center in Australia	100.00 %	100.00 %	100.00 %	Note 15
THE COMPANY	PEGATRON USA, INC. (PUSA)	Sales and repair service center in North America	100.00 %	100.00 %	100.00 %	Note 15
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 %	100.00 %	Note 15
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 %	100.00 %	Note 11 and Note 15
THE COMPANY	PEGATRON TECHNOLOGY HAI PHONG COMPANY LIMITED (PHP)	Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts	100.00 %	100.00 %	100.00 %	Note 15
THE COMPANY, ASUSPOWER INVESTMENT	Pegatron Technology India Private Limited (PTI)	Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts	100.00 %	100.00 %	100.00 %	Note 15
THE COMPANY	PEGATRON TECHNOLOGY TEXAS INC. (PTX)	Sales center in North America	100.00 %	100.00 %	100.00 %	Note 15
THE COMPANY	PEGATRON ELECTRONICS INC. (PEL)	Sales center in North America	100.00 %	100.00 %	100.00 %	Note 15
THE COMPANY	Pegapower Investment Co., Ltd. (Pegapower Investment)	Investing activities	100.00 %	100.00 %	100.00 %	Note 15

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			September 30, 2023	December 31, 2022	September 30, 2022	
THE COMPANY	Pegatron Investment Co., Ltd. (Pegatron Investment)	Investing activities	100.00 %	100.00 %	100.00 %	Note 15
Pegapower Investment, Pegatron Investment	Pegatron Venture Capital Co., Ltd. (Pegatron Venture)	Investing activities	100.00 %	100.00 %	100.00 %	Note 15
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% thereafter. On July 22, 2023, the entity distributed share dividends to increase capital out of earnings, and the Group maintained a shareholding of 57.27% as a result.
- 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. On July 28, 2023, the entity distributed share dividends to increase capital out of earnings, and the Group maintained a 60.10% shareholding as a result.

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- 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.
- 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 September 30, 2023.
- Note 10: As of September 30, 2023, the entity has made cancellation.
- Note 11: During 2023, the entity increased cash capital by issuing shares, all of which were subscribed for by subsidiaries within the same group.
- Note 12: The entity was founded in September 2023.
- Note 13: The entity was founded in June 2023 and the funds were remitted in September 2023.
- Note 14: During 2023, the entity issued new shares for share options, decreasing the Group's shareholding to 54.28% after the capital increase.
- Note 15: It is an insignificant subsidiary that the financial statements for the nine months ended September 30, 2023 and 2022, have not been reviewed.

(c) **Income taxes**

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

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

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

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(d) Employee benefits

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

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

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

The preparation of the consolidated financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2022. For related information, please refer to Note 5 of the consolidated financial statements for the year ended December 31, 2022.

**(6) Explanation of significant accounts**

Except for the following disclosures, there were no material differences in the disclosures of significant accounts between the consolidated financial statements for the current period and the 2022 consolidated financial statements. Please refer to Note 6 of the 2022 annual consolidated financial statements.

(a) Cash and cash equivalents

	<b>September 30,</b> <b>2023</b>	<b>December 31,</b> <b>2022</b>	<b>September 30,</b> <b>2022</b>
Cash on hand	\$ 11,425	9,424	7,990
Cash in banks	42,973,970	47,438,984	81,882,768
Time deposits	50,610,619	34,399,399	48,254,365
Cash equivalents	<u>4,861,636</u>	<u>2,729,575</u>	<u>2,483,314</u>
	<b><u>\$ 98,457,650</u></b>	<b><u>84,577,382</u></b>	<b><u>132,628,437</u></b>

(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.

(Continued)



**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

	<u>September 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>September 30,</u> <u>2022</u>
Current mandatorily measured at fair value through profit or loss:			
Non-derivative financial assets			
Shares of stock of listed companies	\$ 6,323,906	6,509,215	6,167,734
Shares of emerging stock of listed companies	114,810	114,810	139,750
Shares of stock of unlisted companies	10,688	10,688	7,704
Beneficiary certificates	2,539,517	2,308,443	1,787,579
Convertible bonds	<u>84,900</u>	<u>81,695</u>	<u>84,469</u>
Subtotal	<u>9,073,821</u>	<u>9,024,851</u>	<u>8,187,236</u>
Non-current mandatorily measured at fair value through profit or loss:			
Non-derivative financial assets			
Shares of stock of listed companies	\$ 474,788	711,352	617,625
Shares of stock of unlisted companies	540,065	344,173	440,982
Beneficiary certificates	<u>1,435,490</u>	<u>1,114,902</u>	<u>537,289</u>
Subtotal	<u>2,450,343</u>	<u>2,170,427</u>	<u>1,595,896</u>
Total	<u>\$ 11,524,164</u>	<u>11,195,278</u>	<u>9,783,132</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

	<u>September 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>September 30,</u> <u>2022</u>
Debt investments at fair value through other comprehensive income:			
Beneficiary certificates	\$ -	-	210,945
Equity instruments at fair value through other comprehensive income:			
Shares of stock of listed companies	1,043,508	874,112	892,758
Shares of stock of unlisted companies	<u>1,085,510</u>	<u>529,534</u>	<u>209,204</u>
Total	<u>\$ 2,129,018</u>	<u>1,403,646</u>	<u>1,312,907</u>

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

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

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

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

During the three months and the nine months ended September 30, 2023 and 2022, the dividends of \$14,916 thousand, \$3 thousand, \$21,031 thousand, and \$33,145 thousand, related to equity investments at fair value through other comprehensive income respectively, were recognized.

(iii) Please refer to note 6(z) for the credit risk and market risk.

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

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

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

	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
Notes receivables from operating activities	\$ 5,728	11,200	948
Accounts receivable-measured at amortized cost	208,134,685	190,423,074	170,493,308
Less: Allowance for impairment	<u>146,730</u>	<u>187,095</u>	<u>147,334</u>
	<b><u>\$ 207,993,683</u></b>	<b><u>190,247,179</u></b>	<b><u>170,346,922</u></b>

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.

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The loss allowance provision was determined as follows:

	<b>September 30, 2023</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 205,767,009	0%~1%	(36,856)
Overdue 0 to 30 days	2,178,220	1%~30%	(33,045)
Overdue 31 to 120 days	136,853	1%~100%	(33,527)
Overdue 121 to 365 days	48,421	39%~100%	(33,392)
Over 365 days past due	<u>9,910</u>	100%	<u>(9,910)</u>
	<b><u>\$ 208,140,413</u></b>		<b><u>(146,730)</u></b>
	<b>December 31, 2022</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance provision</b>
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	<u>1,704</u>	100%	<u>(1,704)</u>
	<b><u>\$ 190,434,274</u></b>		<b><u>(187,095)</u></b>
	<b>September 30, 2022</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 165,294,371	0%~1%	(44,576)
Overdue 0 to 30 days	5,028,047	1%~30%	(68,601)
Overdue 31 to 120 days	147,298	2%~100%	(17,629)
Overdue 121 to 365 days	22,827	14%~100%	(14,815)
Over 365 days past due	<u>1,713</u>	100%	<u>(1,713)</u>
	<b><u>\$ 170,494,256</u></b>		<b><u>(147,334)</u></b>

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

	<b>For the nine months ended September 30</b>	
	<b>2023</b>	<b>2022</b>
Balance on January 1	\$ 187,095	119,064
Impairment losses recognized (reversed)	(1,367)	27,129
Amounts written off	(40,680)	(1,631)
Effect of movement in exchange rates	1,682	2,772
Balance on September 30	<b>\$ 146,730</b>	<b>147,334</b>

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 separate factoring agreements with different 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 September 30, 2023, December 31, 2022 and September 30, 2022, the relevant information on accounts receivable factored by the Company, but unsettled, was as follows:

<b>September 30, 2023</b>						
<b>Purchaser</b>	<b>Amount Derecognized</b>	<b>Factoring Line (thousands)</b>	<b>Amount Advanced Paid (thousands)</b>	<b>Collateral</b>	<b>Range of Interest Rate</b>	<b>Significant Factoring Terms</b>
ANZ	\$ <u>-</u>	USD <u>420,000</u>	USD <u>-</u>	None	-	The accounts receivable factoring is without recourse, but the seller still bears the risks except for eligible obligor's insolvency.

  

<b>December 31, 2022</b>						
<b>Purchaser</b>	<b>Amount Derecognized</b>	<b>Factoring Line (thousands)</b>	<b>Amount Advanced Paid (thousands)</b>	<b>Collateral</b>	<b>Range of Interest Rate</b>	<b>Significant Factoring Terms</b>
ANZ	\$ <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.

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

September 30, 2022

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

As of September 30, 2023, December 31, 2022 and September 30, 2022, KINSUS sold its accounts receivable without recourse as follows:

September 30, 2023

Purchaser	Amount Derecognized	Factoring Line (thousands)	Amount Advanced Paid (thousands)	Collateral	Range of Interest Rate	Significant Factoring Terms
Mega International Commercial Bank - LanYa Branch	\$ <u>136,604</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 Paid (thousands)	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.

September 30, 2022

Purchaser	Amount Derecognized	Factoring Line (thousands)	Amount Advanced Paid (thousands)	Collateral	Range of Interest Rate	Significant Factoring Terms
Mega International Commercial Bank - LanYa Branch	\$ <u>684,969</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 and September 30, 2022.

(e) Other receivables

	September 30, 2023	December 31, 2022	September 30, 2022
Other receivables	\$ 686,197	1,201,107	1,751,337
Other receivables-Related parties	23,250	144,336	14,685
Less: Allowance for impairment	<u>16,636</u>	<u>16,299</u>	<u>16,516</u>
	<u>\$ 692,811</u>	<u>1,329,144</u>	<u>1,749,506</u>

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The movement in the allowance for other receivables was as follows:

	<b>For the nine months ended September 30</b>	
	<b>2023</b>	<b>2022</b>
Balance on January 1	\$ 16,299	16,438
Impairment losses recognized (reversed)	22	(428)
Foreign exchange gain	315	506
Balance on September 30	<b>\$ 16,636</b>	<b>16,516</b>

(f) Inventories

	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
Merchandise	\$ 2,511,849	1,707,990	2,233,515
Finished goods	54,625,582	82,232,393	60,952,130
Work in process	28,210,045	23,693,836	37,834,310
Raw materials	53,318,019	91,807,309	97,721,859
	<b>\$ 138,665,495</b>	<b>199,441,528</b>	<b>198,741,814</b>

The components of cost of goods sold were as follows:

	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Cost of goods sold	\$ 301,112,882	332,955,145	873,034,615	908,713,004
(Gain) loss on evaluation of inventories	(134,580)	844,657	104,864	2,337,961
Loss on disposal of inventory	2,595,758	2,929,530	8,301,310	7,083,606
Others	35,649	63,646	122,671	192,197
	<b>\$ 303,609,709</b>	<b>336,792,978</b>	<b>881,563,460</b>	<b>918,326,768</b>

As of September 30, 2023, December 31, 2022 and September 30, 2022, the aforesaid inventories were not pledged as collateral.

(g) Investments accounted for using the equity method

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

	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
Associates	<b>\$ 31,806,396</b>	<b>27,861,177</b>	<b>25,922,038</b>
Credit balance of investments accounted for using equity method-associate	<b>\$ 4,671</b>	<b>4,314</b>	<b>4,527</b>

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

Name of Associates	Nature of Relationship with the Group	Main operating location/ Registered Country of the Company	Proportion of shareholding and voting rights		
			September 30, 2023	December 31, 2022	September 30, 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 %	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.

Luxcase (Yancheng)

	September 30, 2023	December 31, 2022	September 30, 2022
Current assets	\$ 153,614,968	94,901,775	104,935,314
Non-current assets	41,619,278	43,530,571	41,229,758
Current liabilities	(128,945,380)	(81,475,601)	(91,145,434)
Non-current liabilities	(2,347,366)	(923,620)	(2,022,705)
Net assets attributable to shareholders	<u>\$ 63,941,500</u>	<u>56,033,125</u>	<u>52,996,933</u>

	For the three months ended September 30		For the nine months ended September 30	
	2023	2022	2023	2022
Operating revenue	<u>\$ 82,069,280</u>	<u>89,600,505</u>	<u>226,208,997</u>	<u>216,545,945</u>
Profit from continuing operations	\$ 4,315,986	2,751,273	6,415,598	5,123,921
Other comprehensive income	(15,884)	97,237	58,372	171,477
Comprehensive income attributable to shareholders	<u>\$ 4,300,102</u>	<u>2,848,510</u>	<u>6,473,970</u>	<u>5,295,398</u>

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<b>For the nine months ended September 30</b>	
	<b>2023</b>	<b>2022</b>
Shares of net assets of the associate as of January 1	\$ 26,992,837	22,168,901
Profit attributable to the Group	3,079,990	2,468,346
Comprehensive income attributable to the Group	600,358	772,008
Changes in the ownership interest attributable to the Group	<u>129,354</u>	<u>120,957</u>
Shares of net assets of associates	30,802,539	25,530,212
Add: Goodwill	<u>120,211</u>	<u>118,280</u>
Carrying amount of the associate's equity as of September 30	<u><b>\$ 30,922,750</b></u>	<u><b>25,648,492</b></u>

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

	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
Carrying amount of individually insignificant associates' equity	<u><b>\$ 878,975</b></u>	<u><b>749,616</b></u>	<u><b>273,546</b></u>

	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Attributable to the Group:				
Profit from continuing operations	\$ 26,233	6,250	116,507	7,182
Other comprehensive (loss) income	<u>(19)</u>	<u>256</u>	<u>142</u>	<u>352</u>
Total comprehensive income	<u><b>\$ 26,214</b></u>	<u><b>6,506</b></u>	<u><b>116,649</b></u>	<u><b>7,534</b></u>

As of September 30, 2023, December 31, 2022 and September 30, 2022, the aforesaid investments accounted for using the equity method were not pledged as collateral.

The investments accounted for using the equity method and the Group's share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements that were not reviewed.

(Continued)



**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(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>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
KINSUS and its subsidiaries	Taiwan	61.73 %	61.59 %	61.59 %
ASROCK and its subsidiaries	Taiwan	44.54 %	44.70 %	45.12 %

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>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Current assets	\$ 28,988,129	28,100,289	26,548,718
Non-current assets	47,409,312	44,533,127	41,524,886
Current liabilities	(11,354,789)	(15,373,749)	(16,940,749)
Non-current liabilities	(26,512,956)	(18,443,774)	(13,804,885)
Net assets	<u>\$ 38,529,696</u>	<u>38,815,893</u>	<u>37,327,970</u>
Non-controlling interest	<u>\$ 24,780,906</u>	<u>24,764,767</u>	<u>23,786,409</u>

  

	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Operating revenue	\$ <u>6,046,171</u>	<u>11,544,421</u>	<u>19,342,724</u>	<u>33,012,291</u>
Net income (loss) for the period	\$ (92,300)	2,441,267	390,363	6,457,312
Other comprehensive income	139,892	46,337	55,934	102,166
Comprehensive income	<u>\$ 47,592</u>	<u>2,487,604</u>	<u>446,297</u>	<u>6,559,478</u>
Net income attribute to non-controlling interest	<u>\$ 2,223</u>	<u>1,559,821</u>	<u>418,238</u>	<u>4,169,059</u>
Comprehensive income attribute to non-controlling interest	<u>\$ 103,981</u>	<u>1,542,303</u>	<u>470,478</u>	<u>4,184,806</u>

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<b>For the nine months ended September 30</b>	
	<b>2023</b>	<b>2022</b>
Cash flows from operating activities	\$ 6,311,841	9,094,476
Cash flows used in investing activities	(10,732,455)	(11,792,291)
Cash flows from financing activities	5,084,510	54,582
Effect of movement in exchange rate	28,924	90,275
Net increase (decrease) in cash and cash equivalents	<u>\$ 692,820</u>	<u>(2,552,958)</u>
Dividends to non-controlling interest	<u>\$ 2,207,802</u>	<u>1,572,159</u>

## (ii) Information regarding ASROCK and its subsidiaries

	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
Current assets	\$ 13,461,022	13,993,593	13,824,659
Non-current assets	855,704	774,221	737,932
Current liabilities	(5,496,885)	(5,813,692)	(5,504,872)
Non-current liabilities	(104,373)	(60,195)	(125,576)
Net assets	<u>\$ 8,715,468</u>	<u>8,893,927</u>	<u>8,932,143</u>
Non-controlling interest	<u>\$ 4,270,467</u>	<u>4,399,123</u>	<u>4,413,803</u>

	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Operating revenue	\$ <u>4,902,222</u>	<u>3,565,647</u>	<u>13,383,891</u>	<u>12,221,460</u>
Net income for the period	\$ 323,246	234,153	589,488	1,177,509
Other comprehensive income	161,719	267,767	218,888	546,690
Comprehensive income	<u>\$ 484,965</u>	<u>501,920</u>	<u>808,376</u>	<u>1,724,199</u>
Net income attribute to non-controlling interest	<u>\$ 148,609</u>	<u>140,470</u>	<u>258,241</u>	<u>610,534</u>
Comprehensive income attribute to non-controlling interest	<u>\$ 220,889</u>	<u>261,285</u>	<u>356,072</u>	<u>857,197</u>

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<b>For the nine months ended September 30</b>	
	<b>2023</b>	<b>2022</b>
Cash flows from (used in) operating activities	\$ 1,277,112	(1,033,826)
Cash flows (used in) from investing activities	(443,661)	1,053,612
Cash flows used in financing activities	(1,663,690)	(665,494)
Effect of movement in exchange rate	203,770	510,382
Net decrease in cash and cash equivalents	\$ (626,469)	(135,326)
Dividends to non-controlling interest	\$ 540,863	734,195

(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:

	<b>Land</b>	<b>Buildings</b>	<b>Machinery equipment</b>	<b>Instrument equipment</b>	<b>Other facilities</b>	<b>Construction in progress</b>	<b>Total</b>
<b>Cost or deemed cost:</b>							
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	569,309	891,912	311,680	104,176	1,492,734	7,032,084	10,401,895
Disposals and obsolescence	-	(498,054)	(2,161,398)	(169,229)	(2,256,180)	-	(5,084,861)
Reclassifications	-	3,269,959	2,415,902	39,880	3,795,654	(6,522,970)	2,998,425
Effect of movement in exchange rate	13,000	1,991,833	860,169	39,553	1,497,531	226,180	4,628,266
Balance on September 30, 2023	\$ 12,681,413	60,922,409	54,132,284	1,358,107	42,765,885	9,397,111	181,257,209
Balance on January 1, 2022	\$ 11,856,650	51,500,156	53,338,900	1,313,354	34,999,356	3,058,362	156,066,778
Additions	-	205,269	581,150	131,669	1,256,704	7,077,191	9,251,983
Disposals and obsolescence	-	(125,638)	(3,715,843)	(148,523)	(2,836,346)	-	(6,826,350)
Reclassifications	196,960	66,102	6,995,879	30,891	2,717,771	(2,374,897)	7,632,706
Effect of movement in exchange rate	15,555	5,003,758	2,423,795	103,364	3,127,205	235,378	10,909,055
Balance on September 30, 2022	\$ 12,069,165	56,649,647	59,623,881	1,430,755	39,264,690	7,996,034	177,034,172
<b>Depreciation and impairment loss:</b>							
Balance on January 1, 2023	\$ -	26,668,850	36,379,503	1,054,512	24,521,010	-	88,623,875
Depreciation for the period	-	2,339,243	3,765,442	125,262	3,886,816	-	10,116,763
Impairment loss	-	-	-	-	11,893	-	11,893
Disposals and obsolescence	-	(499,537)	(1,957,621)	(160,358)	(1,772,588)	-	(4,390,104)
Reclassifications	-	3,599	(5,642)	-	(25,248)	-	(27,291)
Effect of movement in exchange rate	-	1,086,111	647,584	37,907	981,344	-	2,752,946
Balance on September 30, 2023	\$ -	29,598,266	38,829,266	1,057,323	27,603,227	-	97,088,082
Balance on January 1, 2022	\$ -	21,880,939	41,304,823	1,023,595	22,120,891	-	86,330,248
Depreciation for the period	-	2,112,694	3,631,245	136,248	3,645,939	-	9,526,126
Impairment loss (reversal gain)	-	9,798	(257)	-	23,498	-	33,039
Disposals and obsolescence	-	(125,620)	(3,605,569)	(133,001)	(2,493,338)	-	(6,357,528)
Reclassifications	-	(5,961)	-	-	(6,560)	-	(12,521)
Effect of movement in exchange rate	-	2,331,943	2,009,830	100,932	2,183,992	-	6,626,697
Balance on September 30, 2022	\$ -	26,203,793	43,340,072	1,127,774	25,474,422	-	96,146,061
<b>Carrying value:</b>							
Balance on January 1, 2023	\$ 12,099,104	28,597,909	16,326,428	289,215	13,715,136	8,661,817	79,689,609
Balance on September 30, 2023	\$ 12,681,413	31,324,143	15,303,018	300,784	15,162,658	9,397,111	84,169,127
Balance on January 1, 2022	\$ 11,856,650	29,619,217	12,034,077	289,759	12,878,465	3,058,362	69,736,530
Balance on September 30, 2022	\$ 12,069,165	30,445,854	16,283,809	302,981	13,790,268	7,996,034	80,888,111

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

	For the three months ended September 30		For the nine months ended September 30	
	2023	2022	2023	2022
	Impairment loss	\$ -	17,289	11,893

- (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:

	Land	Buildings	Transportation equipment	Total
<b>Cost:</b>				
Balance on January 1, 2023	\$ 4,359,191	4,986,033	2,822	9,348,046
Additions	19,979	1,920,787	-	1,940,766
Disposals and obsolescence	(5,184)	(1,683,741)	-	(1,688,925)
Effect of movement in exchange rate	198,610	182,715	74	381,399
Balance on September 30, 2023	\$ 4,572,596	5,405,794	2,896	9,981,286
Balance on January 1, 2022	\$ 4,051,052	5,015,576	3,977	9,070,605
Additions	15,370	1,001,623	-	1,016,993
Reductions	(70,579)	(1,438,394)	-	(1,508,973)
Reclassifications	-	30,231	-	30,231
Effect of movement in exchange rate	509,563	442,176	194	951,933
Balance on September 30, 2022	\$ 4,505,406	5,051,212	4,171	9,560,789
<b>Accumulated depreciation:</b>				
Balance on January 1, 2023	\$ 974,270	2,196,561	1,081	3,171,912
Depreciation for the period	81,984	1,080,959	204	1,163,147
Reductions	(1,057)	(1,264,226)	-	(1,265,283)
Effect of movement in exchange rate	45,854	88,710	37	134,601
Balance on September 30, 2023	\$ 1,101,051	2,102,004	1,322	3,204,377

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<u>Land</u>	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Total</u>
Balance on January 1, 2022	\$ 837,553	1,995,046	1,547	2,834,146
Depreciation for the period	77,676	1,198,992	367	1,277,035
Reductions	(29,180)	(1,399,862)	-	(1,429,042)
Effect of movement in exchange rate	103,981	217,933	50	321,964
Balance on September 30, 2022	<u>\$ 990,030</u>	<u>2,012,109</u>	<u>1,964</u>	<u>3,004,103</u>
<b>Carrying value:</b>				
Balance on January 1, 2023	<u>\$ 3,384,921</u>	<u>2,789,472</u>	<u>1,741</u>	<u>6,176,134</u>
Balance on September 30, 2023	<u>\$ 3,471,545</u>	<u>3,303,790</u>	<u>1,574</u>	<u>6,776,909</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 September 30, 2022	<u>\$ 3,515,376</u>	<u>3,039,103</u>	<u>2,207</u>	<u>6,556,686</u>

(k) Other financial assets and other assets

Other financial assets and other assets were as follows:

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Other financial assets - current	\$ 4,733,139	12,012,749	10,499,046
Other financial assets - non-current	455,889	374,605	356,615
Other current assets	5,037,002	5,854,949	7,640,127
Other non-current assets	105,706	21,612	52,319
	<u>\$ 10,331,736</u>	<u>18,263,915</u>	<u>18,548,107</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, current tax asset, rights to the returned goods, and others.
- (iii) Other non-current assets consisted of prepayments on other long-term expenses and others.

(l) Short-term loans

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Unsecured bank loans	\$ 50,896,666	79,589,451	104,953,974
Range of interest rate	<u>0.75%~6.58%</u>	<u>0.38%~5.94%</u>	<u>0.38%~4.52%</u>

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

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
Other current liabilities	\$ 26,977,271	34,939,573	31,721,329
Other non-current liabilities	5,948,622	5,571,664	2,798,263
	<b><u>\$ 32,925,893</u></b>	<b><u>40,511,237</u></b>	<b><u>34,519,592</u></b>

(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.

(n) Long-term loans

The details were as follows:

	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
Unsecured bank loans	\$ 21,008,598	16,726,682	16,260,941
Secured bank loans	257,387	272,216	273,204
	21,265,985	16,998,898	16,534,145
Less: current portion	(3,584,259)	(2,773,471)	(2,204,466)
Total	<b><u>\$ 17,681,726</u></b>	<b><u>14,225,427</u></b>	<b><u>14,329,679</u></b>
Range of interest rate	<b><u>0.95%~6.40%</u></b>	<b><u>0.35%~5.74%</u></b>	<b><u>0.35%~4.57%</u></b>

(i) Borrowing and repayment

In consideration of the operating situation and the terms of the loan agreement, the Group repaid the long-term loans of \$2,941,002 thousand and \$1,688,160 thousand for the nine months ended September 30, 2023 and 2022, respectively. In addition, the Group proceeded from long-term loans of \$7,160,000 thousand and \$4,854,270 thousand for the nine months ended September 30, 2023 and 2022, respectively. 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 their 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.

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(o) Bonds payable

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

	<u>September 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>September 30,</u> <u>2022</u>
Ordinary corporate bonds issued	\$ 30,400,000	34,900,000	34,900,000
Unamortized discount on bonds payable	(17,460)	(23,008)	(24,857)
Bonds payable, end of the year	30,382,540	34,876,992	34,875,143
Less: current portion	(8,000,000)	(4,500,000)	(4,500,000)
	<u>\$ 22,382,540</u>	<u>30,376,992</u>	<u>30,375,143</u>

	<u>For the three months ended</u> <u>September 30</u>		<u>For the nine months ended</u> <u>September 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Interest expense	<u>\$ 56,986</u>	<u>68,184</u>	<u>170,242</u>	<u>211,472</u>

The main rights and obligations of the second unsecured ordinary corporate bonds issued in 2017 and repaid during 2023, were as follows:

<u>Item</u>	<u>2<sup>nd</sup> unsecured ordinary bonds issued in 2017</u>
1. Issuing amount	The Bonds are issued at \$8,000,000 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.
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.

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Please refer to Note 6(r) of 2022 annual consolidated financial statements for other related information.

(p) Lease liabilities

The Group's lease liabilities were as follows:

	September 30, 2023	December 31, 2022	September 30, 2022
Current	\$ <u>1,279,046</u>	<u>1,366,074</u>	<u>1,393,877</u>
Non-current	\$ <u>2,164,871</u>	<u>1,522,527</u>	<u>1,747,193</u>

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

The amounts recognized in profit or loss were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2023	2022	2023	2022
Interest on lease liabilities	\$ <u>37,807</u>	<u>26,920</u>	<u>82,224</u>	<u>83,158</u>
Variable lease payments not included in the measurement of lease liabilities	\$ <u>12,349</u>	<u>11,241</u>	<u>34,915</u>	<u>32,091</u>
Income from sub-leasing right-of-use assets	\$ <u>234</u>	<u>199</u>	<u>630</u>	<u>314</u>
Expenses relating to short- term leases	\$ <u>6,240</u>	<u>66,526</u>	<u>80,538</u>	<u>221,688</u>
Expenses relating to leases of low-value, excluding short-term leases of low- value assets	\$ <u>1,496</u>	<u>477</u>	<u>11,639</u>	<u>1,935</u>
Covid-19 related rent concessions	\$ <u>-</u>	<u>1,354</u>	<u>19</u>	<u>1,592</u>

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

	For the nine months ended September 30	
	2023	2022
Total cash outflow for leases	\$ <u>1,267,459</u>	<u>1,467,720</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.

(Continued)



**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

There was no material market volatility, no material reimbursement and settlement or other material one-time events. As a result, the pension cost in the accompanying interim consolidated financial statements was measured and disclosed according to the actuarial report as of December 31, 2022 and 2021.

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

	For the three months ended September 30		For the nine months ended September 30	
	2023	2022	2023	2022
Operating cost	\$ 213	906	620	2,678
Operating expense	1,624	1,200	4,868	3,591
	<u>\$ 1,837</u>	<u>2,106</u>	<u>5,488</u>	<u>6,269</u>

(ii) Defined contribution plans

The contributions of the Group for the employees' pension benefits were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2023	2022	2023	2022
Operating cost	\$ 860,429	1,124,433	2,619,038	3,287,358
Operating expense	215,504	217,702	661,407	622,170
	<u>\$ 1,075,933</u>	<u>1,342,135</u>	<u>3,280,445</u>	<u>3,909,528</u>

(r) Income tax

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

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

	For the three months ended September 30		For the nine months ended September 30	
	2023	2022	2023	2022
Current income tax expense				
Current period incurred	\$ 2,427,014	1,799,708	4,960,899	4,533,208
Prior years income tax adjustment	(78,324)	(41,985)	(162,057)	(131,473)
Income tax expense	<u>\$ 2,348,690</u>	<u>1,757,723</u>	<u>4,798,842</u>	<u>4,401,735</u>

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

	For the three months ended September 30		For the nine months ended September 30	
	2023	2022	2023	2022
	Items that will be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign financial statements	\$ <u>13,062</u>	<u>8,224</u>	<u>6,333</u>	<u>3,505</u>

- (iv) 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

Except for the following disclosure, there was no significant change for capital and other equity for the nine months ended September 30, 2023 and 2022. For the related information, please refer to Note 6(v) of the consolidated financial statements for the year ended December 31, 2022.

- (i) Ordinary shares

For the nine months ended September 30, 2023 and 2022, the Company had retired 3,053 thousand and 1,205 thousand shares, respectively, of restricted stock to employees. The authorized ordinary shares consisted of 3,000,000 thousand shares, with par value of \$10 per share of which 2,664,580 thousand, 2,667,634 thousand and 2,667,926 thousand shares were issued and outstanding as of September 30, 2023, December 31, 2022 and September 30, 2022, respectively. All share proceeds from outstanding capital have been collected.

As of September 30, 2023, December 31, 2022 and September 30, 2022, the restricted Company shares of stock issued to employees have expired, of which 235 thousand, 710 thousand and 293 thousand shares, respectively, have not been retired.

- (ii) Global depositary receipts

As of September 30, 2023, December 31, 2022 and September 30, 2022, the Company has listed, in total, 225 thousand, 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, 1,126 thousand and 1,126 thousand shares of stock, respectively.

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iii) Capital surplus

The components of the capital surplus were as follows:

	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
From issuance of share capital	\$ 68,105,294	67,629,957	67,627,679
From conversion of convertible bonds	11,073,663	11,073,663	11,073,663
From treasury stock transactions	47,865	47,865	47,865
Difference between consideration and carrying amount of subsidiaries acquired or disposed	2,273,401	2,273,401	2,273,401
Changes in equity of associates accounted for using the equity method	300,179	170,826	141,819
Changes in ownership interest in subsidiaries	1,515,747	1,353,306	1,323,824
Employee stock options	6,094	6,094	6,093
Restricted stock to employees	329,133	386,975	301,759
Other	409,917	409,917	409,917
	<b><u>\$ 84,061,293</u></b>	<b><u>83,352,004</u></b>	<b><u>83,206,020</u></b>

(iv) Retained earnings

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

According to the R.O.C. Company Act, the Company should distribute dividends and 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 Company distributes dividends of at least 10% of the aggregate dividends, if the distributions include cash dividends.

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

1) Legal reserve

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

2) Special reserve

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

3) Earnings distribution

On June 15, 2023 and June 15, 2022, the Group resolved to earnings distribution of 2022 and 2021, the amounts of dividends distributed to owners are as follows:

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

(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	7,717,787	-	-	7,717,787
Exchange differences on associates accounted for using the equity method	600,500	-	-	600,500
Unrealized gains from financial assets measured at fair value through other comprehensive income	-	169,396	-	169,396
Deferred compensation cost arising from issuance of restricted stock	-	-	(98,886)	(98,886)
Balance on September 30, 2023	<b>\$ 714,657</b>	<b>249,366</b>	<b>(167,763)</b>	<b>796,260</b>

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Deferred compensation arising from issuance of restricted stock	Total
Balance on January 1, 2022	\$ (21,363,627)	444,778	(712,701)	(21,631,550)
Exchange differences on foreign operations	17,946,146	-	-	17,946,146
Exchange differences on associates accounted for using the equity method	772,360	-	-	772,360
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	(364,323)	-	(364,323)
Deferred compensation cost arising from issuance of restricted stock	-	-	626,293	626,293
Balance on September 30, 2022	<u>\$ (2,645,121)</u>	<u>80,455</u>	<u>(86,408)</u>	<u>(2,651,074)</u>

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

	For the nine months ended September 30	
	2023	2022
Balance on January 1	\$ 32,079,698	27,662,332
Income attributable to non-controlling interests	888,801	4,983,653
Other comprehensive income attributable to non-controlling interests		
Exchange differences on foreign operations	231,959	451,598
Changes in ownership interest in subsidiaries	(162,441)	16,533
Changes in non-controlling interests	<u>(770,720)</u>	<u>(2,054,442)</u>
Balance on September 30	<u>\$ 32,267,297</u>	<u>31,059,674</u>

(t) Share-based payment

Except for the following disclosure, there was no significant change for share-based payment for the nine months ended September 30, 2023 and 2022. For the related information, please refer to Note 6(w) of the consolidated financial statements for the year ended December 31, 2022.

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

(i) New shares of restricted stock awards

For the nine months ended September 30, 2023 and 2022, 2,578 thousand and 1,242 thousand new shares of restricted stock awards issued to employees have expired and been recalled, which increased capital surplus with \$25,775 thousand and \$12,422 thousand, respectively. As of September 30, 2023, December 31, 2022 and September 30, 2022, the Company has deferred compensation cost arising from issuance of new shares of restricted stock awards of \$167,763 thousand, \$68,877 thousand and \$86,408 thousand, respectively.

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Expenses recognized in profit or loss

The Company incurred expenses of share-based arrangements for the three months and the nine months ended September 30, 2023 and 2022 were as follows:

	<b>For the three months ended</b>		<b>For the nine months ended</b>	
	<b>September 30</b>		<b>September 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Expenses resulting from the issuance of new shares of restricted stock awards	<b>\$ 50,871</b>	<b>196,353</b>	<b>154,739</b>	<b>517,071</b>

(u) Subsidiary's share-based payments

Except for the following disclosure, there was no significant change for share-based payment for the nine months ended September 30, 2023 and 2022. For the related information, please refer to Note 6(x) of the consolidated financial statements for the year ended December 31, 2022.

(i) AZUREWAVE

In the shareholders' meeting held on July 15, 2021, AZUREWAVE's shareholders approved the issue of 3,000 thousand restricted shares for employees, and the record date of the capital increase was January 3, 2022. As the employees who had been awarded restricted shares failed to meet the vesting conditions, the board of directors resolved to reduce capital by canceling repurchased restricted shares totaling 20 thousand shares and 88 thousand shares on May 10 and August 8, 2023, respectively; the record dates of the capital reductions were May 15 and August 15, 2023, respectively.

For the three months and the nine months ended September 30, 2023 and 2022, AZUREWAVE recognized share-based compensation cost of \$3,201 thousand, \$4,979 thousand, \$13,291 thousand and \$24,011 thousand, respectively, due to the issuance of restricted employee stock.

(ii) ASROCK

For the three months and the nine months ended September 30, 2023 and 2022, ASROCK recognized share-based compensation cost of \$(33,010) thousand, \$(40,957) thousand, \$5,970 thousand and \$29,780 thousand, respectively, due to the issuance of restricted employee stock.

(iii) KINSUS

1) 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.

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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.

On August 19, 2023, the issuance of 1,932 thousand restricted shares for employees resulted in the increase of capital surplus–restricted employee stock amounting to \$146,059 thousand. As of September 30, 2023, 24 thousand restricted shares of the Company have lapsed, increasing capital surplus by \$235 thousand. As of September 30, 2023, the Company has deferred compensation cost arising from issuance of new shares of restricted stock awards of \$9,282 thousand.

On March 20, 2023, the issuance of 1,448 thousand restricted shares for employees resulted in the increase of capital surplus–restricted employee stock amounting to \$109,469 thousand. As of September 30, 2023, 14 thousand restricted shares of the Company have lapsed, increasing capital surplus by \$135 thousand. As of September 30, 2023, the Company has deferred compensation cost arising from issuance of new shares of restricted stock awards of \$9,130 thousand.

On May 19, 2023, the issuance of 280 thousand restricted shares for employees resulted in the increase of capital surplus–restricted employee stock amounting to \$21,168 thousand. As of September 30, 2023, the Company has deferred compensation cost arising from issuance of new shares of restricted stock awards of \$2,780 thousand.

- 2) On April 28, 2023, Pegavision Corporation Co., Ltd., a subsidiary of KINSUS, issued new shares to increase cash capital pursuant to a board resolution. The record date of the capital increase was September 7, 2023, and a portion of those shares was retained for employees' subscription.

(v) Earnings per share

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

	For the three months ended September 30		For the nine months ended September 30	
	2023	2022	2023	2022
<b>Basic earnings per share</b>				
Profit attributable to ordinary shareholders	\$ <u>4,582,779</u>	<u>5,265,446</u>	<u>10,718,053</u>	<u>10,048,776</u>
Weighted-average number of ordinary shares	<u>2,664,410</u>	<u>2,667,722</u>	<u>2,665,591</u>	<u>2,668,145</u>
	<u>\$ 1.72</u>	<u>1.97</u>	<u>4.02</u>	<u>3.77</u>

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	For the three months ended September 30		For the nine months ended September 30	
	2023	2022	2023	2022
<b>Diluted earnings per share</b>				
Profit attributable to ordinary shareholders (diluted)	\$ <u>4,582,779</u>	<u>5,265,446</u>	<u>10,718,053</u>	<u>10,048,776</u>
Weighted-average number of ordinary shares	2,664,410	2,667,722	2,665,591	2,668,145
Effect of potentially dilutive ordinary share				
Effect of employee stock compensation	<u>13,655</u>	<u>14,684</u>	<u>18,915</u>	<u>20,572</u>
Weighted-average number of ordinary shares (diluted)	<u>2,678,065</u>	<u>2,682,406</u>	<u>2,684,506</u>	<u>2,688,717</u>
	<u>\$ 1.71</u>	<u>1.96</u>	<u>3.99</u>	<u>3.74</u>

## (w) Revenue from contracts with customers

## (i) Disaggregation of revenue

	For the three months ended September 30, 2023		
	DMS	Strategic Investment Group	Total
Primary geographical markets:			
Europe	\$ 132,018,620	1,507,045	133,525,665
U.S.A.	124,046,712	2,828,850	126,875,562
Taiwan	22,553,043	2,188,133	24,741,176
China	5,365,819	4,566,841	9,932,660
Japan	2,630,396	1,079,447	3,709,843
Other countries	<u>15,434,048</u>	<u>1,550,552</u>	<u>16,984,600</u>
	<u>\$ 302,048,638</u>	<u>13,720,868</u>	<u>315,769,506</u>
	For the three months ended September 30, 2022		
	DMS	Strategic Investment Group	Total
Primary geographical markets:			
Europe	\$ 145,043,460	967,957	146,011,417
U.S.A.	132,773,553	4,242,222	137,015,775
Taiwan	25,206,263	4,063,277	29,269,540
China	7,994,390	2,280,229	10,274,619
Japan	2,926,978	1,415,695	4,342,673
Other countries	<u>20,648,656</u>	<u>5,304,369</u>	<u>25,953,025</u>
	<u>\$ 334,593,300</u>	<u>18,273,749</u>	<u>352,867,049</u>

(Continued)



**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<b>For the nine months ended September 30, 2023</b>		
	<b>DMS</b>	<b>Strategic Investment Group</b>	<b>Total</b>
Primary geographical markets:			
Europe	\$ 406,141,850	4,193,666	410,335,516
U.S.A.	340,319,021	8,088,427	348,407,448
Taiwan	60,243,544	6,110,516	66,354,060
China	17,748,180	13,367,781	31,115,961
Japan	9,742,519	3,151,790	12,894,309
Other countries	40,208,026	5,298,594	45,506,620
	<b>\$ 874,403,140</b>	<b>40,210,774</b>	<b>914,613,914</b>
	<b>For the nine months ended September 30, 2022</b>		
	<b>DMS</b>	<b>Strategic Investment Group</b>	<b>Total</b>
Primary geographical markets:			
Europe	\$ 412,390,444	2,904,436	415,294,880
U.S.A.	341,962,114	12,785,454	354,747,568
Taiwan	74,864,996	12,020,885	86,885,881
China	21,072,690	16,580,060	37,652,750
Japan	7,263,248	3,071,247	10,334,495
Other countries	49,535,152	5,898,379	55,433,531
	<b>\$ 907,088,644</b>	<b>53,260,461</b>	<b>960,349,105</b>

## (ii) Contract balances

	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
Notes receivable	\$ 5,728	11,200	948
Accounts receivable	208,134,685	190,423,074	170,493,308
Less: Allowance for impairment	146,730	187,095	147,334
Total	<b>\$ 207,993,683</b>	<b>190,247,179</b>	<b>170,346,922</b>
Contract liabilities	<b>\$ 6,736,743</b>	<b>3,828,212</b>	<b>2,425,355</b>

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 nine months ended September 30, 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 profit should be reserved to offset the deficit. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

For the three months and the nine months ended September 30, 2023 and 2022 the Company estimated its employee remuneration amounting to \$455,000 thousand, \$428,000 thousand, \$1,046,000 thousand and \$859,000 thousand, and directors' remuneration amounting to \$46,000 thousand, \$43,000 thousand, \$104,000 thousand and \$85,000 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.

For the years ended December 31, 2022 and 2021, the Company had accrued remuneration of employees of \$1,365,000 thousand and \$1,605,000 thousand, respectively, and remuneration of directors of \$135,000 thousand and \$159,000 thousand, respectively. There was no difference between the amounts approved in the Board of Directors meeting. For further information, please refer to Market Observation Post System.

(y) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2023	2022	2023	2022
Interest income	\$ <u>1,035,504</u>	<u>582,486</u>	<u>3,460,920</u>	<u>1,364,845</u>

(ii) Other income

The details of other income were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2023	2022	2023	2022
Subsidy income	\$ 191,943	216,646	1,481,287	1,973,237
Rent income	8,921	149,089	169,504	456,385
Dividend income	44,501	27,116	98,671	117,908
Technical service income	188,709	107,363	637,272	347,617
Other income	<u>135,433</u>	<u>353,342</u>	<u>314,353</u>	<u>732,041</u>
	<u>\$ 569,507</u>	<u>853,556</u>	<u>2,701,087</u>	<u>3,627,188</u>

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iii) Other gains and losses

The details of other gains and losses were as follows:

	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Foreign exchange (losses) gains	\$ (27,337)	268,968	(231,593)	(277,031)
(Losses) gains on disposal of property, plant and equipment	(5,297)	51,768	26,708	295,977
(Losses) gains on lease modifications	(15,565)	8,246	8,533	117,242
Impairment losses on non-financial assets	-	(17,322)	(11,893)	(34,696)
Net losses on financial assets measured at fair value through profit or loss	(372,634)	(1,050,914)	(459,347)	(4,771,167)
Others	(139,565)	(163,314)	(166,950)	(483,610)
	<b>\$ (560,398)</b>	<b>(902,568)</b>	<b>(834,542)</b>	<b>(5,153,285)</b>

(iv) Finance costs

The details of finance costs were as follows:

	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Interest expenses	\$ 449,691	621,207	2,398,406	1,274,362
Financial expenses-bank fees and factoring fees, etc.	3,692	5,132	14,225	12,596
	<b>\$ 453,383</b>	<b>626,339</b>	<b>2,412,631</b>	<b>1,286,958</b>

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

## (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 September 30, 2023, December 31, 2022 and September 30, 2022, the accounts receivable from the Group's top three customers amounted to \$165,118,632 thousand, \$131,973,672 thousand and \$105,579,101 thousand, representing 79%, 69% and 62% of accounts receivable, respectively, which exposes the Group to credit risk.

## (ii) Liquidity risk

The following table shows 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>
<b>September 30, 2023</b>					
Non-derivative financial liabilities					
Secured bank loans	\$ 257,387	257,387	7,737	7,872	241,778
Unsecured bank loans	71,905,264	71,957,476	54,487,468	3,598,362	13,871,646
Unsecured ordinary corporate bonds	30,382,540	30,400,000	8,000,000	2,500,000	19,900,000
Non-interest bearing liabilities	240,539,242	240,539,242	234,999,412	5,539,830	-
Lease liabilities	3,443,917	3,443,917	1,279,046	904,961	1,259,910
	<u>\$ 346,528,350</u>	<u>346,598,022</u>	<u>298,773,663</u>	<u>12,551,025</u>	<u>35,273,334</u>
<b>December 31, 2022</b>					
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	2,888,601	2,888,601	1,366,074	853,722	668,805
	<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>
<b>September 30, 2022</b>					
Non-derivative financial liabilities					
Secured bank loans	\$ 273,204	273,204	1,604	2,122	269,478
Unsecured bank loans	121,214,915	121,310,112	107,178,513	3,545,759	10,585,840
Unsecured ordinary corporate bonds	34,900,000	34,900,000	4,500,000	6,000,000	24,400,000
Non-interest bearing liabilities	245,867,948	245,867,948	243,377,878	2,490,070	-
Lease liabilities	3,141,070	3,141,070	1,393,877	865,812	881,381
	<u>\$ 405,397,137</u>	<u>405,492,334</u>	<u>356,451,872</u>	<u>12,903,763</u>	<u>36,136,699</u>

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

(iii) Market risk

1) Exposure to foreign currency risk

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

(Unit: Foreign currency / NTD in thousands)

	September 30, 2023			September 30, 2022		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 13,785,978	32.2750	444,942,440	13,902,591	31.7565	441,497,631
USD:CNY	35,776	7.1798	1,154,670	63,487	7.0998	2,016,124
CNY:USD	4,354,201	0.1393	19,573,225	4,810,819	0.1408	21,518,180
INR:USD	13,155,869	0.0120	5,104,710	-	-	-
<u>Non-monetary items</u>						
CNY:USD	6,875,899	0.1393	30,922,750	5,731,519	0.1408	25,648,492
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	13,361,056	32.2750	431,228,082	13,652,638	31.7565	433,559,999
USD:CNY	20,000	7.1798	645,500	26,795	7.0998	850,915
CNY:USD	4,284,344	0.1393	19,259,200	4,504,751	0.1408	20,149,177
INR:USD	1,383,929	0.0120	536,989	-	-	-
<b>December 31, 2022</b>						
	Foreign Currency	Exchange Rate	NTD			
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 17,243,548	30.7175	529,678,686			
USD:CNY	71,105	6.9646	2,184,168			
CNY:USD	5,242,415	0.1436	23,121,770			
USD:INR	379,710	82.7605	11,663,742			
<u>Non-monetary items</u>						
CNY:USD	6,143,809	0.1436	27,107,247			
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	16,896,396	30.7175	519,015,044			
USD:CNY	26,744	6.9646	821,509			
CNY:USD	4,957,472	0.1436	21,865,029			
USD:INR	784,019	82.7605	24,083,104			

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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. 1% appreciation (depreciation) of the major foreign currency against the Group's functional currency as of September 30, 2023 and 2022 would have increased the before-tax net income for the nine months ended September 30, 2023 and 2022 by \$192,250 thousand and \$127,027 thousand, respectively. The analysis is performed on the same basis for both periods.

3) Foreign exchange gains or losses on monetary items

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the three months and the nine months ended September 30, 2023 and 2022, foreign exchange gain (loss) (including realized and unrealized portions) amounted to (\$27,337) thousand, \$268,968 thousand, (\$231,593) thousand and (\$277,031) thousand, respectively.

4) Interest rate analysis

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

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding liabilities with variable interest rates, the analysis is based on the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year.

If the interest rate increases/decreases by 1%, the Group's net income will decrease /increase by \$133,425 thousand and \$171,641 thousand for the nine months ended September 30, 2023 and 2022, respectively, assuming all other variable factors remain constant. This is mainly due to the Group's variable rate borrowing.

5) Other market price risk

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

Equity price on reporting date	For the nine months ended September 30			
	2023		2022	
	Comprehensive Income (Loss) (net of tax)	Net Income (Loss) (before tax)	Comprehensive Income (Loss) (net of tax)	Net Income (Loss) (before tax)
Increase 3%	\$ 63,871	223,928	33,059	221,214
Decrease 3%	\$ (63,871)	(223,928)	(33,059)	(221,214)

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iv) Fair value of financial instruments

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:

	September 30, 2023				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets at fair value through profit or loss</b>					
Financial assets mandatorily measured at fair value through profit or loss	\$ 11,524,164	9,423,112	-	2,101,052	11,524,164
<b>Financial assets at fair value through other comprehensive income</b>					
Stock of listed companies	\$ 1,043,508	1,043,508	-	-	1,043,508
Stock of unlisted companies	1,085,510	-	-	1,085,510	1,085,510
Subtotal	\$ 2,129,018	1,043,508	-	1,085,510	2,129,018
<b>Financial assets at amortized cost</b>					
Cash and cash equivalents	\$ 98,457,650	-	-	-	-
Notes and accounts receivable	207,993,683	-	-	-	-
Other receivables	692,811	-	-	-	-
Other financial assets	5,189,028	-	-	-	-
Subtotal	\$312,333,172	-	-	-	-
<b>Financial liabilities at amortized cost</b>					
Bank loans	\$ 72,162,651	-	-	-	-
Non-interest bearing liabilities	240,539,242	-	-	-	-
Lease liabilities	3,443,917	-	-	-	-
Unsecured ordinary corporate bonds	30,382,540	-	-	-	-
Subtotal	\$346,528,350	-	-	-	-

(Continued)





**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	September 30, 2022				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial liabilities at amortized cost</b>					
Bank loans	\$121,488,119	-	-	-	-
Non-interest bearing liabilities	245,867,948	-	-	-	-
Lease liabilities	3,141,070	-	-	-	-
Unsecured ordinary corporate bonds	<u>34,875,143</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>\$405,372,280</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

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

a) Financial assets and financial liabilities measured at amortized cost

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

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

a) Non-derivative financial instruments

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

The Group's financial instruments without an active market are unquoted equity instruments whose fair values are estimated using the market approach for business valuation or the net asset value method. The market comparison approach primarily assumes that value is measured based on the valuation multiples of comparable listed entities and discounted for the equity securities' lack of market liquidity; the net asset value method primarily assumes that value is measured based on the net value of the investee's equity.

b) Derivative financial instruments

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

4) Transfers between Level 1 and Level 2

There have been no transfers from each level for the nine months ended September 30, 2023 and 2022.

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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>
	<u>Non-derivative financial assets mandatorily measured at fair value through profit or loss</u>	<u>Unquoted equity instruments</u>	<u>Unquoted debt instruments</u>	
Opening balance, January 1, 2023	\$ 1,584,573	529,534	-	2,114,107
Total gains and losses recognized:				
In profit or loss	80,846	-	-	80,846
Purchased	430,879	540,047	-	970,926
Impact of exchange rate	4,754	15,929	-	20,683
Ending Balance, September 30, 2023	<u>\$ 2,101,052</u>	<u>1,085,510</u>	<u>-</u>	<u>3,186,562</u>
Opening balance, January 1, 2022	\$ 715,758	194,010	41,784	951,552
Total gains and losses recognized:				
In profit or loss	64,834	-	-	64,834
Purchased	323,530	8,400	169,161	501,091
Impact of exchange rate	21,602	6,794	-	28,396
Ending Balance, September 30, 2022	<u>\$ 1,125,724</u>	<u>209,204</u>	<u>210,945</u>	<u>1,545,873</u>

For the nine months ended September 30, 2023 and 2022, total gains and losses that were included in “other gains and losses” and “unrealized gains from financial assets at fair value through other comprehensive income” were as follows:

	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Total gains and losses recognized:				
In profit or loss, and presented in “other gains and losses”	<u>\$ 8,609</u>	<u>(217)</u>	<u>80,846</u>	<u>64,834</u>

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

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

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

Quantified information of significant unobservable inputs 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"> <li>·The multiplier of price-to-book ratio (As of September 30, 2023, December 31, 2022 and September 30, 2022, were 2.1~9.5, 2.1~9.5 and 2.2~8.9, respectively.)</li> <li>·Market illiquidity discount (As of September 30, 2023, December 31, 2022 and September 30, 2022, were 20%)</li> </ul>	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> <li>·the multiplier were higher (lower)</li> <li>·the market illiquidity discount were lower (higher).</li> </ul>
Financial assets at fair value through other comprehensive income-equity investments without an active market	Market Approach	<ul style="list-style-type: none"> <li>·The multiplier of price-to-book ratio (As of September 30, 2023, December 31, 2022 and September 30, 2022, were 1.5~1.6, 1.5~1.6 and 1.4~1.6, respectively.)</li> <li>·Market illiquidity discount (As of September 30, 2023, December 31, 2022 and September 30, 2022, were 20%)</li> </ul>	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> <li>·the multiplier were higher (lower)</li> <li>·the market illiquidity discount were lower (higher).</li> </ul>
Financial assets at fair value through profit or loss-private fund	Net Asset Value Method	·Net Asset Value	Not applicable
Financial assets at fair value through other comprehensive income-private fund	Net Asset Value Method	·Net Asset Value	Not applicable

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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
<b>September 30, 2023</b>						
Financial assets at fair value through profit or loss						
Equity investments without an active market	Multiplier of price-to-book ratio	1%	6,656	(6,656)	-	-
Equity investments without an active market	Market illiquidity discount	1%	6,656	(6,656)	-	-
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	Multiplier of price-to-book ratio	1%	-	-	10,855	(10,855)
Equity investments without an active market	Market illiquidity discount	1%	-	-	10,855	(10,855)
<b>December 31, 2022</b>						
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)
<b>September 30, 2022</b>						
Financial assets at fair value through profit or loss						
Equity investments without an active market	Multiplier of price-to-book ratio	1%	5,884	(5,884)	-	-
Equity investments without an active market	Market illiquidity discount	1%	5,884	(5,884)	-	-
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	Multiplier of price-to-book ratio	1%	-	-	2,092	(2,092)
Equity investments without an active market	Market illiquidity discount	1%	-	-	2,092	(2,092)

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

(v) Offsetting financial assets and financial liabilities

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

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

<b>September 30, 2023</b>						
<b>Financial assets that are offset which have an exercisable master netting arrangement or similar agreement</b>						
	<b>Gross amounts of recognized financial assets (a)</b>	<b>Gross amounts of financial liabilities offset in the balance sheet (b)</b>	<b>Net amount of financial assets presented in the balance sheet (c)=(a)-(b)</b>	<b>Amounts not offset in the balance sheet (d)</b>		
				<b>Financial instruments (Note)</b>	<b>Cash collateral instruments</b>	<b>Net amounts (e)=(c)-(d)</b>
Accounts Receivable and Payable	\$ <u>16,460,473</u>	<u>12,580,177</u>	<u>3,880,296</u>	-	-	<u>3,880,296</u>
Other financial asset and short-term loan	\$ <u>11,749,685</u>	<u>11,749,685</u>	-	-	-	-

  

<b>September 30, 2023</b>						
<b>Financial liabilities that are offset which have an exercisable master netting arrangement or similar agreement</b>						
	<b>Gross amounts of recognized financial liabilities (a)</b>	<b>Gross amounts of financial assets offset in the balance sheet (b)</b>	<b>Net amount of financial liabilities presented in the balance sheet (c)=(a)-(b)</b>	<b>Amounts not offset in the balance sheet (d)</b>		
				<b>Financial instruments (Note)</b>	<b>Cash collateral instruments</b>	<b>Net amounts (e)=(c)-(d)</b>
Accounts Receivable and Payable	\$ <u>12,580,177</u>	<u>12,580,177</u>	-	-	-	-
Other financial asset and short-term loan	\$ <u>11,749,685</u>	<u>11,749,685</u>	-	-	-	-

  

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

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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	-	-	-	-

  

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

  

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

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

(aa) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in Note 6(ae) of the consolidated financial statements for the year ended December 31, 2022.

(ab) Capital management

Management believes that there were no changes in the Group's approach to the targets, policies and procedures in capital management as disclosed in the consolidated financial statements for the year ended December 31, 2022. Also, they believe that for the year ended December 31, 2022, there were also no changes in the Group's capital management information. For other related information, please refer to Note 6(af) of the consolidated financial statements for the year ended December 31, 2022.

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ac) Financing activities not affecting current cash flow

For the nine months ended September 30, 2023 and 2022, reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2023	Cash flows	Non-cash changes		September 30, 2023
			Foreign exchange movement	Other	
Long-term loans	\$ 16,998,898	4,218,998	51,397	(3,308)	21,265,985
Short-term loans	79,589,451	(28,692,785)	-	-	50,896,666
Bonds payable	34,876,992	(4,500,000)	-	5,548	30,382,540
Lease liabilities	2,888,601	(1,058,162)	104,886	1,508,592	3,443,917
Total liabilities from financing activities	<u>\$ 134,353,942</u>	<u>(30,031,949)</u>	<u>156,283</u>	<u>1,510,832</u>	<u>105,989,108</u>

	January 1, 2022	Cash flows	Non-cash changes		September 30, 2022
			Foreign exchange movement	Other	
Long-term loans	\$ 13,237,371	3,166,110	154,792	(24,128)	16,534,145
Short-term loans	94,023,304	10,930,670	-	-	104,953,974
Bonds payable	36,869,595	(2,000,000)	-	5,548	34,875,143
Lease liabilities	3,071,000	(1,130,440)	239,859	960,651	3,141,070
Total liabilities from financing activities	<u>\$ 147,201,270</u>	<u>10,966,340</u>	<u>394,651</u>	<u>942,071</u>	<u>159,504,332</u>

**(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 (Kunshan)	An associate
Luxcase (Yancheng)	An associate
RI-MING	An associate
RI-SHAN	An associate
SHENG-RUI	An associate
RI PEI	An associate
RI Da	An associate
CSG	An associate
ADVANTECH CO., LTD	Other related party
Adantech Technology (China) Company Ltd.	Other related party
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd	Other related party

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(b) Significant transactions with related parties

(i) Sale of Goods to Related Parties

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

	<b>Sales</b>			
	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Associates	\$ 195,514	-	237,175	-
Other related parties	9,531	53,692	70,076	104,282
	<b>\$ 205,045</b>	<b>53,692</b>	<b>307,251</b>	<b>104,282</b>

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

(ii) Purchase of Goods from Related Parties

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

	<b>Purchases</b>			
	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Associates	\$ 117,885	116,295	265,318	356,172

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

(iii) Receivables from Related Parties

The receivables from related parties were as follows:

<b>Account</b>	<b>Relationship</b>	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
Accounts receivable	Other related parties	\$ 5,896	14,341	20,508
Accounts receivable	Associates	1,810	-	-
Other receivables	Associates	23,250	144,336	14,685
		<b>\$ 30,956</b>	<b>158,677</b>	<b>35,193</b>

(Continued)



**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

## (iv) Payables to Related Parties

The payables to related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Accounts payable	Associates	\$ 120,964	83,609	84,488
Other payables	Associates	-	491	-
Accrued expenses	Associates	516	6,134	507
		<u>\$ 121,480</u>	<u>90,234</u>	<u>84,995</u>

## (v) Loans to Related Parties

The loans to related parties were as follows:

	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Associates - RI SHAN	-	-
Range of interest rate	<u>1%</u>	<u>1%</u>
Interest income	<u>50,328</u>	<u>43,664</u>

The interest charged by the Group to its related parties is based on the average interest rate charged by financial institutions on the Group's borrowings. The loans to related parties were unsecured.

## (vi) Other

The other current liabilities of the Group were as follows:

<u>Account</u>	<u>Relationship</u>	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Temporary receipts	Associates	<u>\$ 1,075,261</u>	<u>-</u>	<u>-</u>

## (c) Transactions with key management personnel

Compensation for key management personnel was as follows:

	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 178,637	149,424	381,741	339,943
Post-employment benefits	1,142	1,122	3,457	3,226
Share-based payments	14,689	21,912	39,326	95,245
	<u>\$ 194,468</u>	<u>172,458</u>	<u>424,524</u>	<u>438,414</u>

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

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(8) Assets pledged as security**

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

<b>Assets pledged as security</b>	<b>Object</b>	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
Other financial asset- restricted deposit	Post-release duty deposits, customs duty, lease deposits, travel agency guarantee, etc.	\$ 124,917	136,674	121,374
Property, plant and equipment	Bank loans	318,300	321,504	314,901
Other financial asset- guarantee deposits	Customs duty guarantee, litigation guarantee, rental deposits, and deposits for performance guarantee	61,907	39,954	42,682
		<u>\$ 505,124</u>	<u>498,132</u>	<u>478,957</u>

**(9) Commitments and contingencies**

(a) Significant commitments and contingencies

(i) Unused standby letters of credit

	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
JPY	\$ 5,890,381	8,726,739	8,293,317
USD	73,934	10,244	21,628

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

	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
NTD	<u>\$ 3,309</u>	<u>14,190</u>	<u>10,490</u>

(iii) As of September 30, 2023, December 31, 2022 and September 30, 2022, the significant contracts for purchase of properties by the Group amounted to \$29,296,428 thousand, \$28,224,912 thousand and \$27,278,539 thousand, of which \$8,772,037 thousand, \$12,644,022 thousand and \$14,515,804 thousand, respectively, were unpaid.

(iv) As of September 30, 2023, December 31, 2022 and September 30, 2022, the Group issued a tariff guarantee of \$957,115 thousand, \$876,349 thousand and \$948,576 thousand, respectively, to the bank for the purpose of importing goods.

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

**(11) Subsequent events: None.**

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(12) Others**

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

By function	For the three months ended September 30					
	2023			2022		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Employee benefit						
Salary	\$ 8,415,662	4,316,330	12,731,992	12,340,773	4,505,836	16,846,609
Health and labor insurance	783,275	291,520	1,074,795	1,266,287	275,586	1,541,873
Pension	860,642	217,128	1,077,770	1,125,339	218,902	1,344,241
Others	389,818	222,382	612,200	415,586	281,835	697,421
Depreciation	3,225,394	671,426	3,896,820	3,240,297	547,681	3,787,978
Amortization	11,398	22,316	33,714	10,294	20,388	30,682

By function	For the nine months ended September 30					
	2023			2022		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Employee benefits						
Salary	\$ 25,686,995	12,251,981	37,938,976	35,324,141	12,095,362	47,419,503
Health and labor insurance	2,517,324	885,902	3,403,226	3,628,524	806,572	4,435,096
Pension	2,619,658	666,275	3,285,933	3,290,036	625,761	3,915,797
Others	1,157,447	636,270	1,793,717	1,253,285	1,206,315	2,459,600
Depreciation	9,504,157	1,775,753	11,279,910	9,285,081	1,518,080	10,803,161
Amortization	34,031	79,479	113,510	30,004	76,949	106,953

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

	For the three months ended September 30		For the nine months ended September 30	
	2023	2022	2023	2022
Depreciation in investment property	\$ 772	785	2,317	2,339

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(13) Other disclosures**

(a) Information on significant transactions:

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

(b) Information on investees:

Please refer to Table 9 for the information on investees (excluding investees in Mainland China) for the nine months ended September 30, 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 %

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(14) Segment information**

Please refer to Note 6(w) for the information on revenue for the three months and the nine months ended September 30, 2023 and 2022. The Group's operating segment information and reconciliation were as follows:

	DMS	Strategic Investment Group	Adjustment and eliminations	Total
<b>For the three months ended September 30, 2023</b>				
<b>Reportable segment profit or loss</b>	<u>\$ 6,560,468</u>	<u>2,683,490</u>	<u>(2,062,398)</u>	<u>7,181,560</u>
<b>For the three months ended September 30, 2022</b>				
<b>Reportable segment profit or loss</b>	<u>\$ 6,185,618</u>	<u>6,322,420</u>	<u>(3,636,787)</u>	<u>8,871,251</u>
<b>For the nine months ended September 30, 2023</b>				
<b>Reportable segment profit or loss</b>	<u>\$ 14,879,747</u>	<u>4,781,767</u>	<u>(3,255,818)</u>	<u>16,405,696</u>
<b>For the nine months ended September 30, 2022</b>				
<b>Reportable segment profit or loss</b>	<u>\$ 12,132,610</u>	<u>13,853,524</u>	<u>(6,551,970)</u>	<u>19,434,164</u>
<b>Reportable segment assets</b>				
September 30, 2023	<u>\$ 539,881,925</u>	<u>157,314,873</u>	<u>(86,121,826)</u>	<u>611,074,972</u>
December 31, 2022	<u>\$ 572,454,496</u>	<u>146,748,061</u>	<u>(83,987,869)</u>	<u>636,222,787</u>
September 30, 2022	<u>\$ 599,877,238</u>	<u>144,230,696</u>	<u>(84,515,179)</u>	<u>659,592,755</u>