(Translation – In case of any discrepancy between the Chinese and English versions, the Chinese version shall prevail.)

Pegatron Corporation
2024 Annual General Shareholders' Meeting Minutes

- Time and Date：9:30a.m., June 14, 2024
- Place：Grand Hall of MellowFields Co. Ltd.
  (No.127, Sec.7, Jhongshan N.Rd., Taipei City, Taiwan R.O.C.)
- Type: physical meeting
- Total outstanding Pegatron shares：2,664,224,103 shares
- Total Pegatron shares with voting rights：2,663,791,603 shares
- Total shares held by shareholders presented in person or by proxy：2,142,092,782 shares
- Percentage of shares held by shareholders presented in person or by proxy：80.41%
- Chairman：T.H. Tung, the Chairman of the Board of Directors
- Attendees：T.H. Tung, Chairman
  Jason Cheng, Deputy Chairman
  S.J. Liao, Director
  H.T. Tung, Director
  S. Chi, Director
  T.K. Yang, Director
  E.L. Tung, Director
  C. Lin, Independent Director (Chairman of the Audit Committee)
  C.P. Hwang, Independent Director
  Shih-Chin Chih, CPA, KPMG
- Recorder：Chas Chen

The aggregate shareholding of the shareholders presents in person or by proxy constituted a quorum. The Chairman called the meeting to order.

- Chairman's Address (omitted)

I. Management Presentations

1. 2023 Business Report (Please refer to the Appendix)
2. Audit Committee's Review Report on the 2023 Financial Statements (Please refer to the Appendix)
3. 2023 Employees' and Directors' Remuneration Proposal

4. Distribution of 2023 Earnings in Cash Dividends

II. Proposals

1. Adoption of the 2023 Business Report and Financial Statements (Proposed by the board of directors)

Explanation:

Pegatron Corporation's Financial Statements were audited by independent auditors, Shih-Chin Chih CPA and Chun-Kuang Chen CPA of KPMG Firm. Business Report and Financial Statements have been reviewed by the Audit Committee of Pegatron Corporation. (Please refer to the Appendix).

Voting Results：

Number of shares presented at the time of voting	For	Against	Abstained	Invalid
2,142,089,782 votes* (1,788,672,845 votes)	1,924,041,928 votes* (1,570,815,866 votes)	1,257,060 votes* 1,257,060 votes)	216,790,794 votes* (216,599,919 votes)	0 votes*

* including votes casted electronically (number in brackets)

RESOLVED, the above proposal was accepted as submitted.

(Note：No shareholders raised questions.)

2. Adoption of the proposal for Distribution of 2023 Earnings (Proposed by the board of directors)

Explanation:

2023 net profit after tax is NT$15,712,958,092. After setting Legal reserve, the earning distribution is proposed in accordance with the Company Act and Articles of Incorporation. Please refer to the 2023 PROFIT DISTRIBUTION TABLE (Please refer to the Appendix).

Voting Results：

Number of shares presented at the time of voting	For	Against	Abstained	Invalid
2,142,089,782 votes* (1,788,672,845 votes)	1,929,375,239 votes* (1,576,150,177 votes)	546,304 votes* (546,304 votes)	212,168,239 votes* (211,976,364 votes)	0 votes*

* including votes casted electronically (number in brackets)

RESOLVED, the above proposal was accepted as submitted.

(Note：No shareholders raised questions.)

III. Discussion

1. Adoption of the Issuance of Employee Restricted Stocks Awards. (Proposed by the board of directors)

Explanation:

(1) To issue Restricted Stocks Awards (hereinafter referred to as the “RSAs”) pursuant to Paragraph 9 and 10, Article 267 of the Company Act and the Regulations Governing the Offering and Issuance of Securities by Securities Issuers (hereinafter referred to as the “Regulations”) promulgated by Financial Supervisory Commission.

(2) Details of RSAs issuance proposed as follows:

1. Issuance price: NT$10 per share.

2. Total amounts (shares) of issuance: 45,000,000 shares in total. Within two years of receiving the approval notice by the competent authority, the Company, depending on its actual needs, may issue in one or several times, while the actual date of issuance is authorized to the Board of Directors to determine.

3. Issuance terms and conditions:

A. Vesting conditions: the following company performance criteria and employee performance criteria shall both be met.

(A) Company performance criteria:

a. Earnings per share (“EPS”)：On the date RSAs are scheduled to be vested, the average EPS based on the financial statements of the recent three years is higher than the average EPS or median of average EPS of the peer group.

b. The peer group in the preceding sub-paragraph mean HON HAI Precision Industry Co., Ltd., Quanta Computer Inc., Compal Electronics Inc., Wistron Corp., and Inventec Corporation.

c. The EPS in the first sub-paragraph means basic EPS disclosed in the consolidated statements of comprehensive income of the consolidated financial statements audited by CPA.

(B) Employee performance criteria:

a. Employees who, after subscribing for RSAs, have served for one year, achieved level B or above for their biannual performance evaluations and did not have any violations against the law, employment contract, acknowledgement of honesty, integrity and confidentiality, work rules, or business ethics and code of conducts during the first year are vested with 30% of the total subscribed RSAs.

b. Employees who, after subscribing for RSAs, have served for two years, achieved level B or above for their biannual performance evaluations and did not have any violations against the law, employment contract, acknowledgement of honesty, integrity and confidentiality, work rules, or business ethics and code of conduct during the second year are vested with 35% of the total subscribed RSAs.

c. Employees who, after subscribing for RSAs, have served for three years, achieved level B or above for their biannual performance evaluations and did not have any violations against the law, employment contract, acknowledgement of honesty, integrity and confidentiality, work rules, or business ethics and code of conduct during the third year are vested with 35% of the total subscribed RSAs.

B. Handling of the situations where the company performance criteria or the employee performance criteria does not meet the vesting conditions.

Where the company performance criteria does not meet the vesting conditions, all of the unvested RSAs, upon the expiry of the vesting period, will be purchased back by the Company at the issue price and cancelled. Where the employee performance criteria does not meet the vesting conditions, all of the unvested RSAs, upon the expiry of the vesting period, will be purchased back by the Company at the issue price and cancelled.

C. Handling of the situations where the employees resign, retire, are disabled or deceased due to occupational accidents, deceased, transferred to an affiliated enterprise, apply for position retain without pay, etc.

(A) In the case of employees who voluntarily resigned, are dismissed due to inability to perform at their work, are terminated, retired, or deceased due to non-occupational accidents are deemed no longer eligible to meeting the vesting conditions as of the date of resignation, retirement or decease, and all of the unvested RSAs will be purchased back by the Company at the issue price.

(B) In the case of termination for reasons other than inability to perform at their work, if the employee meets the other vesting conditions stipulated under the preceding paragraph in the year of dismissal, the number of shares that meet the vesting conditions for RSAs shall be calculated by multiplying the proportion of days employed in the current year by the number of shares that meet the predetermined conditions for RSAs under the preceding paragraph in the current year. The remaining shares shall be deemed lost on the day of termination, and the Company shall purchase back all such shares at the issue price.

(C) Disabled or deceased due to occupational accidents:

Employees who are disabled and thus dismissed or deceased due to occupational accidents, if meeting the other vesting conditions stipulated under the preceding paragraph in the year of dismissal or decease, are deemed meeting vesting conditions upon the expiry of the vesting period of the same year but no longer eligible for meeting vesting conditions for the next year and afterwards. All of the unvested RSAs will be purchased back by this Company at the issue price.

(D) Transferred to an affiliated enterprise:

For the purpose of the Company's operation, employees of the Company, if asked by the Company to be transferred to an affiliated enterprise of the Company and meeting the other vesting conditions stipulated under the preceding paragraph in the year of transfer, may be reviewed by the Chairman or his/her authorized executives for the percentage and time limit of meeting the vesting conditions within the timeframes and ratios stipulated under the preceding paragraph.

(E) Position retain without pay:

For employees who apply for position retain without pay and are approved by the Company, if meeting the other vesting conditions stipulated under the preceding paragraph in the year when the application becomes effective, the employment period stipulated under the preceding paragraph for the unvested RSAs is deferred based on the actual period of position retain without pay.

4. Eligibility and stocks awarded:

   A. Eligibility:

      Employees eligible for subscription are limited to full-time employees within the formal organization of the Company who are employed as of the grant date of RSAs. The eligible employees and actual number for subscription will be based on seniority, job grades and levels, work performance, overall contribution, special achievements, and other conditions needed for management and will be reviewed by the Chairman and submitted to the Board of Directors for approval. For employees who are managerial officers, the eligibility and number for subscription shall be first approved by the Compensation Committee; and for employees who are non-managerial officers, the eligibility and number for subscription shall be first approved by the Audit Committee.

   B. Stocks awarded:

      The cumulative number of shares of employee stock warrants issued by the Company, under Paragraph 1, Article 56-1 of the Regulations, that can be subscribable by a single employee, in combination with the cumulative number of RSAs obtained by the single employee, may not exceed 0.3 percent of the Company's total issued shares. Additionally, the above in combination with the cumulative number of shares issued by the Company under Paragraph 1, Article 56 of the Regulations, that can be subscribable by a single employee of employee stock warrants, may not exceed 1 percent of the Company's total issued shares. However, with special approval from the central competent authority of the relevant industry, the total number of employee stock warrants and RSAs obtained by a single employee may be exempted from the above-mentioned restriction.

5. Purpose of issuing RSAs

   In order to attract and retain professional talents for the company and to increase employees' cohesion and loyalty to the company for mutually supporting the company's and shareholders' interests.

6. Potential expense and impact to dilution of earnings per share (EPS) and other factors that may affect shareholder's equity:

   A. Potential expense:

The Company shall evaluate the fair value of the stocks on the issuance date and accrue relevant cost over the issuance period. The maximum number of RSAs proposed at 2024 Annual General Shareholders' Meeting is 45,000,000 shares at NT$10 as issue price. The potential expense incurred is estimated at NT$2,600,236 thousands (based on the hypothetical common stock price NT$87.46 per share). In accordance with the conditions for exercising restricted stocks set forth in the preceding paragraph, the annually expensed amount is estimated at NT$399,814 thousands, NT$1,380,920 thousands, NT$613,204 thousands, and NT$206,298 thousands from 2024 to 2027 respectively.

B. Potential impact to dilution of earnings per share (EPS) and other factors that may affect shareholder's equity:

Based on the existing outstanding ordinary shares on February 29, 2024, potential dilution of EPS is estimated at NT$0.15, NT$0.52, NT$0.23, and NT$0.08 from 2024 to 2027 respectively. Since the potential impact to EPS is limited, we do not expect any material impact to shareholders' equity.

7. The Issuance Rules of Employee Restricted Stock Awards for Year 2024 is attached as Appendix.

1. **Question: Shareholder No.** 419104

(1) Please explain the necessity and effect of Issuance of Employee Restricted Stocks Awards.

Summary of reply from Kuang-Chih Cheng, President and Co-CEO:

In technology industry, from the aspect of business management, there are various strategies and methods for cultivating and retaining talent. In recent years, the focus of entire technology industry, especially because of the development of AI, has led major domestic and foreign tech firms to set up branches or centers in Taiwan. Companies in industries such as semiconductors, data centers, AI, NB, PCs and smartphone, all actively seeking talent in Taiwan. Pegatron looks forward to attracting more talents from different industries to nurture our developed know-hows and skills. In addition to maintaining employees' current salary levels, we hope, by means of issuing of Employee Restricted Stocks Awards, could not only motivate employees but also let employees benefit from the growth of Pegatron in the long term, to make Pegatron develop sustainably. Based on our past experiences, the results have been good, and we kindly ask shareholders for strong support.

(2) It is obvious that the vested conditions of this issuance easily achieved according

to Pegatron's past operation performance. Is there a more precise way to demonstrate the performance of employees and the management team?

Summary of reply from Kuang-Chih Cheng, President and Co-CEO:

Thanks for your suggestions and reminders. Pegatron will drive employees and the management team with higher standards to achieve business and profitability goals. However, our primary focus is on talent retention now.

Summary of Chairman's reply:

This incentive measure not only meets the basic need to retain talent, but also provides managements a useful tool to motivate outstanding employees. In order to reach a positive and pro-business management mechanism.

2. **Question: Shareholder No.** 285275
Chairman Tung has a good corporate and social image. I hope that you could emulate Minister Guo from the Minister of Economic Affairs, who is an entrepreneur in politics. Lead the export of Taiwan's electronics industry and bring the beauty of Taiwanese culture to the world.

Summary of Chairman's reply:

Thanks for your encouragement. However, today's focus in the shareholders' meeting is on company's operational efficiency and management incentives. As for personal expectations and encouragement towards me, it's not appropriate for me to speak too much about that. Like you, I hope Taiwan can achieve more than just economic prosperity. I also hope we can earn praise form the world in other aspects.

Voting Results：

Number of shares presented at the time of voting	For	Against	Abstained	Invalid
2,142,089,782 votes* (1,788,672,845 votes)	1,890,139,676 votes* (1,536,976,614 votes)	37,715,224 votes* (37,652,224 votes)	214,234,882 votes* (214,044,007 votes)	0 votes*

* including votes casted electronically (number in brackets)

RESOLVED, the above proposal was accepted as submitted.

IV. Questions and Motions

1. **Question: Shareholder No.** 109143

(1) Recently, due to the Russia-Ukraine war and the Israeli-Palestinian conflict, there has been significant uncertainty in the financial market. Remind the management

team to closely monitor the fluctuations in the US dollar exchange rate and take proactive measures accordingly.

Summary of reply from Kuang-Chih Cheng, President and Co-CEO:

Pegatron's management team, supported by professional finance personnel, monitors the fluctuations in the U.S. dollar exchange rate closely. The company currently denominates its finances in US dollars and operates through natural hedging methods. As for the impact of exchange rate on overseas operations, it primarily pertains to expenses in various regions. Long-term investments in automation equipment have significantly reduced reliance on direct labor. From current observations, the overall international situation is favorable for Taiwanese firms. Regarding exchange rates, operating with natural hedging methods in recent years has also yielded stable results.

(2) In addition to issuing Employee Restricted Stocks Awards to retain talent, other incentive tools such as employee bonuses and treasury stocks can also be considered. Besides providing material rewards to employees, Company can also provide spiritual benefit and even leverage personal charisma of the chairman to attract talent.

Summary of reply from Kuang-Chih Cheng, President and Co-CEO:

Thanks for providing additional methods and suggestions. The management team assesses various incentive tools on talent retention comprehensively, considering their effects on talent retention, shareholder equity and potential expense. The issuance of Employee Restricted Stocks Awards is a more win-win approach. In the post-pandemic era, industries are generally facing talent shortages, especially in the demand for AI software and servers. The younger generation considers not only company growth, innovation, and the charisma of the chairman, but also prioritizes quality of life. Therefore, the company needs to balance both spiritual and material considerations. We sincerely appreciate shareholders' support for this proposal, enabling the company to attract more outstanding talent.

2. **Question: Shareholder No.** 419104

(1) Is the company performance criteria for Employee Restricted Stocks Awards too simple?

Summary of reply from Kuang-Chih Cheng, President and Co-CEO:

From a purely numerical perspective, outsiders may have different judgments. However, considering the overall industry competition and Pegatron's past operation results, this challenge is not easy. For example, in the server and electric vehicle industry chains, competition is very fierce. Apart from improving services for existing customers, sustaining double-digit growth in the electric vehicle industry requires extensive efforts to expand overseas clientele. Pegatron will undoubtedly drive the whole management team with the highest standards to enhance shareholders return.

Summary of reply from Lin, Chuan, independent director of Compensation Committee:

The Compensation Committee also discussed the issues you raised during the meeting. Due to the declining birth rate in Taiwan, talent is scarce in the technology industry. To make Pegatron's salaries more competitive compared to peers and to enable managers to adopt effective management incentive measures to retain outstanding talent amidst an expanding organization, it's the key task. Considering that overly stringent company performance standards could jeopardize Pegatron's ability to maintain its current salary advantages and risk talent loss, the Compensation Committee reluctantly agrees to the vested conditions for this issuance. The key lies in the company's commitment to establishing allocation standards or principles based on relevant performance criteria, ensuring that Employee Restricted Stocks Awards is granted to employees demonstrating outstanding performance.

(2) Comparing company performance criteria with the average values is not sufficiently precise. It is suggested to use a specific year as a benchmark to compare the degree of progress with industry peers.

Summary of Chairman's reply:

Thank you for the additional comments. Management is not only administration but also an art. We appreciate shareholder's support in this proposal, allowing the management team to have more leverage to retain and cultivate talent in this era of declining birth rate and flourishing industries.

V. **Meeting Adjourned (**10:36 a.m. on the same day)

The Chairman announced the meeting adjourned.

(Note：This minutes is extracted from the 2024 Annual General Shareholders' Meeting, the details are subject to the audio and video recording.)

T. H. Tung Chairman of the Board of Director

Chas Chen Recorder

Appendix

Business Report

In 2023, the world transitioned into the post-pandemic era, signaling a gradual return to normalcy in supply chain operations and inventory adjustments. However, the impact of interest rate hikes in major economies and the escalation of geopolitical conflicts has led to heightened operating costs for the global supply chain. In the second half of the year, despite the slowdown in price growth and the cessation of monetary tightening by central banks around the world, the inflationary pressure has not been completely eliminated. The end consumer market demand is still sluggish, coupled with the post-pandemic labor shortage problems and disruptions caused by extreme weather events, contributing to a weakened momentum in global economic recovery. As we look ahead to 2024, the continued implementation of monetary policies by major countries, ongoing technology and trade disputes, occurrences of extreme weather events, geopolitical tensions, and other factors will introduce numerous uncertainties to the global economic recovery and overall consumer demand. Thus, it is crucial to closely monitor shifts in the overall business environment and remain flexible in our responses to stabilize business performance amidst these dynamic conditions. In 2023, Pegatron Corporation experienced a sluggish global economy and industrial inventory adjustments that affected some of the Group's products. As a result, the consolidated operating revenue declined slightly from the previous year. More precise operations management and better production efficiency have been improved; however, the Group's operating performance has also been affected by a weakened economy, so its overall consolidated profit for the year has declined compared to the previous year. The Group's operating results for last year and the outlook for this year are summarized as follows:

Financial Performance

In 2023, Pegatron Corporation's consolidated operating revenue was NTD 1,256.8 billion, a decrease of NTD 61.6 billion from NTD 1,318.4 billion in 2022, and an annual decline of 4.67%. The gross profit margin was 3.67%. The net income attributable to the owners of the parent company was NTD 15.7 billion, up from NTD 15.1 billion in 2022, and the after-tax earnings per share was NTD 5.9. In 2023, the Group's operating performance exhibited a mixed outcome. While sales of computing segment and consumer electronics segment fell short of expectations due to inventory destocking and subdued end demand, the communication segment experienced a favorable performance. This was attributed to a favorable product mix with higher unit price. Consequently, the revenue contribution from the communication segment has demonstrated steady growth year after year, exerting a positive impact on the overall operational performance of the Group. In 2023, the communication segment ranked first among the three major product categories in terms of revenue ratio, and there was no significant change in revenue ratio from 2022.

Note: the financial forecast of 2023 was not disclosed, so there were no specific budget targets against which to measure achievement.

Technical Capability and Operating Highlights

In the post-pandemic era, Pegatron is closely monitoring the evolving trends across various industries. Leveraging its robust research and development capabilities, the Group is integrating artificial intelligence (AI) technology to advance in areas such as medical and beauty care, 5G, server technologies, automotive solutions, consumer products, and augmented reality/virtual reality (AR/VR). Notably, the Group's medical aesthetics laser technology has progressed to the certification stage. Moreover, Pegatron is investing in low-power brain-like computing (neuromorphic computing), aiming to integrate advanced sensing technology and AI applications for enhanced medical and healthcare solutions. To continuously improve the 5G ecosystem, Pegatron is deploying self-developed 5G O-RAN enterprise private networks within the smart manufacturing sector both domestically and internationally. Additionally, the Group is focusing on cutting-edge high-speed broadband communication and millimeter-wave wireless access technology for customer premises equipment (CPE). Furthermore, Pegatron is developing phased array antennas for low-orbiting satellites, along with calibration algorithms and measurement technology. In the server domain, Pegatron remains committed to advancing high-speed computing, modular design, and smart energy-saving heat dissipation control. The Group is also exploring single-phase and two-phase liquid cooling systems, as well as high-efficiency immersion liquid cooling systems, catering to the needs of AI-driven applications. Pegatron is delving into ultra-high-speed all-optical network access points (APNs) based on optoelectronic fusion technology for long-distance optical communication between telecom providers and cloud data centers. Additionally, in the field of AI, Pegatron is investing in self-adaptive AI and generative AI research and development. Recognizing the potential of Digital Twins technology, Pegatron is establishing Pegatron metaverse (PEGAVERSE) to offer comprehensive digital transformation solutions to its customers. In the automotive sector, Pegatron is targeting the electric vehicles and self-driving trends, focusing on the development of hub domain controllers, AI-powered smart cockpits, and advanced off-board sensing devices, alongside DC/AC high-efficiency charging piles and conversion electric drive technology. Continuing its advancements in augmented reality/virtual reality (AR/VR), Pegatron is developing ultra-thin 4K high-resolution mixed reality (MR) and full-color AR smart glasses. These products combine smart eyeball and hand tracking technologies for intuitive and everyday use. Furthermore, Pegatron is making strides in acoustics and fluid dynamics research, as well as pioneering high-performance wear-resistant metal coating

technology for its products.
In terms of operations, Pegatron will continue to strive for a favorable product combination for existing products, improve business and production efficiency, and actively expand related products such as AI, IoT, 5G, automotive, servers, etc. As the related technologies gradually mature, the increase in end-user demand is expected to become the growth momentum in the medium and long term in the future. Furthermore, amidst the intensifying competition in the external environment, there is an expectation to enhance overall competitiveness and profitability. This can be achieved through comprehensive product portfolio adjustments, upgrades in automation, strategic resource allocation, and effective cost control management. These measures shall prove vital for ensuring sustained growth and success in the competitive landscape. Capacity relocation will remain a key focus of Pegatron’s operations in the coming years. The Group is committed to completing the deployment and establishment of overseas production capacity in alignment with current market conditions and customer requirements. Additionally, we will diligently evaluate and manage operations to stabilize associated operating costs and realize the benefits of capacity transfer. In terms of laws and regulations, Pegatron follows the key policies and laws of the relevant competent authorities and will always keep track of changes in relevant policies and regulations at home and abroad, in order to fully grasp and respond to market changes.

Awards and Social Responsibility

Pegatron actively echoes the United Nations Sustainable Development Goals (SDGs) and responds to stakeholders' concerns about sustainability. In response to the global push for carbon reduction and the challenges posed by climate change, Pegatron has taken pro-active steps by signing onto the Science-Based Targets initiative (SBTi). Under this initiative, Pegatron has established carbon reduction targets in accordance with the SBTi framework and has extended these targets across its entire supply chain. Through this commitment, Pegatron aims to spearhead the low-carbon transformation of both the Group and its supply chain partners, thereby contributing to global efforts to mitigate climate change. In addition, Pegatron also refers to the framework of Climate-related Financial Disclosures (TCFD) to identify risks and opportunities related to climate change, and formulate corresponding measures to grasp and reduce the financial impact of climate change.
As an integral part of the global supply chain, Pegatron has joined the Responsible Business Alliance (RBA), which requires suppliers to carry out occupational safety and health and labor and human rights management in accordance with international initiatives and customer regulations. Furthermore, Pegatron remains dedicated to engaging in social giving back activities. Since its establishment, it has supported 143 charities, spanning initiatives focused on assisting the disadvantaged, environmental protection, and cultural promotion. Looking ahead, the Group is committed to fulfilling its corporate social responsibility across

even more diverse areas. Pegatron has been selected as a constituent stock of the "FTSE4Good TIP Taiwan ESG Index" for 13 consecutive times, and its score on the Climate Change Questionnaire of the Carbon Disclosure Project (CDP) has been improved from the C grade in 2021 to the B grade in 2023. In the future, Pegatron will continue to optimize ESG performance, expand influence, and work with the value chain to achieve sustainability and common good.

Outlook

Looking ahead to 2024, following the adjustment of industry inventory for computing products, the Group anticipates the onset of a post-pandemic replacement wave and a surge in demand from emerging markets. Additionally, the introduction of AI PC models is expected to drive momentum in overall notebook product shipments. However, it is imperative to remain vigilant and observe the impact of economic recovery on actual demand for computing products. Moreover, it is expected that server-related products will begin to ship in small quantities, and at the same time, the Group will actively strive for and expand business opportunities in CSP and enterprise customers, hoping to have more significant revenue contribution in the future. Regarding consumer electronics products, while overall shipment performance experienced a slowdown due to sluggish consumer market demand last year, a rebound in end consumption is anticipated. This revival is expected to be driven by the peak season demand effect and the launch of new products as the economy recovers in the second half of this year. These factors are projected to stimulate demand and consequently drive revenue contribution in the consumer electronics segment. In terms of communication products, broadband products are expected to bring another surge in demand with the improvement of 5G/6G and Wi-Fi 7 technology and popularity in their applications. Additionally, the Group’s collaboration with telecom companies in the deployment of 5G private networks within smart manufacturing is expected to reignite business momentum and drive growth in this sector. For the smartphone business, Pegatron will continue to optimize the product portfolio and stabilize capacity utilization and profitability. In the automotive electronics sector, in addition to the growth in production and sales scale for existing major customers, the variety and product lines provided to other customers will also increase in response to the growing demand in the end-user market in the future. It is anticipated that the overall contribution of automotive sector revenue will continue to grow. Furthermore, regarding operational outlook, we anticipate ongoing monitoring of the overall economic environment, geopolitical factors, and the impact of fluctuations in capital markets on both the consumer market and the industry as a whole. We will maintain open communication with suppliers and customers and be prepared to adjust production capacity promptly in response to shifts in end-user demand. Simultaneously, we will focus on managing efficiency with precision, stabilizing operating expenses, and endeavoring to maintain stable profitability amidst dynamic market conditions.

On behalf of all employees at Pegatron Corporation, we extend our sincere gratitude to all shareholders for their unwavering support and encouragement. We are committed to further enhancing our business development strategies and bolstering our core technology research and development capabilities. Additionally, we aim to enhance the operational management efficiency of our regional manufacturing facilities, thereby strengthening our competitive advantage in the market. Our overarching goal is to improve our overall operating performance and deliver fruitful operating results to our shareholders, customers, and employees alike. With dedication and diligence, we look forward to achieving continued success and prosperity together.

Chairman	T.H. Tung	
President and Co-CEO	Kuang-Chih Cheng	Kuo-Yen Teng
Accounting Officer	Ju-Hui Hsieh	

Pegatron Corporation

Audit Committee’s Review Report

Date: March 14, 2024

The Board of Directors has prepared the Pegatron Corporation’s (“the Company)” 2023 Business Report, financial statements, and proposal for earning distribution. The CPA firm of KPMG was retained to audit the Company’s financial statements and has issued an audit report relating to the financial statements. The above Business Report, financial statements, and earning distribution proposal have been examined and determined to be correct and accurate by the Audit Committee members of Pegatron Corporation. According to Article 14-4 of Securities and Exchange Act and relevant requirements of the Company Law, we hereby submit this report.

Pegatron Corporation

Chairman of the Audit Committee: Mr. C. Lin

KPMG

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Independent Auditors' Report

To the Board of Directors of Pegatron Corporation:

Opinion

We have audited the financial statements of Pegatron Corporation ("the Company"), which comprise the balance sheets as of December 31, 2023 and 2022, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to Other Matter paragraph), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

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

1. Revenue recognition

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

   (a) Key audit matters:

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

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

(b) Auditing procedures performed:

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

2. Inventory valuation

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

(a) Key audit matters:

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

(b) Auditing procedures performed:

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

Other Matter

We did not audit the financial statements of certain investees, which represented investments in other entities accounted for using the equity method of the Company. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those investees, is based solely on the reports of other auditors. The investments in those investees accounted for using the equity method constituting 7.65% and 5.94% of total assets at December 31, 2023 and 2022, respectively, and the related share of profit of subsidiaries, associates and joint ventures accounted for using the equity method constituting 25.46% and 43.97% of total profit before tax for the years then ended, respectively.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pegatron Corporation's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Pegatron Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)
March 14, 2024

Notes to Readers

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

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

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

PEGATRON CORPORATION

Balance Sheets

December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2023		December 31, 2022	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents	$ 44,204,421	6.8	13,716,368	1.8
1110	Current financial assets at fair value through profit or loss	710,995	0.1	568,065	0.1
1170	Notes and accounts receivable, net	134,763,234	20.6	165,851,319	21.2
1180	Accounts receivable due from related parties, net	211,023,843	32.3	338,114,133	43.3
1200	Other receivables, net	63,985	-	77,252	-
130X	Inventories	46,651,141	7.2	49,670,316	6.4
1476	Other current financial assets	117,132	-	117,121	-
1479	Other current assets	231,900	-	256,694	-
		437,766,651	67.0	568,371,268	72.8
	Non-current assets:				
1510	Non-current financial assets at fair value through profit or loss	1,205,064	0.2	937,017	0.1
1520	Non-current financial assets at fair value through other comprehensive income	874,772	0.1	672,647	0.1
1550	Investments accounted for using equity method	202,403,812	31.0	199,733,135	25.5
1600	Property, plant and equipment	9,909,052	1.5	9,816,894	1.3
1755	Right-of-use assets	356,077	0.1	469,895	0.1
1780	Intangible assets	115,701	-	115,105	-
1840	Deferred tax assets	660,329	0.1	860,494	0.1
1980	Other non-current financial assets	40,224	-	37,373	-
		215,565,031	33.0	212,642,560	27.2
	Total assets	**$ 653,331,682**	**100.0**	**781,013,828**	**100.0**

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

PEGATRON CORPORATION

Balance Sheets (CONT'D)

December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2023		December 31, 2022	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term loans	$ 34,691,850	5.3	51,484,097	6.6
2130	Current contract liabilities	377,726	0.1	725,074	0.1
2150	Notes and accounts payable	164,120,650	25.1	182,173,167	23.3
2180	Accounts payable to related parties	194,017,916	29.7	267,478,322	34.3
2219	Other payables	22,197,047	3.4	21,344,266	2.7
2230	Current tax liabilities	2,057,637	0.3	1,633,966	0.2
2281	Current lease liabilities	128,770	-	134,186	-
2321	Bonds payable, current portion	8,000,000	1.2	4,500,000	0.6
2322	Long-term loans payable, current portion	1,954,583	0.3	1,467,983	0.2
2399	Other current liabilities	10,881,158	1.7	33,002,523	4.2
		438,427,337	67.1	563,943,584	72.2
	Non-Current liabilities:				
2530	Bonds payable	22,384,389	3.4	30,376,992	3.9
2540	Long-term loans	1,505,587	0.3	3,455,414	0.5
2570	Deferred tax liabilities	706,400	0.1	290,000	-
2580	Non-current lease liabilities	231,700	-	339,569	-
2650	Credit balance of investments accounted for using equity method	1,128,273	0.2	-	-
2670	Other non-current liabilities	138,104	-	119,704	-
		26,094,453	4.0	34,581,679	4.4
	Total liabilities	464,521,790	71.1	598,525,263	76.6
	Equity:				
3100	Share capital	26,642,241	4.1	26,676,337	3.4
	Capital surplus:				
3210	Capital surplus, premium on capital stock	79,180,607	12.1	78,703,620	10.1
3280	Capital surplus, others	5,015,039	0.8	4,648,384	0.6
		84,195,646	12.9	83,352,004	10.7
	Retained earnings:				
3310	Legal reserve	19,239,612	2.9	17,721,898	2.3
3320	Special reserve	7,523,660	1.2	20,918,849	2.7
3350	Unappropriated retained earnings	58,318,738	8.9	41,419,117	5.3
		85,082,010	13.0	80,059,864	10.3
	Other equity interest:				
3410	Exchange differences on translation of foreign financial statements	(7,359,989)	(1.1)	(7,603,630)	(1.0)
3420	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	375,255	-	79,970	-
3491	Other equity, unearned compensation	(125,271)	-	(68,877)	-
		(7,110,005)	(1.1)	(7,592,537)	(1.0)
3500	Treasury stock	-	-	(7,103)	-
	Total equity	188,809,892	28.9	182,488,565	23.4
	Total liabilities and equity	**$ 653,331,682**	**100.0**	**781,013,828**	**100.0**

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

PEGATRON CORPORATION

Statements of Comprehensive Income

For the years ended December 31, 2023 and 2022

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

		For the years ended December 31			
		2023		2022	
		Amount	%	Amount	%
4000	**Operating revenue**	$ 1,181,970,646	100.0	1,232,386,068	100.0
5000	**Cost of sales**	1,155,952,476	97.8	1,203,048,944	97.6
5900	**Gross profit from operations**	26,018,170	2.2	29,337,124	2.4
5910	Less:Unrealized profit from sales	299,197	-	387,516	-
5950	**Gross profit from operations**	25,718,973	2.2	28,949,608	2.4
6000	**Operating expenses:**				
6100	Selling expenses	2,136,402	0.2	2,621,605	0.2
6200	General and administrative expenses	2,950,834	0.2	2,664,612	0.2
6300	Research and development expenses	8,660,819	0.8	8,428,067	0.8
6300	**Total operating expenses**	13,748,055	1.2	13,714,284	1.2
	Net operating income	11,970,918	1.0	15,235,324	1.2
	Non-operating income and expenses:				
7100	Interest income	1,136,792	0.1	304,242	-
7010	Other income	1,132,861	0.1	873,138	0.1
7020	Other gains and losses	(144,607)	-	(1,166,606)	(0.1)
7050	Finance costs	(1,161,166)	(0.1)	(1,015,034)	(0.1)
7070	Share of profit of subsidiaries, associates and joint ventures accounted for using equity method, net	7,259,834	0.6	3,680,616	0.3
	Total non-operating income and expenses	8,223,714	0.7	2,676,356	0.2
	Profit before tax	20,194,632	1.7	17,911,680	1.4
7950	Less: Income tax expenses	4,481,674	0.4	2,815,500	0.2
	Profit for the year	15,712,958	1.3	15,096,180	1.2
8300	**Other comprehensive income:**				
8310	**Components of other comprehensive income (loss) that will not be reclassified to profit or loss**				
8311	Gains on remeasurements of defined benefit plans	3,416	-	1,053	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	202,125	-	(342,950)	-
8330	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	90,333	-	2,040	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
	Total components of other comprehensive income (loss) that will not be reclassified to profit or loss	295,874	-	(339,857)	-
8360	**Components of other comprehensive income that will be reclassified to profit or loss**				
8380	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	243,641	-	13,759,997	1.1
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	Total components of other comprehensive income that will be reclassified to profit or loss	243,641	-	13,759,997	1.1
8300	**Other comprehensive income, net of tax**	539,515	-	13,420,140	1.1
8500	**Total comprehensive income**	**$ 16,252,473**	**1.3**	**28,516,320**	**2.3**
	Earnings per share, net of tax				
9750	**Basic earnings per share**	**$**	**5.90**		**5.66**
9850	**Diluted earnings per share**	**$**	**5.85**		**5.60**

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

PEGATRON CORPORATION

Statements of Changes in Equity

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	Share capital		Retained earnings				Other equity interest					
	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	Unearned compensation	Total other equity interest	Treasury stock	Total equity
Balance at January 1, 2022	$ 26,691,316	83,321,308	15,698,039	15,866,201	46,661,789	78,226,029	(21,363,627)	444,778	(712,701)	(21,631,550)	(2,558)	166,604,545
Profit for the year	-	-	-	-	15,096,180	15,096,180	-	-	-	-	-	15,096,180
Other comprehensive income (loss) for the year	-	-	-	-	24,951	24,951	13,759,997	(364,808)	-	13,395,189	-	13,420,140
Total comprehensive income (loss) for the year	-	-	-	-	15,121,131	15,121,131	13,759,997	(364,808)	-	13,395,189	-	28,516,320
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)
Changes in equity of associates and joint ventures accounted for using equity method	-	149,964	-	-	-	-	-	-	-	-	-	149,964
Changes in ownership interests in subsidiaries	-	12,950	-	-	-	-	-	-	-	-	-	12,950
Expiration of restricted shares of stock issued to employees	(14,979)	19,524	-	-	56,007	56,007	-	-	-	-	(4,545)	56,007
Compensation cost arising from restricted shares of stock	-	(151,742)	-	-	-	-	-	-	643,824	643,824	-	492,082
Balance at December 31, 2022	26,676,337	83,352,004	17,721,898	20,918,849	41,419,117	80,059,864	(7,603,630)	79,970	(68,877)	(7,592,537)	(7,103)	182,488,565
Profit for the year	-	-	-	-	15,712,958	15,712,958	-	-	-	-	-	15,712,958
Other comprehensive income for the year	-	-	-	-	589	589	243,641	295,285	-	538,926	-	539,515
Total comprehensive income for the year	-	-	-	-	15,713,547	15,713,547	243,641	295,285	-	538,926	-	16,252,473
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	1,517,714	-	(1,517,714)	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(13,395,189)	13,395,189	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(10,667,426)	(10,667,426)	-	-	-	-	-	(10,667,426)
Changes in equity of associates and joint ventures accounted for using equity method	-	201,784	-	-	-	-	-	-	-	-	-	201,784
Changes in ownership interests in subsidiaries	-	171,144	-	-	-	-	-	-	-	-	-	171,144
Expiration of restricted shares of stock issued to employees	(34,096)	26,993	-	-	(23,975)	(23,975)	-	-	-	-	7,103	(23,975)
Compensation cost arising from restricted shares of stock	-	443,721	-	-	-	-	-	-	(56,394)	(56,394)	-	387,327
Balance at December 31, 2023	**$ 26,642,241**	**84,195,646**	**19,239,612**	**7,523,660**	**58,318,738**	**85,082,010**	**(7,359,989)**	**375,255**	**(125,271)**	**(7,110,005)**	**-**	**188,809,892**

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

PEGATRON CORPORATION

Statements of Cash Flows

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

		For the years ended December 31	
		2023	2022
Cash flows from operating activities:			
Profit before tax	$	20,194,632	17,911,680
Adjustments:			
Adjustments to reconcile profit:			
Depreciation expense		1,155,152	1,273,319
Amortization expense		57,082	52,496
Expected credit (reversal gain) loss		(10,989)	59,020
Net (gain) loss on financial assets and liabilities at fair value through profit or loss		(225,181)	220,707
Interest expense		1,135,155	1,002,488
Interest income		(1,136,792)	(304,242)
Dividend income		(53,034)	(66,075)
Compensation cost arising from employee stock options		249,232	614,728
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method		(7,259,834)	(3,680,616)
Gain on disposal of property, plant and equipment		(8,460)	(6,213)
Property, plant and equipment charged to expenses		6,877	11,063
Unrealized loss from sales		299,197	387,516
Amortization of issuance costs on bonds payable		7,397	7,397
Gain on lease remeasurement		(732)	-
Government grants income		(19,851)	(18,136)
Total adjustments to reconcile profit		(5,804,781)	(446,548)
Changes in operating assets and liabilities:			
Changes in operating assets:			
Increase in financial assets at fair value through profit or loss		(185,796)	(467,759)
Decrease (increase) in notes and accounts receivable		158,189,364	(25,426,944)
Decrease in other receivables		30,698	367,206
Decrease (increase) in inventories		2,924,656	(9,563,948)
Decrease in other current assets		24,794	177,697
(Increase) decrease in other financial assets		(11)	22,296,990
Total changes in operating assets		160,983,705	(12,616,758)
Changes in operating liabilities:			
Decrease in contract liabilities		(347,348)	(8,878)
Decrease in notes and accounts payable		(91,512,923)	(8,888,726)
Decrease in other payables		(1,338,981)	(652,548)
(Decrease) increase in other current liabilities		(22,118,099)	10,219,725
Decrease in other non-current liabilities		(7,339)	(695)
Total changes in operating liabilities		(115,324,690)	668,878
Total changes in operating assets and liabilities		45,659,015	(11,947,880)
Total adjustments		39,854,234	(12,394,428)
Cash inflow generated from operations		60,048,866	5,517,252
Interest received		1,119,361	319,808
Dividends received		5,790,311	66,075
Interest paid		(1,293,946)	(839,025)
Income taxes paid		(2,335,486)	(719,954)
Net cash flows from operating activities		63,329,106	4,344,156

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

PEGATRON CORPORATION

Statements of Cash Flows (CONT'D)

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	For the years ended December 31	
	2023	2022
Cash flows from investing activities:		
Acquisition of investments accounted for using equity method	(3,856)	(4,678,270)
Acquisition of property, plant and equipment	(1,183,837)	(868,811)
Proceeds from disposal of property, plant and equipment	168,080	94,519
Acquisition of intangible assets	(57,678)	(59,494)
Increase in other financial assets	(2,851)	(8,098)
Net cash flows used in investing activities	(1,080,142)	(5,520,154)
Cash flows from financing activities:		
(Decrease) increase in short-term loans	(16,792,247)	3,315,677
Repayments of bonds	(4,500,000)	(2,000,000)
Proceeds from long-term loans	-	2,100,000
Repayments of long-term loans	(1,483,333)	(336,111)
Increase in other payables to related parties	1,851,820	2,707,083
Repayments of lease liabilities	(142,540)	(119,942)
Cash dividends paid	(10,667,426)	(13,343,303)
Redemption of restricted stock	(27,185)	(18,592)
Net cash flows used in financing activities	(31,760,911)	(7,695,188)
Net increase (decrease) in cash and cash equivalents	30,488,053	(8,871,186)
Cash and cash equivalents, beginning of the year	13,716,368	22,587,554
Cash and cash equivalents, end of the year	$ **44,204,421**	**13,716,368**

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Independent Auditors' Report

To the Board of Directors of Pegatron Corporation:

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

1. Revenue recognition

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

   (a) Key audit matters:

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

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

   (b) Auditing procedures performed:

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

2. Inventory valuation

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

   (a) Key audit matters:

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

   (b) Auditing procedures performed:

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

Other Matter

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

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

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

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

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

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

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

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

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

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)
March 14, 2024

<u>Notes to Readers</u>

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

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

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

PEGATRON CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

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

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

PEGATRON CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets (CONT'D)

December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

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

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

PEGATRON CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2023 and 2022

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

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

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

PEGATRON CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of the parent company: Share capital: Common stock	Capital surplus	Retained earnings: Legal reserve	Retained earnings: Special reserve	Retained earnings: Unappropriated retained earnings	Retained earnings: Total retained earnings	Total other equity interest: Exchange differences on translation of foreign financial statements	Total other equity interest: Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total other equity interest: Other equity Unearned compensation	Total other equity interest: Total other equity interest	Treasury stock	Total equity attributable to owners of the parent company	Non-controlling interests	Total equity
Balance on January 1, 2022	$ 26,691,316	83,321,308	15,698,039	15,866,201	46,661,789	78,226,029	(21,363,627)	444,778	(712,701)	(21,631,550)	(2,558)	166,604,545	27,662,332	194,266,877
Profit for the year	-	-	-	-	15,096,180	15,096,180	-	-	-	-	-	15,096,180	6,066,779	21,162,959
Other comprehensive income (loss) for the year	-	-	-	-	24,951	24,951	13,759,997	(364,808)	-	13,395,189	-	13,420,140	363,536	13,783,676
Total comprehensive income (loss) for the year	-	-	-	-	15,121,131	15,121,131	13,759,997	(364,808)	-	13,395,189	-	28,516,320	6,430,315	34,946,635
Appropriation and distribution of retained earnings:														
Legal reserve appropriated	-	-	2,023,859	-	(2,023,859)	-	-	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	5,052,648	(5,052,648)	-	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(13,343,303)	(13,343,303)	-	-	-	-	-	(13,343,303)	-	(13,343,303)
Changes in equity of associates and joint ventures accounted for using equity method	-	149,964	-	-	-	-	-	-	-	-	-	149,964	-	149,964
Changes in ownership interests in subsidiaries	-	12,950	-	-	-	-	-	-	-	-	-	12,950	(12,950)	-
Expiration of restricted shares of stock issued to employees	(14,979)	19,524	-	-	56,007	56,007	-	-	-	-	(4,545)	56,007	-	56,007
Compensation cost arising from restricted shares of stock	-	(151,742)	-	-	-	-	-	-	643,824	643,824	-	492,082	-	492,082
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(1,999,999)	(1,999,999)
Balance at December 31, 2022	26,676,337	83,352,004	17,721,898	20,918,849	41,419,117	80,059,864	(7,603,630)	79,970	(68,877)	(7,592,537)	(7,103)	182,488,565	32,079,698	214,568,263
Profit for the year	-	-	-	-	15,712,958	15,712,958	-	-	-	-	-	15,712,958	1,699,835	17,412,793
Other comprehensive income (loss) for the year	-	-	-	-	589	589	243,641	295,285	-	538,926	-	539,515	(34,240)	505,275
Total comprehensive income for the year	-	-	-	-	15,713,547	15,713,547	243,641	295,285	-	538,926	-	16,252,473	1,665,595	17,918,068
Appropriation and distribution of retained earnings:														
Legal reserve appropriated	-	-	1,517,714	-	(1,517,714)	-	-	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(13,395,189)	13,395,189	-	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(10,667,426)	(10,667,426)	-	-	-	-	-	(10,667,426)	-	(10,667,426)
Changes in equity of associates and joint ventures accounted for using equity method	-	201,784	-	-	-	-	-	-	-	-	-	201,784	-	201,784
Changes in ownership interests in subsidiaries	-	171,144	-	-	-	-	-	-	-	-	-	171,144	(171,144)	-
Expiration of restricted shares of stock issued to employees	(34,096)	26,993	-	-	(23,975)	(23,975)	-	-	-	-	7,103	(23,975)	-	(23,975)
Compensation cost arising from restricted shares of stock	-	443,721	-	-	-	-	-	-	(56,394)	(56,394)	-	387,327	-	387,327
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(766,274)	(766,274)
Balance on December 31, 2023	**$ 26,642,241**	**84,195,646**	**19,239,612**	**7,523,660**	**58,318,738**	**85,082,010**	**(7,359,989)**	**375,255**	**(125,271)**	**(7,110,005)**	**-**	**188,809,892**	**32,807,875**	**221,617,767**

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

PEGATRON CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

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

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

PEGATRON CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows (CONT'D)

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

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

Pegatron Corporation
PROFIT DISTRIBUTION TABLE
Year 2023

Unit: NT$

Items	Total
Beginning Retained Earnings	42,629,166,838
Add：Net Profit After Tax	15,712,958,092
Remeasurements of Defined Benefits Plans	587,880
Special Reserve Reversed	538,925,539
Minus：Expiration of Restricted Stock Issued to Employees	(23,975,039)
Distributable net profit	58,857,663,310
Minus：10% Legal Reserve	(1,568,957,093)
Cash Dividend	(10,656,662,412)
Unappropriated Retained Earnings	46,632,043,805

Resolution:

(Translation – In case of any discrepancy between the Chinese and English versions, the Chinese version shall prevail.)

Pegatron Corporation

Issuance Rules of Employee Restricted Stock Awards for Year 2024

I. Purpose of Issuance

In order to attract and retain professional talents for the company and to increase employees' cohesion and loyalty to the company for mutually supporting the company's and shareholders' interests, the Company stipulate these Issuance Rules of Employee Restricted Stock Awards (hereinafter referred to as the "RSAs") for Year 2024 (hereinafter referred to as the "Rules"), in accordance to Paragraphs 9 and 10, Article 267 of the Company Act and the "Regulations Governing the Offering and Issuance of Securities by Securities Issuers" promulgated by the Financial Supervisory Commission, Executive Yuan (hereinafter referred to as the "Regulations").

II. Issuance Period

Within two years of receiving the approval notice by the competent authority, the Company, depending on its actual needs, may issue in one or several times, while the actual date of issuance is authorized to the Board of Directors to determine.

III. Type of Issued Shares

After RSAs stipulated hereunder are issued, except for the requirement for being entrusted to a depository pursuant to the Rules and the restricted rights subject to vesting conditions stipulated hereunder, they shall have the same rights as the outstanding common stocks of the Company.

IV. Total number of issuance (shares): 45,000,000 shares in total.

V. Issue price: NT$10 per share.

VI. Qualification and conditions for employees to be eligible for subscription

1. Employees eligible for subscription are limited to full-time employees within the formal organization of the Company who are employed as of the grant date of RSAs. The eligible employees and actual number for subscription will be based on seniority, job grades and levels, work performance, overall contribution, special achievements, and other conditions needed for management and will be reviewed by the Chairman and submitted to the Board of Directors for approval. For

employees who are managerial officers, the eligibility and number for subscription shall be first approved by the Compensation Committee; and for employees who are non-managerial officers, the eligibility and number for subscription shall be first approved by the Audit Committee.

2. The cumulative number of shares of employee stock warrants issued by the Company, under Paragraph 1, Article 56-1 of the Regulations, that can be subscribable by a single employee, in combination with the cumulative number of RSAs obtained by the single employee, may not exceed 0.3 percent of the Company's total issued shares. Additionally, the above in combination with the cumulative number of shares issued by the Company under Paragraph 1, Article 56 of the Regulations, that can be subscribable by a single employee of employee stock warrants, may not exceed 1 percent of the Company's total issued shares. However, with special approval from the central competent authority of the relevant industry, the total number of employee stock warrants and RSAs obtained by a single employee may be exempted from the above-mentioned restriction.

VII. Vesting conditions: the following company performance criteria and employee performance criteria shall both be met.

1. Company performance criteria:
   (1) Earnings per share ("EPS")：On the date RSAs are scheduled to be vested, the average EPS based on the financial statements of the recent three years is higher than the average EPS or median of average EPS of the peer group.
   (2) The peer group in the preceding sub-paragraph mean HON HAI Precision Industry Co., Ltd., Quanta Computer Inc., Compal Electronics Inc., Wistron Corp., and Inventec Corporation.
   (3) The EPS in the first sub-paragraph means basic EPS disclosed in the consolidated statements of comprehensive income of the consolidated financial statements audited by CPA.
2. Employee performance criteria：
   (1) Employees who, after subscribing for RSAs, have served for one year, achieved level B or above for their biannual performance evaluations and did not have any violations against the law, employment contract, acknowledgement of honesty, integrity and confidentiality, work rules, or

business ethics and code of conducts during the first year are vested with 30% of the total subscribed RSAs.

(2) Employees who, after subscribing for RSAs, have served for two years, achieved level B or above for their biannual performance evaluations and did not have any violations against the law, employment contract, acknowledgement of honesty, integrity and confidentiality, work rules, or business ethics and code of conduct during the second year are vested with 35% of the total subscribed RSAs.

(3) Employees who, after subscribing for RSAs, have served for three years, achieved level B or above for their biannual performance evaluations and did not have any violations against the law, employment contract, acknowledgement of honesty, integrity and confidentiality, work rules, or business ethics and code of conduct during the third year are vested with 35% of the total subscribed RSAs.

VIII. Handling of the situations where the company performance criteria or the employee performance criteria does not meet the vesting conditions.

Where the company performance criteria does not meet the vesting conditions, all of the unvested RSAs, upon the expiry of the vesting period, will be purchased back by the Company at the issue price and cancelled. Where the employee performance criteria does not meet the vesting conditions, all of the unvested RSAs, upon the expiry of the vesting period, will be purchased back by the Company at the issue price and cancelled.

IX. Handling of the situations where the employees resign, retire, are disabled or deceased due to occupational accidents, deceased, transferred to an affiliated enterprise, apply for position retain without pay, etc.

1. In the case of employees who voluntarily resigned, are dismissed due to inability to perform at their work, are terminated, retired, or deceased due to non-occupational accidents are deemed no longer eligible to meeting the vesting conditions as of the date of resignation, retirement or decease, and all of the unvested RSAs will be purchased back by the Company at the issue price.
2. In the case of termination for reasons other than inability to perform at their work, if the employee meets the other vesting conditions stipulated under Article 7 of the Rules in the year of dismissal, the number of shares that meet the vesting conditions for RSAs shall be calculated by multiplying the proportion of days

employed in the current year by the number of shares that meet the predetermined conditions for RSAs under Article 7 of this regulation in the current year. The remaining shares shall be deemed lost on the day of termination, and the Company shall purchase back all such shares at the issue price.

3. Disabled or deceased due to occupational accidents:
   Employees who are disabled and thus dismissed or deceased due to occupational accidents, if meeting the other vesting conditions stipulated under Article 7 of the Rules in the year of dismissal or decease, are deemed meeting vesting conditions upon the expiry of the vesting period of the same year but no longer eligible for meeting vesting conditions for the next year and afterwards. All of the unvested RSAs will be purchased back by this Company at the issue price.
4. Transferred to an affiliated enterprise:
   For the purpose of the Company's operation, employees of the Company, if asked by the Company to be transferred to an affiliated enterprise of the Company and meeting the other vesting conditions stipulated under Article 7 of the Rules in the year of transfer, may be reviewed by the Chairman or his/her authorized executives for the percentage and time limit of meeting the vesting conditions within the timeframes and ratios stipulated under Article 7 of the Rules.
5. Position retain without pay:
   For employees who apply for position retain without pay and are approved by the Company, if meeting the other vesting conditions stipulated under Article 7 of the Rules in the year when the application becomes effective, the employment period stipulated under Article 7 of the Rules for the unvested RSAs is deferred based on the actual period of position retain without pay.
6. The RSAs purchased back by the Company pursuant to the Rules will have their registration cancelled.

X. Restricted rights subject to vesting conditions after subscription

1. Employees shall entrust subscribed RSAs to a depository and shall not sell, pledge, transfer, gift to others, create an encumbrance on or otherwise dispose of the same before vesting conditions are met.
2. Voting right and right of election at a shareholders' meeting: Such rights are exercised by the depository body in accordance with the relevant laws and regulations.

XI. Other important matters agreed upon by the contracting parties

1. Employees shall entrust their subscribed RSAs pursuant to the Rules to a depository before vesting conditions are met. The vested RSAs will be transferred to the employee's personal account from the trust account within one month of the date when vesting conditions are met.
2. Signing and non-disclosure:
   (1) After the total units of issuance, subscription price, distribution rules and the list of employees eligible for subscription of RSAs are confirmed, the handling department of the Company will notify eligible employees to sign the grant agreement, acknowledgement of honesty, integrity, and confidentiality and its amendments, depository documents, etc. Employees who fail to sign the relevant documents will lose their eligibility for subscription.
   (2) Employees eligible for subscription shall comply with the Company's non-disclosure provisions and shall not enquire about or disclose the contents and number of RSAs granted. Any violations thereof may be punished by the Company according to the seriousness.
   (3) Any rights-holder who subscribes for RSAs and their derivative benefits pursuant to the Rules shall comply with the Rules, the grant agreement, and relevant provisions of the trust.
3. Taxes and tax-deferred:
   Taxes accrued due to employees' subscription for RSAs shall be handled in accordance with applicable laws and regulations of the Republic of China.
4. The Rules shall be in effect after obtaining the approval by a majority vote of a meeting of the Board of Directors at which two-thirds or more of the directors are present, as well as special approval of the shareholders meeting and approval by the competent authority. The same rules apply for the amendments thereof made before issuance. During the review process, if the authority requires an amendment, the Chairman is authorized to amend the Rules accordingly and then submit the amendments to the Board of Directors for rectification before issuance.
5. Any matters not covered by the Rules, shall be handled in accordance with the relevant laws and regulations.