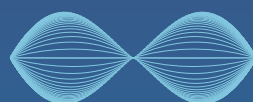




PEGATRON
和碩聯合科技



ANNUAL REPORT
2020

TWSE 4938
Printed on March 15th, 2021

PEGATRON SPOKESPERSON

Name: Louise Wu

Title: Chief Financial Officer

Tel.: 886(2) 8143-9001

E-mail: ir@pegatroncorp.com

DEPUTY SPOKESPERSON

Name: Ming-Chun Tsai

Title: Deputy Director of Corporate Information

Tel.: 886(2) 8143-9001

E-mail: ir@pegatroncorp.com

CORPORATE HEADQUARTERS

Address: 5F, No. 76, Ligong St., Beitou District, Taipei City

Tel.: 886(2) 8143-9001

MANUFACTURING SITE

Taoyuan Site

Address: No.5~6, Xingye St., Guishan District, Taoyuan City Tel: 886(3) 319 6899

Xindian Site

Address: No. 1, Lane 232, Baoqiao Rd., Xindian District, New Taipei City

COMMON SHARE TRANSFER AGENT AND REGISTRAR

Name: Registrar & Transfer Agency Department of KGI Securities Co. LTD.

Address: 5F, No. 2, Sec. 1, Chung-Ching South Road, Taipei City

Tel.: 886(2) 2389-2999 Website: <https://www.kgiworld.com.tw>

AUDITORS

CPA Firm: KPMG

Name of CPA: Kuo-Yang Tseng and Chi-Lung Yu

Address: 68F, TAIPEI 101 TOWER, No. 7, Sec. 5, Xinyi Road, Taipei City

Tel.: 886(2) 8101-6666 E-mail: <http://www.kpmg.com.tw>

OVERSEAS SECURITIES EXCHANGE

Luxemburg Stock Exchange: <http://www.bourse.lu>

FOR MORE INFORMATION ABOUT PEGATRON

<http://www.pegatroncorp.com>

This English version of the Pegatron Annual Report is a concise translation of the Mandarin version. This document is created for the sole purpose of the convenience for its non-Mandarin readers and is not an official document to represent the financial status of the Company per Taiwan laws.

Pegatron Corporation does not assure the accuracy of this translated document. Readers wishing to view the official audited version of Pegatron's financial reports can obtain a copy of the Pegatron Annual Report (Mandarin version) on the Pegatron Corporation website (www.pegatroncorp.com).

TABLE OF CONTENTS

1.	Letter to Shareholders	1
2.	Company Profile	4
2.1	Date of Incorporation.....	4
2.2	Company Milestones.....	4
3.	Corporate Governance	7
3.1	Organization Structure.....	7
3.2	Board of Directors and Management Team	10
3.3	Implementation of Corporate Governance	35
3.4	Information Regarding CPA Fees.....	68
3.5	Information on Change of CPA.....	69
3.6	Management Team Who Had Worked for the Independent Auditor	69
3.7	Status of Net Change in Shareholding and Shares Pledged.....	69
3.8	The Relation of the Top Ten Shareholders	72
3.9	Long-Term Investment Ownership.....	72
4.	Capital and Shares	73
4.1	Capital and Shares.....	73
4.2	Issuance of Corporate Bond.....	79
4.3	Preferred Shares	80
4.4	Issuance of Global Depository Receipts	81
4.5	Employee Stock Option	82
4.6	Employee Restricted Stocks.....	82
4.7	New Shares Issuance in Connection with Mergers and Acquisitions.....	88
4.8	Financing Plan and Implementation	88
5.	Overview of Business Operation	89
5.1	Business Activities.....	89
5.2	Market and Sales Overview.....	99
5.3	Status of Employees.....	105
5.4	Expenditure on Environmental Protection	106
5.5	Employee Relations.....	106
5.6	Important Contracts.....	108
6.	Financial Information	109
6.1	Five-Year Financial Summary.....	109
6.2	Five-Year Financial Analysis.....	113
6.3	Audit Committee's Review Report.....	117
6.4	Consolidated Financial Statements	118
6.5	Non-Consolidated Financial Statements.....	118
6.6	Financial Difficulties.....	118

7. Review of Financial Position, Management Performance and Risk Management.	119
7.1 Analysis of Financial Status.....	119
7.2 Analysis of Operating Results.....	120
7.3 Analysis of Cash Flow.....	121
7.4 Major Capital Expenditure.....	121
7.5 Investment Policy.....	121
7.6 Analysis of Risk Management.....	121
7.7 Other Major Risks.....	125
8. Other Special Notes	126
8.1 Affiliated Companies.....	126
8.2 Private Placement Securities.....	131
8.3 The Shares of the Company Held or Disposed of by the Subsidiaries.....	131
8.4 Special Notes.....	131
8.5 Events with Significant Impacts	131

1. Letter to Shareholders

Dear Shareholders,

2020 was a turbulent year as COVID-19 pandemic hit the globe. To prevent spread of the virus, lockdowns and border close were taken around the world, causing suspension of production and trade activities that impacted business operation worldwide. Global economic deteriorated and overall investment and consumer demand declined. Looking forward to 2021, as quantitative easing measures adopted by major economies during the pandemic start to kick in, and vaccine may help to end the pandemic, there are signs of recovery of consumer demand, production, international trading activities and global economics. Nevertheless, global economic recovery is contingent upon a few factors such as uncertainty of coronavirus variants, potential inflation risk from quantitative easing policy, and continuous trade tension between US and China. In early 2020, Pegatron's operation was impacted by pandemic. However, through adjusting of manpower and capacity, we managed to accomplish customers' production requests, achieved record sales in 2020 and improved profitability on a year-over-year basis.

Financial Performance

The consolidated revenue of 2020 reached NT\$1,399 billion, increased by 2.4% from NT\$1,366 billion in 2019 with growth margin of 3.54%. Profit attributable to owners of the parent company was NT\$20.2 billion, increased by NT\$0.9 billion from NT\$19.3 billion in the previous year and EPS was NT\$7.73 in 2020. Other than demand from Computing segment resulting from pandemic, the driver of consolidated revenue in 2020 was mainly from new product launch in Consumer Electronics segment. Operating of major subsidiaries also turnaround and stabilized. The Group not only stabilizes existing business, but also expands to new ones. Overall operation was also benefited from adequate capacity allocation. In 2020, Communication segment has the highest revenue contribution, followed by Consumer Electronics and Computing segments. No significant change on percentage of revenue breakdown comparing to 2019.

Technical Capability and Operating Highlights

Significant progress has been made on applications and demand of three major product lines as Pegatron has devoted to IoT, AI and 5G related technology development and product design for years. Followed by upgrade and popularize of 5G, Pegatron expands R&D capability to medical level devices and production process by leveraging its own core technology and manufacturing experience on computing and communication. Also, Pegatron improves AR/VR development technologies, increases portability and commercial values of AR/VR devices, and showcase the capability of software and hardware integration. As for 5G

enterprise private network, Pegatron not only dedicates to research and manufacture of broadband devices, but also develops multi-function edge computing server to increase applications of 5G enterprise private network. Furthermore, by leveraging years of experience in developing automotive products, Pegatron starts to produce Level 3 car computer and develops multi module LTE/5G products, in order to form seamless connection of vehicle-to-everything (V2X) and realize technology of autonomous driving. In terms of operation, given trade dispute and ongoing global pandemic, Pegatron will continuously deploy globally and expand manufacturing footprint to Vietnam and India to accommodate drastic changes of supply chain as well as end demand. To further enhance utilization and profitability, we will constantly improve manufacturing capability and operating management, and optimize product mix with flexibility based on capacity, resource allocation as well as end demand.

Awards and Social Responsibility

As spread of COVID-19 pandemic worldwide, Pegatron realizes society and economic uncertainty will become the new norm. It also reminds us the importance of sustainability. Other than constantly adjusting business strategy, controlling risk and opportunities, and facing challenges actively, we also establish various of management system with measures to provide employees a safe and sustainable working environment. Meanwhile, as issue of climate change continues, Pegatron has included climate change as one of the key considerations for business sustainability. In order to mitigate the impact of climate change, we have established a long-term energy conservation and carbon reduction goal, and actively engaged with Carbon Disclosure Project (CDP). Moreover, Pegatron has committed to create a green industry chain and fulfilled corporate social responsibility by applying the concept of energy saving and environmental protection into our design, manufacturing processes and products. Pegatron ranked the top 20% of listed companies for the 5th time in "Corporate Governance Evaluation" held by Taiwan Stock Exchange in 2020, and continuously awarded the constituent of the FTSE4Good TIP Taiwan ESG Index for 7 times in a row. Pegatron is determined to strengthen sustainability development performances and communicate with stakeholders to express Pegatron's value of sustainability in the worldwide supply chain.

Outlook

IoT, AI, and 5G are the key technologies of leading development of Consumer Electronics and Communication products in the future. Pegatron shall continuously advance these key technologies and integrate with our profound experience of assembly to expand to more diversified applications and devices and drive the next wave of growth. Looking forward to 2021, while momentum resulting from pandemic shall continue for Computing segment, we need to observe component supply and change of end demand. Due to new product launch of

major customer, shipment of Consumer segment shall have stable growth. As for Communication segment, we shall adjust capacity, and enhance management and manufacturing efficiency based on end demand. As demand grows and customer's manufacture scales up, shipment of automotive electronics products shall increase followed by expanding product lines. It is more challenging in operation and supply chain management for ODM under the circumstances of trade dispute and rapid change of industry. In the plan of capacity relocation, Pegatron shall leverage our years of experience in manufacturing and global deployment. We will also apply our flexibility of production planning and management to accommodate customers' requests as well as industry changes, then establish new production sites. In terms of business, Pegatron shall continuously improve manufacturing efficiency of existing business, and explore products with higher technological value simultaneously. Through higher automation level, adequate resource allocation and cost control, we shall enhance our overall utilization and profitability.

On behalf of all employees of Pegatron, we would like to express our appreciation for continuous support from our shareholders. With your unwavering trust and confidence in Pegatron, we will strive for better performance and share the fruitful result with all our shareholders, customers and employees.

Chairman T.H. Tung
President and CEO S.J. Liao



2. Company Profile

2.1 Date of Incorporation: June 27th, 2007

2.2 Company Milestones

June 2007	<ul style="list-style-type: none">● Pegatron Corporation (“the Company”) was incorporated with a paid-in capital of NT\$1 million.
Nov 2007	<ul style="list-style-type: none">● Increased paid-in capital to NT\$50 million by capital injection
Jan 2008	<ul style="list-style-type: none">● Increased paid-in capital to NT\$16,050 million by issuing 1,600,000,000 shares to inherit the DMS (design and manufacturing services) unit from Asustek Computer Inc (“Asustek”).
Apr 2008	<ul style="list-style-type: none">● Merged 100% owned subsidiary, Asusalpha Computer Inc., in order to streamline corporate resources.
Jun 2008	<ul style="list-style-type: none">● Became the member of EICC (Electronic Industry Code of Conduct)● Increased paid-in capital to NT\$18,846 million by issuing 279,628,141 shares in exchange for 100% ownership of Unihan Corporation with Asustek. After the share exchange, Unihan became the Company’s wholly owned subsidiary.
Dec 2008	<ul style="list-style-type: none">● The Company was awarded the world’s first Energy using Product (EuP) certificate by DNV (DET NORSKE VERITAS).
Feb 2009	<ul style="list-style-type: none">● Acquired Top Quark Limited for US\$6.04 million in order to provide more comprehensive services of communication products to customers.
Apr 2009	<ul style="list-style-type: none">● Completed the world’s first Product Category Rule for Notebook PC products, which can be served as the key reference for Environmental Product Declaration (EPD) as officially announced on the website of Global TYPE III Environmental Product Declaration Network (GEDnet).
Jul 2009	<ul style="list-style-type: none">● Acquired 100% shareholding of Powtek (Shanghai) Co., Ltd so as to conduct business in mainland China and expand the market share in China.
Oct 2009	<ul style="list-style-type: none">● Assisted key customers received the world’s first TYPE III Environmental Product Declaration for N51V series Notebook PC awarded by Environment and Development Foundation (EDF).● Assisted key customers received the world first Carbon Footprint Certificate for N51V series Notebook PC awarded by DNV (DET NORSKE VERITAS).
Nov 2009	<ul style="list-style-type: none">● Increased NT\$4,014 million through capitalization of profits and the paid-in capital amounted to NT\$22,861 million.
Dec 2009	<ul style="list-style-type: none">● In order to streamline organization structure and reduce management cost, a key subsidiary, Protek (Shanghai) Limited, merged with another key subsidiary, North Tec Asia (Shanghai) Limited, and the former one is the surviving company.● In order to expand business, a key subsidiary, Maintek Computer (Suzhou) Co., Ltd, increased capital of US\$34 million.● Assisted customers achieving key environmental certifications such as EPEAT, EU Flower and Taiwan Green Market. For more than 55 products.
Jan 2010	<ul style="list-style-type: none">● The Company’s Board of Directors, acting on behalf of the Company’s AGM pursuant to the Company Law, approved the merger with Pegatron International. Upon the completion of the merger, the Company is the surviving company.
Mar 2010	<ul style="list-style-type: none">● The Company’s application for being a public company was approved.
Jun 2010	<ul style="list-style-type: none">● Approved the merger with Pegatron International by issuing 2,286,064 thousands shares after cancelling 2,286,054 thousands shares previously issued by Pegatron International. The paid-in capital amounted to NT\$22,861 million.● The Company was officially listed on the Taiwan Stock Exchange.
Aug 2010	<ul style="list-style-type: none">● The Company issued GDRs on Luxemburg Stock Exchange
Sep 2010	<ul style="list-style-type: none">● DNV (DET NORSKE VERITA) awarded the Company with A+ certification

	<p>for the 2009 CSR Report based on Global Reporting Initiative G3 format.</p> <ul style="list-style-type: none"> • The Company received ISO 14064-1 Greenhouse Gases Inventory Verification.
Nov 2010	<ul style="list-style-type: none"> • The Company's Board of Directors approved the cancellation of 29,697,000 shares of treasury stock. Subsequently, the paid-in capital reduced to NT\$22,563,669 thousand dollars. Assisted key customers received the world first PAS 2050 and ISO 14067-1 Carbon Footprint Certificate awarded by DNV (DET NORSKE VERITA).
Nov 2011	<ul style="list-style-type: none"> • The Company was awarded for top 100 companies in Taiwan by 2011 Taiwan Companies Innovation Survey organized by Industrial Development Bureau, Ministry of Economic Affairs and cosponsored by Business Next Magazine.
Feb 2012	<ul style="list-style-type: none"> • The Company issued the Euro Convertible Bonds of US\$300 million on Singapore Stock Exchange.
Oct 2012	<ul style="list-style-type: none"> • The Company, being the first of its peers in the DMS (design, manufacturing & service) industry, was awarded the 2011 National Sustainable Development Award by National Council for Sustainable Development, Executive Yuan.
Jan 2013	<ul style="list-style-type: none"> • Issuance of 33,938,000 shares for Employee Restricted Stock Award and paid-in capital increased to NT\$22,903 million. • The Company's subsidiary "Casetek Holdings Limited" listed on Taiwan Stock Exchange.
Oct 2013	<ul style="list-style-type: none"> • Issuance of 6,062,000 shares for Employee Restricted Stock Award and paid-in capital increased to NT\$23,161 million.
Dec 2013	<ul style="list-style-type: none"> • The Company was awarded the 2013 Industrial Sustainable Excellence Award – Enterprise Class by Industrial Development Bureau, Ministry of Economic Affairs. • Merged 100% owned subsidiary, UniHan Corporation, in order to consolidate corporate resources, reduce operation cost and enhance operation efficiency.
Feb 2015	<ul style="list-style-type: none"> • The Company's Euro Convertible Bonds of US\$300 million were fully converted to 232,406,616 shares.
Sep 2015	<ul style="list-style-type: none"> • Issuance of 39,678,000 shares for Employee Restricted Stock Award and paid-in capital increased to NT\$26,033 million.
May 2016	<ul style="list-style-type: none"> • The Company's board of Directors approved the cancellation of 26,410,000 shares of treasury stock. Subsequently, the paid-in capital reduced to 25,760,683 thousand dollars.
July 2017	<ul style="list-style-type: none"> • Issuance of 37,808,000 shares for Employee Restricted Stock Award and paid-in capital increased to NT\$26,125 million.
July 2017	<ul style="list-style-type: none"> • The Company issued unsecured corporate bonds (106-1) of NT\$7 billion.
Oct 2017	<ul style="list-style-type: none"> • Issuance of 2,192,000 shares for Employee Restricted Stock Award and paid-in capital increased to NT\$26,145 million.
Dec 2017	<ul style="list-style-type: none"> • The Company became a constituent of the new FTSE4Good TIP Taiwan ESG Index.
Jan 2018	<ul style="list-style-type: none"> • The Company issued unsecured corporate bonds (106-2) of NT\$8 billion.
Jan 2018	<ul style="list-style-type: none"> • Pegatron was named by Thomson Reuters 2018 Top 100 Global Technology Leaders.
May 2018	<ul style="list-style-type: none"> • Pegatron was named by Commonwealth Magazine 2018 Top 2 Taiwan manufacturer in Top 2000 survey.
Mar 2019	<ul style="list-style-type: none"> • Established subsidiary PT. Pegatron Technology Indonesia.
Jun 2019	<ul style="list-style-type: none"> • The Company issued unsecured corporate bonds (108-1) of NT\$8.5 billion.
Oct 2019	<ul style="list-style-type: none"> • The Company's subsidiary "Pegavision Corporation" listed on Taiwan Stock Exchange.
Mar 2020	<ul style="list-style-type: none"> • Established subsidiary Pegatron Vietnam Company Limited.

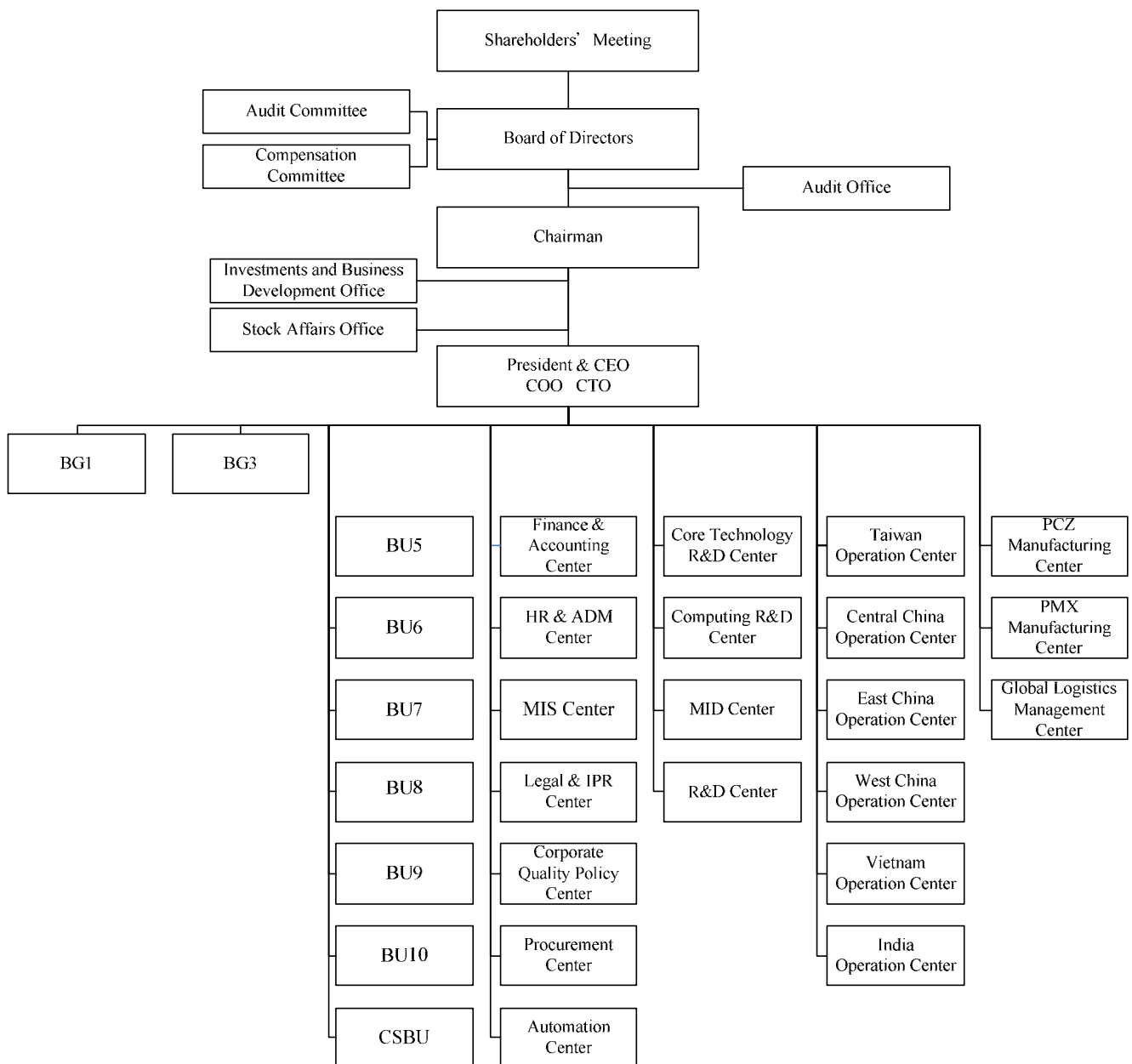
Apr 2020	<ul style="list-style-type: none"> Established subsidiary Pegatron Technology Hai Phong Company Limited.
Jul 2020	<ul style="list-style-type: none"> Established subsidiary Pegatron Technology India Private Limited.
Aug 2020	<ul style="list-style-type: none"> The Company's Board of Directors approved a reverse triangular merger between the wholly-owned subsidiary Pegasus Ace Limited and Casetek Holdings Limited (Cayman). The consideration for the merger was paid by the Company to Casetek's shareholders in cash for NT\$87.5 per share.
Oct 2020	<ul style="list-style-type: none"> The Company issued unsecured corporate bonds (109-1) of NT\$5 billion.
Jan 2021	<ul style="list-style-type: none"> The Company issued unsecured corporate bonds (109-2) of NT\$3.5 billion.
Jan 2021	<ul style="list-style-type: none"> The reverse triangular merger with Casetek Holdings Limited (Cayman) was completed on Jan 15th 2021.
Jan 2021	<ul style="list-style-type: none"> Issuance of 52,411,000 shares for Employee Restricted Stock Award and paid-in capital increased to NT\$26,629 million.
Feb 2021	<ul style="list-style-type: none"> The Company's Board of Directors authorized subsidiary Rih Li International Limited to waive its pre-emptive rights to newly-issued shares for the capital injection of RMB 3,352,218,728 into indirect subsidiary Ri Kai Computer Accessory Co., Ltd., in order to expand the computer component business in China through strategic investment.

3. Corporate Governance

3.1 Organization Structure

3.1.1 Organization Chart

As of 02/28/2021



3.1.2 Department Functions

Department	Main Responsibilities
Board of Directors	Establishing corporate business guiding principles and goals
Audit Office	Auditing and evaluating the compliance of internal policies, procedures and operations based on governing regulations
President and CEO	Board resolutions execution and general corporate affairs
COO	Managing and coordinating manufacturing and resource planning
CTO	Managing research & development resource and technology planning & integration
Investments & Business Development Office	Long term corporate investment planning and industry analysis
Stock Affairs Office	Coordinating board meetings, shareholders' meetings and stock affairs
Central China Operation Center	Central China operation planning and management
East China Operation Center	East China operation planning and management
West China Operation Center	West China operation planning and management
Taiwan Operation Center	Taiwan operation planning and management
PCZ Manufacturing Center	Operation planning and management in Europe
PMX Manufacturing Center	Operation planning and management in America
Vietnam Operation Center	Vietnam operation planning and management
India Operation Center	India operation planning and management
Procurement Center	Management of raw material and facility procurement, cost plan, procurement system plan for resource coordination
Corporate Quality Policy Center	Quality control and management in accordance to internal policies and customer requests
Global Logistics Management Center	Global logistics planning and management
Automation Center	Improving and implementing of automation system, automation equipment for manufacture
Customer Service Business Unit	Global customer service operation and providing the most comprehensive and prompt support to local customers via support network
R&D Center	Conducting simulations and developing technology shared among each business unit
MID Center	Developing mechanical and industrial design and providing support to each business unit for technology needed for each project
Computing R&D Center	Developing technologies for PC/NB products and providing support to business units for relevant technology development
Core Technology R&D Center	Developing technologies for Digital Electronics and providing support to business units for relevant technology development
HR & ADM Center	Corporate human resource administration, construction and maintenance, labor safety and health planning and execution
Finance & Accounting Center	Corporate finance, accounting and tax planning and execution
Legal & IPR Center	Corporate legal affairs, legal counseling, litigation, patents, licensing and other intellectual property management

Department	Main Responsibilities
MIS Center	Internal & external network system planning, integration and design
Business Group 1	Design, manufacturing and services of computing and consumer electronics
Business Group 3	Design, manufacturing and services of handheld devices and related accessories
Business Unit 5	Design, manufacturing and services of main boards and systems for large size customers
Business Unit 6	Design, manufacturing and services of communication and visual products
Business Unit 7	Design, manufacturing and services of game console products and tablets PCs
Business Unit 8	Design, manufacturing and services of main boards and systems for small and medium size customers
Business Unit 9	Design, manufacturing and services of metal casings and mold for products
Business Unit 10	Design, manufacturing and services of industrial PCs and server products

3.2 Board of Directors and Management Team
3.2.1 Introduction of Board of Directors

As of 02/28/2021

Title / Name	Nationality	Gender	Date First Elected	Term (Years)	Date Elected	Shareholding when Elected		Current Shareholding (Note 4)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Selected Current Positions	Note
						Shares	%	Shares	%	Shares	%	Shares	%			
Chairman T.H. Tung (Note 1)	R.O.C	Male	05/18/2010	3	06/21/2019	94,417,309	3.61	94,917,309	3.56	6,074,490	0.23	-	-	Master degree in Computer and Communication Engineering, National Taipei University of Technology Honorary PH.D in Engineering, National Taipei University of Technology Vice Chairman of Asustek Computer Inc. ("Asus")	Chairman and Group CEO of Pegatron Corp. Director of Kinsus Interconnect Technology Corp. Director of Asrock Incorporation Director of AzureWave Technologies, Inc. Chairman of Pegavision Corp. Chairman of Kinsus Investmebt Co., Ltd. Chairman of Lumens Digital Optics Inc. Chairman of Asus Investment Co., Ltd. Chairman of Asupower Investment Co., Ltd. Chairman of Ri-Kuan Metal Corporation Chairman of Aquamax Corporation Director of FuYang Technology Corp. Director of Casetek Holdings Limited (Cayman) Director of Magnificent Brightness Ltd. Director of Casetek Holdings Ltd. Director of Protek Global Holdings Ltd. Director of Grand Upright Technology Limited Director of Aslink Precision Co., Ltd Director of Q Place Creative Inc. Chairman of FISISA Media Inc. Director of The Alliance Cultural Foundation Director of Hanguang Education Foundation Director of Taipei Computer Association Supervisor of National Performing Arts Center	Note 3

Title / Name	Nationality	Gender	Date First Elected	Term (Years)	Date Elected	Shareholding when Elected		Current Shareholding (Note 4)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience(Education)	Selected Current Positions	Note
						Shares	%	Shares	%	Shares	%	Shares	%			
															Director of Lung Yingtai Cultural Foundation Director of ANDREW T.HUANG Medical Education Promotion Fund Director of Fair Winds Foundation Director of Bridge Across the Strait Foundation President of Chinese Culture & Educational Innovation Association Vice President of Monte Jode Science & Technology Association Director of Fullfoods Cultural Education Foundation Director of Bulareyaung Dance Cultural Foundation Director of National Chung-Shan Institute of Science & Technology Director of Cloud Gate Culture and Arts Foundation	
Vice Chairman Jason Cheng	R.O.C	Male	05/18/2010	3	06/21/2019	4,439,773	0.17	4,939,773	0.19	13,120	0.00	-	-	Master degree in Electrical Engineering, University of Southern California President and CEO of Pegatron Corp. Deputy General Manager of Asus	Vice Chairman and Deputy Group CEO of Pegatron Corp. Chairman of AzureWave Technologies, Inc. Chairman of Casetek Holdings limited(CAYMAN) Chairman of FuYang Technology Corp. Director of Asus Investment Ltd. Director of Asuspower Investment Ltd. Director of Asustek Investment Ltd. Director of RI-KUAN METAL Corp. Director of Pegatron Czech s.r.o. Director of Pegatron USA Director of Pegatron Technology India Private Limited Independent Director of GCS Holdings, Inc. Director of Alcor Micro Corp. Director of Epoch Foundation	

Title / Name	Nationality	Gender	Date First Elected	Term (Years)	Date Elected	Shareholding when Elected		Current Shareholding (Note 4)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Selected Current Positions	Note
						Shares	%	Shares	%	Shares	%	Shares	%			
Director S.J. Liao	R.O.C	Male	06/21/2019	3	06/21/2019	2,018,856	0.08	3,139,856	0.12	93	0.00	-	-	Bachelor degree in Industrial and Business Management, Tatung University Honorary PH.D, Tatung University Chief Operating Officer of Pegatron Corp. Senior Vice President of Unihan Corp.	President and CEO of Pegatron Corp. Director of Pegatron Vietnam Company Limited Director of Pegatron Technology HAI PHONG Company limited President of Pegatron Japan Inc. Director of AMA Precision Inc. Director of Asuspower Corporation Director of Asuspower Investment Co., Ltd. Director of KAEDAR Electronics(KUNSHAN) Co., Ltd. Executive Director of KAI CHUAN Electronics(CHONGQING) Co.,Ltd. Supervisor of FuYang Technology Corp.	Note 3
Director C.I. Chia	R.O.C	Male	05/18/2010	3	06/21/2019	200,186	0.01	200,186	0.01	-	-	-	-	BBA, National Taiwan University MBA, University of Wisconsin-Madison Vice President, Citibank, N.A. Taipei Branch President, Individual Financial Services Group, Bank SinoPac	Supervisor of Yangtze Associates Independent Director of Ardentec Corporation Supervisor of Airti Inc.	
Director C.V. Chen	R.O.C	Male	05/18/2010	3	06/21/2019	-	-	-	-	-	-	-	-	LL.B., National Taiwan University LL.M., University of British Columbia LL.M., Harvard Law School S.J.D., Harvard Law School Vice Chairman & Secretary-general of Straits Exchange Foundation (SEF) President of The Red Cross Society of The Republic of China Adjunct Professor of Law at National Chengchi University	Senior Partner of Lee and Li Attorneys-At-Law Adjunct Professor of Law at Soochow University Director of Lee and Li Foundation Director of Asia Cement Corporation	

Title / Name	Nationality	Gender	Date First Elected	Term (Years)	Date Elected	Shareholding when Elected		Current Shareholding (Note 4)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Selected Current Positions	Note
						Shares	%	Shares	%	Shares	%	Shares	%			
Director T.K. Yang	R.O.C	Male	06/21/2016	3	06/21/2019	-	-	-	-	-	-	-	-	Ph.D of Business Management, National Chengchi University Political Deputy Minister, the Ministry of Finance, R.O.C. Chairman of Bank of Taiwan Executive Secretary of National Development Fund, Executive Yuan President of China Development Industrial Bank Associate Professor of MBA at National Chengchi University	Chairman of Yangtze Associates Director and President of Huiyang Private Equity Fund Co., Ltd. Director of Asustek Computer Inc. Director of TTY Biopharm Company Limited Director of CHIEN KUO Construction Co., LTD. Director of Airtel Inc.	
Director DAI-HE Investment Co., Ltd. Rep. : S. Chi	R.O.C	Male	06/21/2016	3	06/21/2019	370,000	0.01	370,000	0.01	-	-	-	-	Bachelor of Economics, National Taiwan University Master degree in Economics, National Taiwan University Ph.D. in Economics, Case Western Reserve University Assistant Professor, Department of Economics, Ohio State University Associate Professor, Professor and Department Chair of Economics, National Taiwan University Dean of School of Management at National Central University Professor and Director of Graduate Institute of Industrial Economics at National Central University Visiting Professor of Freie Universität Berlin, Berlin Deputy Minister of Council for Economic Planning and Development, Executive Yuan Chief Negotiator of Taiwan's accession to WTO, General Agreement on Trade in Services (GATS) Vice Chair of Economic Committee, APEC President of Taiwan Academy of Banking and Finance Chairman of Taiwan Stock Exchange Minister without Portfolio of Executive Yuan	Independent Director of SinoPac Holdings Independent Director of SinoPac Securities Corp. Independent Director of Asia Cement Corp Chair Professor of Shin Hsin University Chair Professor of Soochow University Director of The China Foundation for the Promotion of Education and Culture Director of China University of Technology	

Title / Name	Nationality	Gender	Date First Elected	Term (Years)	Date Elected	Shareholding when Elected		Current Shareholding (Note 4)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Selected Current Positions	Note
						Shares	%	Shares	%	Shares	%	Shares	%			
Director HONG-YE Investment Co., Ltd. Rep. : E.L. Tung (Note 2)	R.O.C	Female	06/21/2019	3	06/21/2019	2,600,000	0.10	2,600,000	0.10	-	-	-	-	Master degree in Mass Communication, New York Institute of Technology (NYIT) Waseda University Center for Japanese Language Program	-	
Independent Director C.B. Chang	R.O.C.	Male	05/18/2010	3	06/21/2019	-	-	-	-	-	-	-	-	B.S., Statistics, National Chengchi University Master degree in Statistics, National Chengchi University Deputy General Manager of China Development Industrial Bank Manager of Far Eastern Textile Ltd.	Director of Polytronic Technology Corp. Independent Director of Standard Foods Corporation	
Independent Director C.P. Hwang	R.O.C	Male	06/21/2016	3	06/21/2019	80,745	0.00	80,745	0.00	1,108,202	0.04	-	-	Electrical Engineering, National Taipei Institute of Technology President & GM of Havix Electronics Co., Ltd.	President & GM of Havix Electronics Co., Ltd. Independent Director of Kinsus Interconnect Technology Corp	

Title / Name	Nationality	Gender	Date First Elected	Term (Years)	Date Elected	Shareholding when Elected		Current Shareholding (Note 4)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Selected Current Positions	Note
						Shares	%	Shares	%	Shares	%	Shares	%			
Independent Director C.S. Yen	R.O.C.	Male	05/18/2010	3	06/21/2019	-	-	-	-	-	-	-	-	Provincial Keelung Senior High School Group President of Landis Hotels and Resorts Country Manager of American Express Inc. Taiwan General Manager of the Grand Hotel Chairman of Taiwan Visitors Association Pacific Asia Travel Association (PATA) Young Presidents' Organization (YPO) Asia Conference. Chairman for Asia Pacific region of The Leading Hotels of The World	Chairman of The Alliance Cultural Foundation Chairman of Junyi School for Innovative Learning Director of NSFG Foundation Director of C. C. Social Welfare Foundation Director of Dwen An Social Welfare Foundation Director of Koo Foundation Sun Yat-Sen Cancer Center Director of Andrew T. Huang Medical Education Promotion Foundation Director of Lung Yingtai Cultural Foundation Director of Long Yen Foundation Director of T.T. Chao Cultural & Educational Foundation Director of Wistro Foundation Director of Kang Wen Culture & Education Foundation Director of USI Education Foundation Director of WT Education Foundation Director of Kehua Culture & Education Foundation Director of Advantech Foundation Director of Children's Hearing Foundation Director of Paul Chiang Arts & Cultural Foundation Director of GUO MIN-XING Tourism Development Foundation	

Note 1: Mr. T.H. Tung is Ms. E.L. Tung's second-degree relative of consanguinity. Title of Ms. Tung is director, a representative of Hong-Ye Investment Co., Ltd., and relation to Mr. Tung is father and daughter.

Note 2: Ms. E.L. Tung is Mr. T.H. Tung's second-degree relative of consanguinity. Title of Mr. Tung is Chairman and relation to Ms. Tung is father and daughter.

Note 3: Mr. T.H. Tung serves as the Chairman and Group CEO of Pegatron Corporation. He leads Pegatron's affiliated companies to align and deploy resources jointly based on the industry trend and consumer preference. Mr. S.J. Liao serves as the President and CEO of Pegatron Corporation. He executes Board resolutions and manages general corporate affairs. The Company's 5th session of Board of Directors comprises eleven directors, including three independent directors. Among the aforementioned directors, less than half of the directors are employees or management team of the Company. In the future, competent independent directors with qualification requirements shall be selected in accordance with relevant laws and regulations

Note 4: Current shareholding included the employee restricted stocks, which are under the custody of the Trust.

Major Shareholders of the Institutional Shareholders

As of 02/28/2021

Name of Institutional Shareholders	Major Shareholders of the Institutional Shareholders
Dai-He Investment Co., Ltd.	Hong-Ye Investment Co., Ltd (99.11%), C.T. Chen (0.30%), I.S. Lin (0.30%), S.P. Yang (0.29%)
Hong-Ye Investment Co., Ltd	T.H. Tung (92.08%), M.F. Shih (2.44%), E.L. Tung (2.44%), K.V. Tung (2.44%), I.S. Lin (0.12%), H.C. Huang (0.12%), S.P. Yang (0.12%), C.R. Wu (0.12%), M.L. Chung (0.12%)

Major Shareholders of the Major Shareholders that are Juridical Persons

As of 02/28/2021

Name of Institutional Shareholders	Major Shareholders of the Institutional Shareholders
Hong-Ye Investment Co., Ltd	T.H. Tung (92.08%), M.F. Shih (2.44%), E.L. Tung (2.44%), K.V. Tung (2.44%), I.S. Lin (0.12%), H.C. Huang (0.12%), S.P. Yang (0.12%), C.R. Wu (0.12%), M.L. Chung (0.12%)

3.2.2 Professional Qualifications and Independence Analysis of the Board Directors

As of 02/28/2021

Criteria	Met One of the Following Professional Qualification Requirements with at Least Five Years Work Experience			Independence Criteria(Note)												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Name																
T.H. Tung	-	-	V	-	-	-	V	V	V	V	V	V	-	V	V	0
Jason Cheng	-	-	V	-	-	-	V	V	V	V	V	V	V	V	V	1
S.J. Liao	-	-	V	-	-	-	V	V	V	V	V	V	V	V	V	0
C.I. Chia	-	-	V	-	-	-	V	V	V	V	V	V	V	V	V	1
C.V. Chen	V	V	V	-	-	-	V	V	V	V	V	V	-	V	V	0
T.K. Yang	V	V	V	-	-	-	V	V	V	V	V	V	V	V	V	0
S. Chi	V	-	V	-	-	-	V	V	V	V	V	V	V	V	-	3
E.L. Tung	-	-	-	-	-	-	V	V	-	V	V	V	-	V	-	0
C.B. Chang	-	-	V	-	-	-	V	V	V	V	V	V	V	V	V	1
C.P. Hwang	-	-	V	-	-	-	V	V	V	V	V	V	V	V	V	1
C.S. Yen	-	-	V	-	-	-	V	V	V	V	V	V	V	V	V	0

Note 1: The independence criteria corresponding boxes are ticked to indicate whether the directors or supervisors had met any of the following conditions during the two years prior to being elected or during the term of office:

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the Company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the Company and concurrently in its parent company, subsidiary or any subsidiary under the same parent company as regulated by local governing body.
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of the management team under Note 1-(1) and of any of the persons in the Note 1-(2)&(3).
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of outstanding shares of the Company, ranks as of its top five shareholdings, or any of the authorized representatives as director or supervisor of a company referred to in Paragraphs I and II of Article 27 of Company Act. (The same does not apply, however, in cases where the person is an independent director of the Company, and concurrently in its parent company, subsidiary or any subsidiary under the same parent company as regulated by local governing body.)
- (6) Not a director, supervisor, or employee of other company owned by the same individual who has more than half of the board seats and voting rights of the Company. (The same does not apply, however, in cases where the person is an independent director of the Company and concurrently in its parent company, subsidiary or any subsidiary under the same parent company as regulated by local governing body.)
- (7) Not a director, supervisor, or employee of other company owned the Chairman, who concurrently holds the position of president or any significant role of the Company, or spouse. (The same does not apply, however, in cases where the person is an independent director of the Company and concurrently in its parent company, subsidiary or any subsidiary under the same parent company as regulated by local governing body.)
- (8) Not a director, supervisor, officer, or shareholder holding 5% or more of the share, of a specified company or institution that has a financial or business relationship with the Company. (The same does not apply, however, in cases where the person is an independent director of the specified company or institution that holds more than 20% but less than 50% of the Company's outstanding shares and concurrently holds the same position in the Company, its parent company, subsidiary or any subsidiary under the same parent company as regulated by local governing body.)
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing or other services including commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company of which the total aggregated revenue received for the past two years for above mentioned services is less than NT\$500,000, or a spouse thereof, provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
- (11) Not been a person of any conditions defined in Article 30 of the Company Law.
- (12) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

3.2.3 Diversity of Board Members

Diversity	Name	T.H. Tung	Jason Cheng	S.J. Liao	C.I. Chia	C.V. Chen	T.K. Yang	S. Chi	E.L. Tung	C.B. Chang	C.P. Hwang	C.S. Yen
Gender		Male	Male	Male	Male	Male	Male	Male	Female	Male	Male	Male
Employee of Pegatron		V	V	V					V			
Age	Below 40											
	Between 40-65	V	V		V		V				V	
	Above 65			V		V		V		V		V
Terms of Independent Director	Below 3 years											
	Between 3-9 years										V	
	Above 9 years									V		V
Professional Background		Computer & Communication Engineering	Electrical Engineering	Industrial & Business Management	Business Administration	Law	Business Administration	Economics	Communication Management	Finance & Commerce	Electrical Engineering	Commerce
Business Management		V	V	V	V	V	V	V	V	V	V	V
Technology		V	V	V	V		V			V	V	
Accounting & Commerce		V	V	V	V	V	V	V		V	V	V
Law						V						
Communication Management									V			
Crisis Management		V	V	V	V	V	V	V		V	V	V
Industry Knowledge		V	V	V	V	V	V	V	V	V	V	V
International Market Opinion		V	V	V	V	V	V	V	V	V	V	V
Leadership Decision		V	V	V	V	V	V	V	V	V	V	V
Operation Judgment		V	V	V	V	V	V	V	V	V	V	V

Note: The Company's 5th session of Board of Directors focuses on diversified professions, while taking into account the diversity of genders, professional skills and backgrounds. The members are elites of technology, financial, industrial and academic areas, covering computer & communication engineering, electric engineering, business administration, law, communications, economics and other professional fields. They are generally equipped with the knowledge, skills and competencies necessary to perform their duties.

3.2.4 Board of Directors Training Record

Title	Name	Date	Institute	Course	Period (hours)
Chairman	T.H. Tung	04/27/2020	The Taiwan Corporate Governance Association	Enterprise M&A Practice and Case Analysis	3
		08/26/2020		Trends and Challenges of Information Security Governance	3
		09/22/2020		Directors' responsibility in M&A activities – Information disclosure and insider trading	3
		11/06/2020		The intrinsic value created by low-carbon and circular economy innovation	3
		11/12/2020		Major corporate fraud cases on corporate governance	3
Vice Chairman	Jason Cheng	08/26/2020	The Taiwan Corporate Governance Association	Trends and Challenges of Information Security Governance	3
		09/22/2020		Directors' responsibility in M&A activities – Information disclosure and insider trading	3
		11/06/2020		The intrinsic value created by low-carbon and circular economy innovation	3
		11/12/2020		Major corporate fraud cases on corporate governance	3
Director	S.J. Liao	09/22/2020	The Taiwan Corporate Governance Association	Directors' responsibility in M&A activities – Information disclosure and insider trading	3
		11/12/2020		Major corporate fraud cases on corporate governance	3
Director	C.I. Chia	09/22/2020	The Taiwan Corporate Governance Association	Directors' responsibility in M&A activities – Information disclosure and insider trading	3
		11/12/2020		Major corporate fraud cases on corporate governance	3
Director	C.V. Chen	09/22/2020	The Taiwan Corporate Governance Association	Directors' responsibility in M&A activities – Information disclosure and insider trading	3
		11/12/2020		Major corporate fraud cases on corporate governance	3

Title	Name	Date	Institution	Course	Period (hours)
Director	T.K. Yang	07/22/2020	The Taiwan Corporate Governance Association	Global investment trends and market practices	3
		09/22/2020		Directors' responsibility in M&A activities – Information disclosure and insider trading	3
		11/12/2020		Major corporate fraud cases on corporate governance	3
Director	DAI-HE Investment Co., Ltd. Rep. : S. Chi	09/22/2020	The Taiwan Corporate Governance Association	Directors' responsibility in M&A activities – Information disclosure and insider trading	3
		11/12/2020		Major corporate fraud cases on corporate governance	3
Director	HONG-YE Investment Co., Ltd. Rep. : E.L. Tung	09/22/2020	The Taiwan Corporate Governance Association	Directors' responsibility in M&A activities – Information disclosure and insider trading	3
		11/12/2020		Major corporate fraud cases on corporate governance	3
Independent Director	C.B. Chang	09/22/2020	The Taiwan Corporate Governance Association	Directors' responsibility in M&A activities – Information disclosure and insider trading	3
		11/12/2020		Major corporate fraud cases on corporate governance	3
Independent Director	C.P. Hwang	09/22/2020	The Taiwan Corporate Governance Association	Directors' responsibility in M&A activities – Information disclosure and insider trading	3
		10/26/2020		Business secret protection and prohibition of competitive business	3
		11/12/2020		Major corporate fraud cases on corporate governance	3
Independent Director	C.S. Yen	09/22/2020	The Taiwan Corporate Governance Association	Directors' responsibility in M&A activities – Information disclosure and insider trading	3
		11/12/2020		Major corporate fraud cases on corporate governance	3

3.2.5 Introduction of the Management Team

As of 02/28/2021

Title / Name	Nationality	Gender	On-board Date	Current Shareholding (Note 4)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Selected Current Positions	Note
				Shares	%	Shares	%	Shares	%			
Group CEO T.H. Tung	R.O.C.	Male	01/01/2008	94,917,309	3.56	6,074,490	0.23	-	-	Master degree in Computer and Communication Engineering, National Taipei University of Technology Honorary PH.D in Engineering, National Taipei University of Technology Vice Chairman of Asus	Refer to Introduction of Board of Directors	Note 1
Deputy Group CEO Jason Cheng	R.O.C.	Male	01/01/2008	4,939,773	0.19	13,120	0.00	-	-	Master degree in Electrical Engineering, University of Southern California President and CEO of Pegatron Corp. Deputy General Manager of Asus	Refer to Introduction of Board of Directors	
President and CEO S.J. Liao	R.O.C.	Male	11/02/2012	3,139,856	0.12	93	0.00	-	-	Bachelor degree in Industrial and Business Management, Tatung University Honorary PH.D, Tatung University Chief Operating Officer of Pegatron Corp. Senior Vice President of Unihan Corp.	Refer to Introduction of Board of Directors	Note 1

Title / Name	Nationality	Gender	On-board Date	Current Shareholding (Note 4)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Selected Current Positions	Note
				Shares	%	Shares	%	Shares	%			
Chief Operating Officer and Senior Vice President Te-Tzu Yao	R.O.C.	Female	08/01/2008	1,821,109	0.07	-	-	-	-	M.S. Psychology, National Taiwan University MBA in International Management, Thunderbird, The American Graduate School of International Management Chief Staff, CEO Office, Asus Vice President of Material Management, Wistron Corp General Auditor, Chief Logistic Officer, AVP of Global Operation, Acer Inc.	Director of AZUREWAVE TECHNOLOGIES, INC. Director and President of FUYANG TECHNOLOGY CORPORATION Director of FUYANG FLEX Holding LTD.	
Senior Vice President Hsu-Tien Tung	R.O.C	Male	08/01/2008	500,000	0.02	-	-	-	-	Bachelor degree in Electrical Engineering National Taiwan University Associate Vice President of Asus	Chairman of TOP QUARK LIMITED Director of DIGITEK (CHONGQING) LTD. Chairman of ASROCK INCORPORATION	
Senior Vice President of RD and Engineering Pei-Chin Wang	R.O.C	Male	10/03/2011	828,949	0.03	-	-	-	-	Master degree in Electrical Engineering, National Taiwan University Vice President of Asus	None	
Chief Technology Officer and Senior Vice President Chung Yu Huang	R.O.C	Male	11/02/2012	1,605,630	0.06	-	-	-	-	Ph. D. Electrical Engineering, University of Southern California Master degree in Electrical Engineering, University of Southern California Bachelor, Electrical Engineering, National Taiwan University Associate Vice President of Asus Vice President of Unihan Corp	None	

Title / Name	Nationality/Gender	On-board Date	Current Shareholding (Note 4)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Selected Current Positions	Note
			Shares	%	Shares	%	Shares	%			
Deputy Chief Operating Officer and Vice President Chiu-Tan Lin	R.O.C.	02/01/2008	350,000	0.01	-	-	-	-	Master degree in Business Administration Tunghai University Deputy Chief Investment Officer of Asus	Chairman of STARLINK ELECTRONICS CORPORATION Supervisor of POWTEK (SHANGHAI) LTD. Supervisor of DIGITEK (CHONGQING) LTD. Supervisor of Speedtech Corp. Ltd Chairman of PEGATRON TECHNOLOGY SERVICE INC. Director of PEGATRON Czech s.r.o. Director of Pegatron Technology India Private Limited	
Vice President Kuo-Yen Teng	R.O.C.	08/01/2008	600,309	0.02	361,000	0.01	-	-	College degree in Electronic Engineering National Taipei Institute of Technology Associate Vice President of Asus	None	
Vice President Tsung-Jen Ku Lai	R.O.C.	08/01/2008	1,171,278	0.04	6,991	0.00	-	-	Bachelor degree in Industrial Engineering Tunghai University Associate Vice President of Asus	Director of PEGATRON TECHNOLOGY SERVICE INC. Director of PEGATRON SERVICE SINGAPORE PTE. LTD. Director of PEGATRON SERVICE KOREA LLC. Chairman of AMA PRECISION INC. Director of PEGATRON SERVICE AUSTRALIA PTY. LTD.	
Vice President En-Bair Chang	R.O.C.	02/01/2008	501,213	0.02	-	-	-	-	Master degree in Industrial Design Pratt Institute Associate Vice President of Asus	Director of KAEDAR TRADING LTD. Director of KAEDAR HOLDINGS LIMITED Chairman of SLITEK HOLDING LTD. President of PROTEK (SHANGHAI) LTD. President of PEGAGLOBE (KUNSHAN) CO.,LTD.	
Vice President Shih-Chi Hsu	R.O.C.	08/01/2008	36,967	0.00	-	-	-	-	Bachelor degree in Mechanical Engineering National Taiwan Institute of Technology Associate Vice President of Asus	None	Note 2

Title / Name	Nationality	Gender	On-board Date	Current Shareholding (Note 4)		Spouse & Minor Shareholdings		Shareholding by Nominee Arrangement		Experience (Education)	Selected Current Positions	Note
				Shares	%	Shares	%	Shares	%			
Vice President Ming-Tung Hsu	R.O.C.	Male	08/01/2008	640,624	0.02	8,219	0.00	-	-	College degree in Industrial Engineering National Taipei Institute of Technology Associate Vice President of Asus	Representative of FUYANG ELECTRONICS (SUZHOU) CO., LTD.	
Vice President Kuang-Chih Cheng	R.O.C	Male	08/01/2008	240,946	0.01	80	0.00	-	-	Master degree in Computer Science and Information Engineering Tamkang University Associate Vice President of Asus	Director of ASROCK INCORPORATION	
Vice President Tian-Bao Chang	R.O.C	Male	08/01/2008	1,033,101	0.04	-	-	-	-	College degree in Transportation Management Chungyu Institute of Technology Senior Director of Asus	Director of PROTEK (SHANGHAI) LTD. Director of POWTEK (SHANGHAI) LTD. Director of PEGAGLOBE (KUNSHAN) CO., LTD. Chairman of MAINTeK COMPUTER (SUZHOU) CO., LTD. Chairman of CASETEK COMPUTER (SUZHOU) CO., LTD. Chairman of COTEK ELECTRONICS (SUZHOU) CO., LTD. Director of RUNTOP (SHANGHAI) CO., LTD. Director of CORE-TEK (SHANGHAI) LIMITED Director of CHONGQING ZUANSUO TRADING CO., LTD.	
Vice President Chih-Hsiung Chen	R.O.C	Male	07/10/2010	1,098,609	0.04	-	-	-	-	Master degree in Electrical Engineering Tufts University Vice President of Asus	None	
Vice President Hsi-Wen Lee	R.O.C.	Male	08/01/2012	518,390	0.02	-	-	-	-	Master degree in Mechanical Engineering National Taiwan University Senior Director of Asus	None	

Title / Name	Nationality	Gender	On-board Date	Current Shareholding (Note 4)		Spouse & Minor Shareholdings		Shareholding by Nominee Arrangement		Experience (Education)	Selected Current Positions	Note
				Shares	%	Shares	%	Shares	%			
Vice President Chen-Yu Feng	R.O.C.	Male	08/01/2014	1,006,795	0.04	21,000	0.00	-	-	Master degree in Computer Science, National Chiao Tung University Associate Vice President of Unihan Corp. Senior Director of Asus	Director of Pegatron USA	
Chief Financial Officer and Vice President Shaing-Shaing Wu	R.O.C.	Female	07/01/2014	980,000	0.04	-	-	-	-	Master degree in Business Administration, University of St. Thomas Vice Chairman of OFCO Industrial Corp.	Director of KINSUS INTERCONNECT TECHNOLOGY CORP Director of KINSUS INVESTMENT CO., LTD. Director of ASUS INVESTMENT CO., LTD. Director of ASUSTEK INVESTMENT CO., LTD. Supervisor of FUYANG TECHNOLOGY CORPORATION Director of Esite Corporation. Supervisor of PT. PEGATRON TECHNOLOGY INDONESIA Supervisor of PEGATRON VIETNAM COMPANY LIMITED Supervisor of PEGATRON TECHNOLOGY HAI PHONG COMPANY LIMITED	
Vice President Ting-Pang Huang	R.O.C	Male	08/01/2018	656,000	0.02	-	-	-	-	Bachelor degree in Industrial Management Science, National Taiwan University of Science and Technology Deputy Director of Asus	None	
Vice President Shyh-Heh Hwang	R.O.C	Male	08/01/2018	280,000	0.01	-	-	-	-	MBA in International Management, Thunderbird, The American Graduate School of International Management Master degree in Computer Science, Florida Institute of Technology Associate Vice President of Asus Senior Special Assistant of Wistron Corp. Chief Operating Officer of Wistron NeWeb Corp	None	

Title / Name	Nationality	Gender	On-board Date	Current Shareholding (Note 4)		Spouse & Minor Shareholdings		Shareholding by Nominee Arrangement		Experience (Education)	Selected Current Positions	Note
				Shares	%	Shares	%	Shares	%			
Vice President Yi-Yung Wu	R.O.C	Male	08/01/2020	430,028	0.02	-	-	-	-	Ph.D. of Power Mechanical Engineering, National Tsing Hua University M.S. of Power Mechanical Engineering, National Tsing Hua University Deputy Director of ASUS Senior Director of Unihan Corp. Master degree in Management, Tamkang University Senior Associate Vice President of Kinsus Interconnect Technology Corp. Director of Starlink Electronics Corp.	Supervisor of KAI CHUAN Electronics (Chongqing) Co., Ltd.	Note 3
Corporate Governance Officer Chieh-Tsung Chen	R.O.C	Male	06/21/2019	835,893	0.03	1,088,199	0.04	-	-	Master degree in Accounting, National Taiwan University Chief Financial Officer of Kinsus Interconnect Technology Corp. Chief Accounting Officer of Casetek Holdings Limited Director of Asus	Supervisor of ASUSPOWER INVESTMENT CO., LTD. Supervisor of ASUS INVESTMENT CO., LTD. Supervisor of ASUSTEK INVESTMENT CO., LTD.	
Accounting Officer Ju-Hui Hsieh	R.O.C	Female	09/01/2019	423,000	0.02	42,000	0.00	-	-		None	

Note 1: Mr. T.H. Tung serves as the Chairman and Group CEO of Pegatron Corporation. He leads Pegatron's affiliated companies to align and deploy resources jointly based on the industry trend and consumer preference. Mr. S.J. Liao serves as the President and CEO of Pegatron Corporation. He executes Board resolutions and manages general corporate affairs. The Company's 5th session of Board of Directors comprises eleven directors, including three independent directors. Among the aforementioned directors, less than half of the directors are employees or management team of the Company. In the future, competent independent directors with qualification requirements shall be selected in accordance with relevant laws and regulations.

Note 2: Mr. Shih-Chi Hsu resigned from his position effective on Nov. 6th, 2020. The shareholding is updated to Nov. 6th, 2020.

Note 3: Mr. Yi-Yung Wu was appointed Vice President on August 1st, 2020.

Note 4: Current shareholding included the employee restricted stocks, which are under the custody of the Trust.

3.2.6.1 Remuneration Paid to Director

27

Title/ Name	Remuneration						Compensation Earned by a Director Who is an Employee of Pegatron or Its Consolidated Entities				Total remuneration (A+B+C+D) as a % of net income				Compensation Earned by a Director Who is an Employee of Pegatron or Its Consolidated Entities				Total remuneration (A+B+C+D+E+F+G) as a % of net income		Compensation paid to directors from non-consolidated affiliates	
	Base Compensation(A)		Severance Pay and Pensions(B)		Compensation to Directors(C) (Note)		Allowances(D)		Total remuneration (A+B+C+D) as a % of net income		Base Compensation, Bonuses, and Allowances (E)		Severance Pay and Pensions (F)		Employee Compensation (G)		Total remuneration (A+B+C+D+E+F+G) as a % of net income					
	From Pegatron	From all consolidated entities	From Pegatron	From all consolidated entities	From Pegatron	From all consolidated entities	From Pegatron	From all consolidated entities	From Pegatron	From all consolidated entities	From Pegatron	From all consolidated entities	Cash	Stock	From Pegatron	From all consolidated entities	Cash	Stock	From Pegatron	From all consolidated entities		
Director HONG-YE Investment Co., Ltd. Rep: E.L. Tung	Same as Above	Same as Above	Same as Above	Same as Above	Same as Above	Same as Above	Same as Above	Same as Above	Same as Above	Same as Above	Same as Above	Same as Above	Same as Above	Same as Above	Same as Above	Same as Above	Same as Above	Same as Above	Same as Above	Same as Above	Same as Above	
Independent Director C.B. Chang																						
Independent Director C. P. Hwang	0	0	0	0	31,260	31,260	0	1,080	0.15%	0.16%	0	0	0	0	0	0	0	0	0.15%	0.16%	0	
Independent Director C.S. Yen																						
1.	Describe the remuneration policy, system, standards, and structure for Independent Director. Also describe the connection between remuneration amount and the factors including responsibility, risk, and dedication of Independent Director:																					
2.	In accordance with Article 26-1 of Company's Articles of Incorporation, the remuneration to directors should not exceed 0.7% of the profit before tax, while taking the operating, performance of the Company, the participation and the responsibility of each director into consideration to allocate remuneration. In addition to the above information, do directors provide any consultancy service to all consolidated entities and what is its remuneration in the most recent year: 0																					
Note: The amount stated above is on pro forma basis and not the actual remuneration paid to directors.																						

Bracket	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	Companies in the financial report	The company	Companies in the financial report
Below NT\$ 1,000,000	-	-	-	-
NT\$1,000,000(Included) ~ NT\$2,000,000(Excluded)	-	-	-	-
NT\$2,000,000(Included) ~ NT\$3,500,000(Excluded)	-	-	-	-
NT\$3,500,000(Included) ~ NT\$5,000,000(Excluded)	-	-	-	-
NT\$5,000,000 (Included)~ NT\$10,000,000(Excluded)	C.I. Chia C.V. Chen T.K. Yang DAI-HE Investment Co., Ltd.: S. Chi HONG-YE investment Co., Ltd.: E.L. Tung	C.I. Chia C.V. Chen T.K. Yang DAI-HE Investment Co., Ltd.: S. Chi HONG-YE investment Co., Ltd.: E.L. Tung	C.I. Chia C.V. Chen T.K. Yang DAI-HE Investment Co., Ltd.: S. Chi HONG-YE investment Co., Ltd.: E.L. Tung	C.I. Chia C.V. Chen T.K. Yang DAI-HE Investment Co., Ltd.: S. Chi HONG-YE investment Co., Ltd.: E.L. Tung
NT\$10,000,000(Included) ~ NT\$15,000,000(Excluded)	C.B. Chang C.P. Hwang C.S. Yen	C.B. Chang C.P. Hwang C.S. Yen	C.B. Chang C.P. Hwang C.S. Yen	C.B. Chang C.P. Hwang C.S. Yen
NT\$15,000,000 (Included)~ NT\$30,000,000(Excluded)	T.H. Tung Jason Cheng S.J. Liao	Jason Cheng S.J. Liao	-	-
NT\$30,000,000 (Included)~ NT\$50,000,000(Excluded)	-	T.H. Tung	-	-
NT\$50,000,000(Included) ~ NT\$100,000,000(Excluded)	-	-	T.H. Tung Jason Cheng S.J. Liao	T.H. Tung Jason Cheng S.J. Liao
Over NT\$100,000,000	-	-	-	-
Total	11	11	11	11

3.2.6.2 Compensation Paid to President and Vice President

Unit: NT\$ thousands

Title/Name	Salary(A)		Severance Pay and Pensions (B)		Bonuses and Allowances (C)		Employee Compensation (D)				Total remuneration (A+B+C+D) as a % of net income		Compensation paid to directors from non-consolidated affiliates
	From Pegatron	From all consolidated entities	From Pegatron	From all consolidated entities	From Pegatron	From all consolidated entities	From Pegatron		From all consolidated entities		From Pegatron	From all consolidated entities	
							Cash	Stock	Cash	Stock			
Group CEO T.H. Tung													
Deputy Group CEO Jason Cheng													
President and CEO S.J. Liao													
Chief Operating Officer and Senior Vice President Te-Tzu Yao													
Senior Vice President Hsu-Tien Tung													
Vice President Tsung-Jen Ku Lai													
Vice President Kuo-Yen Teng													
Vice President En-Bair Chang													
Vice President Shih-Chi Hsu (Note 1)													
Vice President Kuang-Chih Cheng													
Vice President Tian-Bao Chang													
Vice President Ming-Tung Hsu													
Vice President Chih-Hsiung Chen													
Senior Vice President of RD and Engineering Pei-Chin Wang													
	105,319	112,416	0	0	224,026	231,189	92,300	0	93,502	0	2.09%	2.16%	2,240

Title/Name	Salary(A)		Severance Pay and Pensions (B)		Bonuses and Allowances (C)		Employee Compensation (D)				Total remuneration (A+B+C+D) as a % of net income		Compensation paid to directors from non-consolidated affiliates
	From Pegatron	From all consolidated entities	From Pegatron	From all consolidated entities	From Pegatron	From all consolidated entities		From Pegatron	From all consolidated entities				
						Cash	Stock			Cash	Stock		
Chief Technology Officer and Senior Vice President Chung Yu Huang													
Vice President Hsi-Wen Lee													
Chief Financial Officer and Vice President Shaing-Shaing Wu													
Vice President Chen-Yu Feng	Same as Above	Same as Above	Same as Above	Same as Above	Same as Above	Same as Above	Same as Above	Same as Above	Same as Above	Same as Above	Same as Above	Same as Above	Same as Above
Deputy Chief Operating Officer and Vice President Chiu-Tan Lin													
Vice President Ting-Pang Huang													
Vice President Shyh-Heh Hwang													
Vice President Yi-Yung Wu (Note 2)													

Note1: Mr. Shih-Chi Hsu resigned from his position effective on Nov. 6th, 2020.

Note2: Mr. Yi-Yung Wu was appointed Vice President on August 1st, 2020.

Bracket	Name of President and Vice President	
	The company	Companies in the financial report
Below NT\$ 1,000,000	-	-
NT\$1,000,000(Included) ~ NT\$2,000,000(Excluded)	-	-
NT\$2,000,000(Included) ~ NT\$3,500,000(Excluded)	-	-
NT\$3,500,000(Included)~ NT\$5,000,000(Excluded)	-	-
NT\$5,000,000(Included) ~ NT\$10,000,000(Excluded)	Shih-Chi Hsu Shyn-Heh Hwang	Shih-Chi Hsu Shyn-Heh Hwang
NT\$10,000,000(Included) ~ NT\$15,000,000(Excluded)	Tsung-Jen Ku Lai	Tsung-Jen Ku Lai
	Hsi-Wen Lee	Hsi-Wen Lee
	Ming-Tung Hsu	Ming-Tung Hsu
	Tian-Bao Chang	Tian-Bao Chang
	En-Bair Chang	En-Bair Chang
	Chih-Hsiung Chen	Chih-Hsiung Chen
	Kuo-Yen Teng	Kuo-Yen Teng
	Kuang-Chih Cheng	Kuang-Chih Cheng
	Ting-Pang Huang	Ting-Pang Huang
	Yi-Yung Wu	Yi-Yung Wu
NT\$15,000,000(Included) ~ NT\$30,000,000(Excluded)	T.H. Tung	T.H. Tung
	Hsu-Tien Tung	Hsu-Tien Tung
	Chung Yu Huang	Chung Yu Huang
	Pei-Chin Wang	Pei-Chin Wang
	Shaing-Shaing Wu	Shaing-Shaing Wu
	Chen-Yu Feng	Chen-Yu Feng
NT\$30,000,000(Included) ~ NT\$50,000,000(Excluded)	Chiu-Tan Lin	Chiu-Tan Lin
NT\$50,000,000(Included)~NT\$100,000,000(Excluded)	Jason Cheng Te-Tzu Yao	Jason Cheng Te-Tzu Yao
Over NT\$100,000,000	S.J. Liao	S.J. Liao
Total	-	-
	22	22

3.2.6.3 Employee Profit Sharing Granted to Management Team

Unit: NT\$ thousands

Title	Name	Stock (Fair Market Value)	Cash	Total	Ratio of Total Amount to Net Income (%)
Group CEO	T.H. Tung	0	98,300	98,300	0.49%
Deputy Group CEO	Jason Cheng				
President and CEO	S.J. Liao				
Chief Operating Officer and Senior Vice President	Te-Tzu Yao				
Senior Vice President	Hsu-Tien Tung				
Vice President	Chen-Yu Feng				
Vice President	Ming-Tung Hsu				
Vice President	Kuang-Chih Cheng				
Vice President	Kuo-Yen Teng				
Vice President	Tsung-Jen Ku Lai				
Vice President	Shih-Chi Hsu (Note 1)				
Vice President	En-Bair Chang				
Vice President	Tian-Bao Chang				
Vice President	Chih-Hsiung Chen				
Chief Financial Officer and Vice President	Shaing-Shaing Wu				
Senior Vice President of RD and Engineering	Pei-Chin Wang				
Deputy Chief Operating Officer and Vice President	Chiu-Tan Lin				
Chief Technology Officer and Senior Vice President	Chung Yu Huang				
Vice President	Hsi-Wen Lee				
Vice President	Ting-Pang Huang				
Vice President	Shyh-Heh Hwang				
Vice President	Yi-Yung Wu (Note 2)				
Corporate Governance Officer	Chieh-Tsung Chen				
Accounting Officer	Ju-Hui Hsieh				

Note1: Mr. Shih-Chi Hsu resigned from his position effective on Nov. 6th, 2020.

Note2: Mr. Yi-Yung Wu was appointed Vice President on August 1st, 2020

3.2.6.4 Compare and state the ratio of total remuneration paid to the Company's Directors, President and Vice Presidents by the company and the companies in the consolidated financial statements to net income in the past two years. Please also describe the policy, criteria, packages and rules relating to the remuneration, as well as its relation to business performance and future risks.

Total remuneration paid by the Company and by all companies included in the consolidated financial statements for the most recent two fiscal years to directors, presidents and vice presidents of the Company are as follows:

Net Income of year 2019: NT\$19,317,741 thousand dollars

Net Income of year 2020: NT\$20,207,598 thousand dollars

NT\$ thousands; %

Year	Total remuneration paid to directors, presidents and vice presidents		Ratio of total remuneration paid to directors, presidents and vice presidents to net income (%)	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
2019	399,894	413,817	2.07%	2.14%
2020	560,895	585,006	2.78%	2.89%

The ratio of remuneration paid to directors, presidents and vice presidents of the Company and the companies in the consolidated financial statements in the last two years to the net income was 2.07% and 2.14% in 2019 and 2.78% and 2.89% in 2020, respectively.

Pursuant to Article 14-6 of Securities and Exchange Act, our Board of Directors approved the establishment of Compensation Committee, appointment of committee members and related internal regulations on August 25, 2011. Since the establishment of Compensation Committee, members of the committee shall exercise the utmost good faith and perform the following duties:

- Prescribe and periodically conduct performance review and remuneration policy, system, standards, and structure for directors, supervisors and managerial officers.
- Periodically evaluate and prescribe the remuneration of directors, supervisors, and managerial officers.

In accordance with Article 26-1 of Company's Articles of Incorporation, the remuneration to directors should not exceed 0.7% of the profit before tax, while taking the operating, performance of the Company and the participation of each director into consideration. There will be regular evaluations concerning the reasonability of compensation policies. Furthermore, the remunerations to managers and employees will be appropriated at the rate stated in the Company's Articles of Incorporation, while taking into consideration the operating performance of the Company, economic indicators and industry level.

Remuneration and dividend distribution of directors, supervisors, and managerial

officers shall be proposed by the Compensation committee to Board of Directors for resolution.

3.3 Implementation of Corporate Governance

3.3.1 Board of Directors

A total of 7 (A) meetings of the Board of Directors were held in 2020. The directors' attendance status is as follows:

Title	Name	Attendance in person (B)	By Proxy	Attendance rate (%) 【B/A】	Remarks
Chairman	T.H. Tung	7	0	100.0%	-
Director	Jason Cheng	7	0	100.0%	-
Director	C.I. Chia	7	0	100.0%	-
Director	C.V. Chen	7	0	100.0%	-
Director	T.K. Yang	7	0	100.0%	-
Director	S.J. Liao	7	0	100.0%	-
Director	DAI-HE Investment Co., Ltd. Rep. : S. Chi	7	0	100.0%	-
Director	HONG-YE Investment Co., Ltd. Rep. : E.L. Tung	7	0	100.0%	-
Independent Director	C.S. Yen	7	0	100.0%	-
Independent Director	C.B. Chang	7	0	100.0%	-
Independent Director	C.P. Hwang	7	0	100.0%	-
Remarks:					
1. For resolution of agendas referring to Article 14-3 of Securities and Exchange Act, please refer to the Major resolutions of Board of Directors. There were no resolutions objected by independent directors in writing, on record or subject to qualified opinion in 2020.					
2. There were no recusals of directors due to conflict of interest in 2020.					
3. Measures taken to strengthen the functionality of the Board:					
The Board complies with the "Rules Governing the Conduct of Board Meetings" which has been established according to statutory regulations. Chief Internal Audit and Chief Financial Officer also report to the Board regarding the status of internal audit and finance and relevant reports are provided to the directors for their reference.					

Execution Status of Board Evaluation

Pegatron has executed the 109Y Board Evaluation in 1st quarter 2021, and will report the result of evaluation to Board of Directors on March 25th, 2021.

Evaluation Cycle	Evaluation Period	Evaluation Scale	Evaluation Approach	Evaluation Content	Evaluation Result
Once a year	2020.1.1 – 2020.12.31	Board of Directors (as a whole), Board members, Audit committee and Compensation committee	Self evaluation of Board members 、 Board of Directors, Audit committee and Compensation Committee	<p>Self evaluation of Board members :</p> <ol style="list-style-type: none"> 1. Familiarity with the goals and missions of the Company 2. Awareness of the duties of the director 3. Participation in the operation of the Company 4. Management and communication of internal relationship 5. The director's profession and continuing educations 6. Internal control <p>Self evaluation of Board of Directors :</p> <ol style="list-style-type: none"> 1. Participation in the operation of the Company 2. Improvement of the quality of the board of directors' decision making 3. Composition and structure of the board of directors 4. Election and continuing education of the directors 5. Internal control <p>Self evaluation of Audit and Compensation committee :</p> <ol style="list-style-type: none"> 1. Participation in the operation of the company 2. Awareness of the duties of the committee 3. Improvement of 	<p>Self evaluation of Board members : All Board members have evaluated competent.</p> <p>Self evaluation of Board of Directors : The Board of Directors has complied with corporate governance and is advised to strengthen the communication with independent auditors.</p> <p>Self evaluation of Audit and Compensation committee : All members approve of the implementation and efficiency.</p>

				quality of decisions made by committee 4. Composition of the committee and election of its members 5. Internal control	
--	--	--	--	--	--

3.3.2 Audit Committee

A total of 6 (A) meetings of the audit committee were held in 2020. The independent directors' attendance status is as follows:

Title	Name	Attendance in person (B)	By Proxy	Attendance rate (%) 【B/A】	Remarks
Independent Director	C.B. Chang	6	0	100%	-
Independent Director	C.S. Yen	6	0	100%	-
Independent Director	C.P. Hwang	6	0	100%	-

Remarks:

- For resolution of agendas referring to Article 14-5 of Securities and Exchange Act, please refer to the note below.
There are no agendas which were not approved by the Audit Committee but otherwise resolved by two thirds or more of all directors in 2020.
- There were no recusals of independent directors due to conflicts of interests in 2020.
- Descriptions of the communications between the independent directors, the internal auditors, and the independent auditors, and Audit Committee's key tasks in 2020:
Members of Audit Committee hold the meeting with internal auditors and independent auditors periodically, reviewing business and financial results, internal audit plan and findings.
The head of Internal auditors attended Audit Committee quarterly and presented the findings of all audit reports in the quarterly meetings of Audit Committee.
Independent auditors presented their findings on Company's financial result of the 2nd and 4th quarter in the meeting. All materials are recorded with meeting minutes.
Moreover, in complying with the duties of Audit committee, it has supervised the fair expression of financial reports, the effective implementation of the internal control system and major investments in this year.

Note: Resolution for agendas referring to in Article 14-5 of Securities and Exchange Act

Date	Agenda (Referring to Article 14-5 of Securities and Exchange Act)	Disagreements from Independent Directors	Responses to disagreements	Resolution Circumstance
2020.02.17	1. To establish subsidiary in Vietnam	None	None	Approved
2020.03.26	1. Business report and financial statements of year 2019 2. Earnings distribution of year 2019 3. The evaluation report for the independence of external Auditor 4. Pegatron's Internal Control System Statement of 2019	None	None	Approved
2020.05.07	1. 2020Y employees' motivation program to issue 60,000,000 shares as employee restricted stock award	None	None	Approved
2020.07.31	1. Hiring independent expert for the merge of "PEGASUS ACE LIMITED" and " Casetek Holdings Limited 鎧勝控股有限公司", Pegatron's subsidiaries.	None	None	Approved
2020.08.13	1. The 2nd quarter 2020 consolidated financial report 2. The Merger of PEGASUS ACE LIMITED (is 100% ownedby Pegatron Corporation) and Casetek Holdings Limited 3. To establish China subsidiary " Pegaglobe Investment(Jiangsu)Co.,Ltd "	None	None	Approved
2020.11.12	1. The total compensation for external auditor in year 2020 2. To invest in India subsidiary 3. The plan of internal auditing in year 2021	None	None	Approved

3.3.3 Status of Compensation Committee:

Pursuant to Article 14-6 of Securities and Exchange Act, listed companies shall establish a compensation committee. In 2019, after the election of new session of directors, the Compensation Committee comprised three independent directors, Mr. C.S. Yen, Mr. C. B. Chang and Mr. C.P. Hwang. Mr. C.S. Yen is the Chairman of the Compensation Committee. The Compensation Committee Charter is available on Market Observation Post System of Taiwan Stock Exchange.

Title	Name	Criteria	Met One of the Following Professional Qualification Requirements with at Least Five Years Work Experience			Independence Criteria(Note 1)										Number of Other Public Companies in Which the Individual is Concurrently Serving a Member of Compensation Committee	Remarks (Note 2)
			An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10		
Independent Director	C.S. Yen		-	-	V	V	V	V	V	V	V	V	V	V	V	0	-
Independent Director	C.B. Chang		-	-	V	V	V	V	V	V	V	V	V	V	V	1	-
Independent Director	C.P. Hwang		-	-	V	V	V	V	V	V	V	V	V	V	V	1	-

Note 1: The independence criteria corresponding boxes are ticked to indicate whether the directors or supervisors had met any of the following conditions during the two years prior to being elected or during the term of office:

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of the Company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the Company and concurrently in its parent company, subsidiary or any subsidiary under the same parent company as regulated by local governing body..
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of the management team under Note 1- (1) and of any of the persons in Note 1- (2) & (3)..
5. Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of outstanding shares of the Company, ranks as of its top five shareholdings, or or that holds shares ranking in the top five in holdings.
6. Not a director, supervisor, or employee of other company owned by the same individual who has more than half of the board seats and voting rights of the Company. (The same does not apply, however, in cases where the person is an independent director of the Company and concurrently in its parent company, subsidiary or any subsidiary under the same parent company as regulated by local governing body.)
7. Not a director, supervisor, or employee of other company owned the Chairman, who concurrently holds the position of president or any significant role of the Company, or spouse. (The same does not apply, however, in cases where the person is an independent director of the Company and concurrently in its parent company, subsidiary or any subsidiary under the same parent company as regulated by local governing body.)

governing body.)

8. Not a director, supervisor, officer, or shareholder holding 5% or more of the share, of a specified company or institution that has a financial or business relationship with the Company. (The same does not apply, however, in cases where the person is an independent director of the specified company or institution that holds more than 20% but less than 50% of the Company's outstanding shares and concurrently holds the same position in the Company, its parent company, subsidiary or any subsidiary under the same parent company as regulated by local governing body.)

9. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing or other services including commercial, legal, financial, accounting or consultation to the Company or to any affiliate of the Company of which the total aggregated revenue received from above mentioned service is less than NT\$500,000, or a spouse thereof; provided this restriction does not apply to member if the remuneration committee, public offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations..

10. Article 30 of Company Act shall not apply.

Note2: If members of the committee are also serving as Board directors, please specify if the Company complies with Item 5, Article 6 of "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is listed on the Stock Exchange or Traded over the Counter".

Tenure of the fourth session of Compensation committee is from 21st June, 2019 to 20th June, 2022.

A total of 5 (A) meetings of the Compensation Committee were held in 2020. The status of attendance is as follows:

Title	Position	Name	Attendance in person (B)	By Proxy	Attendance rate (%) (B/A)	Remarks
Chairman	Independent Director	C.S. Yen	5	0	100%	-
Member	Independent Director	C.B. Chang	5	0	100%	-
Member	Independent Director	C.P. Hwang	5	0	100%	-

Other Information to be disclosed:

1.

If Board of Directors did not adopt or revise the proposal made by the Compensation Committee, please specify the date, session, agendas and resolutions of the Board of Directors meeting and how the Company handled the proposal made by the Compensation Committee (If amount of the compensation approved by the Board of Directors is higher than that proposed by the Compensation Committee, please specify the reasons and differences in proposals.)
None.

2.

If any members of the Compensation Committee were against or reserved their opinions towards the resolutions, please specify the date, session, agendas, opinions of all members and how the opinions were handled.
None.

3.

According to the Article 6 of Pegatron Remuneration Committee Charter, the committee's duties are: (1) Establishing and periodically reviewing the performance evaluation for directors, supervisors and managerial officers, and the policies, systems, standards and structures for their compensation. (2) Periodically assessing and setting the compensation for directors, supervisors and managerial officers.

The Resolution for agendas relating to compensation in 2020:

Date	Agenda	Disagreements from Independent Directors	Responses to Disagreements	Resolution Circumstance
2020.01.14	1. The year-end bonus for managerial officers in year 2019.	None	None	Approved
2020.03.26	1. Appropriated remuneration of 2019Y for employees and directors.	None	None	Approved
2020.05.07	1. 2020Y employees' motivation program to issue 60,000,000 shares as employee restricted stock award	None	None	Approved
2020.08.13	1. Adjustment of managerial officers' salary in year 2020 2. Distribution of Directors' remuneration of 2019	None	None	Approved
2020.09.22	1. The Performance bonus for managerial officers in year 2020 2. The eligible employees list of 2020Y restricted shares program, total number of granted shares is 53,103,000.	None	None	Approved

3.3.4 Corporate Governance Implementation Status and Deviations from “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”

Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
1. If the Company established and disclosed Corporate Governance Principles in accordance with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies?	V		The Company established Corporate Governance Principles and disclosed them on the corporate website and Market Observation Post System.	None
2. Shareholding Structure & Shareholders' Rights (1) If the Company established internal procedures to handle shareholder suggestions, proposals, complaints and litigation and execute accordingly?	V		The Company established internal procedures and assigned designated departments to handle shareholder suggestions, proposals, complaints and disputes. Shall there be any legal issue, our legal department and outside counsel will involve and handle the issues.	None
(2) If the Company maintained of a list of major shareholders and a list of ultimate owners of these major shareholders?	V		The Company maintains a good relationship with major shareholders and keeps an updated list of the major shareholders.	
(3) If risk management mechanism and “firewall” between the Company and its affiliates are in place?	V		The Company established appropriate internal policies and assigned designated personnel to handle risk management mechanism and “firewall” between the Company and its affiliates.	
(4) If the Company established internal policies that forbid insiders from trading based on non-disclosed information?	V		The Company established Ethical Corporate Management Policy, Codes of Ethical Conduct and Procedures of Prohibition against insider trading and aforementioned policies are disclosed on the corporate website. On	

Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
			September 22, 2020, the Company arranged a class named "Directors' responsibility in M&A activities – Information disclosure and insider trading" for incumbent directors and managers who attended BOD meeting, to disseminate regulations related to insider trading.	
3. Structure of Board of Directors and its responsibility (1) If the Board consisted of members from diverse background?	V		Article 20 of the Company's Corporate Governance Principles stated that the Board shall consist of members from diverse background. Current Board members focuses on diversified professions, eleven directors include one female director, while taking into account the diversity of genders, professional skills and backgrounds. The members are elites of technology, financial, industrial and academic areas, covering computer & communication engineering, electric engineering, business administration, law, communications, economics and other professional fields. They are generally equipped with the knowledge, skills and competencies necessary to perform their duties. Please refer to "Diversity of Board Members". In the future, competent female director with qualification should be taken into consideration.	None
(2) If the Company established any other functional committee in addition to Compensation Committee, Audit Committee as required by law?	V		The Company established Compensation Committee and Audit Committee and its policies and procedures. Apart from the above mentioned committees, the Company has not established any other functional committee.	
(3) If the Company established methods and procedures to assess the performance of the Board and conduct assessment on annual basis? If the result of the	V		The Company established methods and procedures for board of directors' performance assessments and conduct assessment on annual basis. The performance evaluation	

Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
assessment will be reported to the Board and taken into considerations for individual remuneration nomination purpose?			results in 2020 will be reported to the Board before the end of the first quarter of 2021. The Company's Compensation Committee takes all factors such as the performance evaluation results and participation in the operation of the Company, etc. into consideration when conducting remuneration evaluation on each Board member in the second half of each year.	
(4) If the Company assess the independence of CPA periodically?	V		Each March, the Company evaluates the independence of CPA based on KPMG's Statement of Independence and items stated in Article 46 & 47 of Certified Public Accountant Act. (Note 1)	
(5) If at minimum one independent director attended every board meeting?	V		The company held seven Board meetings in 2020 and at least one independent director attended every board meeting. Please refer to "Implementation of Board of Directors".	
4. If the Company had adequate number of corporate governance personnel and appoint a chief corporate governance officer overlooking corporate governance affairs including but not limited to handling matters relating to board meetings and shareholder meetings, assisting directors with legal compliance, preparing agendas and producing minutes for board meetings and shareholder meetings?	V		In order to fulfill corporate governance and improve effectiveness of the board of directors, the Corporate Governance Officer was proposed and approved in the 5 th session of Board of Directors at its 1 st meeting on June 21, 2019. The Board appointed Mr. Chieh-Tsung Chen as the "Corporate Governance Officer". Mr. Chen has been in charge of related financial affairs, stock affairs and corporate governance matters in listed company for more than three years. According to the Article 3-1 of the	None

Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
			<p>Corporate Governance Best Practice Principles, the corporate governance affairs include at least the following items :</p> <ol style="list-style-type: none"> 1. Handling matters relating to board meetings and shareholders meetings according to laws 2. Formulating minutes of board meetings and shareholders meetings 3. Assisting in onboarding and continuous development of directors 4. Furnishing information required for business execution by directors 5. Assisting directors with legal compliance 6. Other matters set out in the articles of incorporation or contracts <p>The main corporate governance affairs in 2020 :</p> <ol style="list-style-type: none"> 1. Planning the meeting schedules and agendas of the board of directors annually. Informing all directors 7 days before the meeting is convened and provided them sufficient meeting information to understand the content of the relevant proposals and send meeting minutes within 20 days after the meeting pursuant laws. 2. Arranging the Shareholders' Meeting every year and uploading the notice, handbook and minutes of the meeting to MOPS in accordance with the laws and regulations. Handling amendment registration after the revision of Company's Corporate Articles of Incorporation and the election of directors. 3. Arranging professional training courses for directors every year and providing them the latest developments of laws and regulations relating to the operation of the company in order to assist them with legal compliance. 4. Filing major resolutions of the Boards of Directors or the 	

Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
			<p>shareholders' meeting on the Market Observation Post System pursuant to laws to ensure the accuracy and timeliness of the material information disclosed and enhance information transparency.</p> <p>The Corporate Governance Officer attended the training courses in accordance with Operation Directions for Compliance with the Establishment of Board of Directors by TWSE Listed Companies and the Board's Exercise of Powers. Please refer to Note 2 for "The Corporate Governance Officer Training Records in 2020".</p>	
5. If the Company established communication channel with stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc) and disclosed key corporate social responsibility issues frequently enquired by stakeholders on the designated area of corporate website?	V		<p>The Company set up Honest_Box@pegatroncorp.com on the designated area of the corporate website for communication with stakeholders. Designated personnel and contact information are available to handle all enquiries and respond to any key issues raised by stakeholders. Please refer to the Company's CSR report and corporate website for Issues of Concern and Communication Channel of stakeholders.</p>	None
6. If the Company engaged professional transfer agent to host annual general shareholders' meeting?	V		The Company engaged Registrar & Transfer Agency Department of KGI Securities Co. Ltd. to host annual general shareholders' meeting.	None
7 Information Disclosure (1) If the Company set up a corporate website to disclose information regarding the Company's finance, business and corporate governance?	V		To ensure transparency of information, the Company set up Investor Relations section on the corporate website and disclose information regarding finance, business and corporate governance.	(1) & (2) None
(2) If the Company adopted any other information disclosure channels (e.g., maintaining an	V		In addition to the role of spokesperson, the Company also has designated departments to collect and disclose	

Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
<p>English-language website, appointing designated personnel to handle information collection and disclosure, appointing spokespersons, webcasting investors conference, etc)?</p> <p>(3) If the Company disclosed its annual financial report within two months after year end and disclose its 1st, 2nd, 3rd quarter financial reports and monthly revenue ahead of regulated disclosure date?</p>	V		<p>information. Information disclosed on the corporate website is presented in both Chinese and English, while quarter result and webcast of investor conference are available on the corporate website as soon as applicable.</p> <p>Annual financial report, quarterly financial reports and monthly sales revenue are disclosed in a timely manner according to relevant government regulations.</p>	<p>(3) Since there is a large number of consolidated entities within the group, the Company is not able to disclose financial reports and monthly revenue ahead of its regulated disclosure date.</p>
<p>8. If the Company had other important information to facilitate better understanding of the Company's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?</p>	V		<p>1. Employee rights and wellness are stated in internal policies as required by relevant laws and regulations. Please refer to the "Employee Relations" of this annual report for employee rights and employee wellness.</p> <p>2. The Company maintains good relationship with customers and suppliers and fulfills its duties as a responsible corporate citizen.</p> <p>3. Internal control, auditing and self-evaluation procedures are in place.</p> <p>4. The Company also purchases liability insurance for its directors. The amount and scope of insurance coverage are reported to the Board of Directors and are available on MOPS.</p> <p>5. In 2020, the directors have completed the training courses in accordance with Directions for the Implementation of Continuing Education for Directors</p>	None

Item	Implementation Status		Non-implementation and its reason(s)
	Y	N Summary	
		<p>and Supervisors of TWSE Listed and TPEX Listed Companies. Please refer to "Board of Directors Training Record".</p> <p>6. In the succession planning program, executives in Pegatron must be familiar with the operation of high-tech industry and focus on industry long-term development. They lead through vision and values of Pegatron, and cultivate talents by providing opportunities, resources and authorities to subordinates, and stimulate employees' passion for work and encourage them to achieve their full potential. The Company's Board of Directors focuses on diversified professions, while taking into account the diversity of gender, professional skills and industry experience in accordance with Procedures for Election of Directors. Several executives of the Company have taken over important positions of affiliated companies to familiar with implementation of Board of Directors. For example, Mr. Jason Cheng, Vice Chairman and Deputy Group CEO, serves as the Chairman of Casetek Holdings Limited and AzureWave Technologies, Inc., respectively. Mr. S.J. Liao, President and CEO, served as a juristic-person director since 2016 and has been elected as a natural-person director in this session of Board of Directors in 2019. Mr. Hsu-Tien Tung, senior vice president, serves as the Chairman of Asrock Technology Inc. Ms. Te-Tzu Yao, Chief Operating Officer, serves as the president of FuYang Technology Inc. and the director of AzureWave Technologies, Inc., respectively. With their experiences and professions, the board of directors can be enriched with different views. Also, they gain various experiences integrating</p>	

Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
			<p>all kinds of resources of affiliated companies proficiently to develop capabilities of strategy formulation, decision making and crisis management.</p> <p>Pegatron implements IDP (Individual Development Plan) to facilitate the development of talent and enhance the competitive advantages and core competence of Pegatron.</p> <p>IDP enables the targets to understand the goal of development and combine the capabilities of development with the work. The progress and effectiveness of IDP are reviewed and tracked jointly by the supervisors and the targets. The supervisors may provide suggestions and adequate resources including training programs, job rotation, coaching, job following, etc. in order to help the targets build up required skills to make better business judgment and maintain effective business relationship with customers.</p>	
9. If the Company had a structure in place to manage risks associated with information security, established information security policy and its implementation plan?	V		<p>1. Certified with Information Management System ISO/IEC 27001:2013 at May-2019 (The certificate is valid from 09 May 2019 until 09 May 2022), and conducts internal audit and 3rd party external audit every year, also re-certify on every 3 years to hold on the certificate of ISO/IEC 27001:2013.</p> <p>2. Established an information security management organization to identify and control information security risks to protect information assets from various security threats.</p> <p>3. According to the information security policy and in accordance with this policy to set out the implementation of the various work rules and procedure to ensure the following benefits.</p> <p>a. Protect the confidentiality, integrity and availability of</p>	None

Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
			<p>information assets.</p> <p>b. Implement compliance with relevant laws and regulations on information security.</p> <p>c. Establish disaster recovery and system backup mechanisms to ensure the business continuity.</p> <p>d. Strengthening employee information security awareness.</p> <p>e. Build information security control equipment and real-time detection mechanism to prevent hacker and virus damage.</p> <p>f. Establish a real-time notification system to provide immediate response measures in the event of a security incident.</p> <p>3. To ensure the effectiveness of information security management system, the Company regularly conducts internal audits every year.</p>	
10. Any improvement made in accordance with the result of the most recent corporate governance evaluation conducted by TWSE? Any measures to be taken on the outstanding items?	V		<p>The Company reported to the Board of Directors in January 2021 regarding the result of self-evaluation and the feasibility of its improvement plans to rectify non-compliance items under the commercial practices.</p>	None

Note 1: The Company evaluates the independence of CPA based on items stated in Article 46 & 47 of Certified Public Accountant Act. The Evaluation Criteria are as below :

Article 46 of Certified Public Accountant Act—

A CPA may not engage in the following conduct:

1. Permit others to practice under his or her name.
2. Practice under the name of another CPA.
3. Accept employment from a non-CPA to perform CPA services.
4. Take advantage of one's position as a CPA to engage in improper industrial or commercial competition.
5. Perform practice related to matters in connection with which one is an interested party.
6. Use the title of CPA to act as a guarantor in matters beyond the scope of CPA services.
7. Purchase real or personal property under his or her management as a CPA.
8. Solicit, agree to accept, or accept unlawful benefit or compensation.
9. Solicit business by improper means.

10. Advertise for promotional purposes not related to commencement of business, office relocation, merger, accepting client engagements, or introduction of the CPA firm.
11. Disclose confidential information obtained in the performance of professional services without the permission of the appointing agency, client, or audited entity.
12. Engage in other conduct that could tarnish the reputation of CPAs, as specified by the competent authority.

Article 47 of Certified Public Accountant Act –

A CPA to whom any of the following circumstances applies may not contract to perform attestation on financial reports:

1. The CPA is currently employed by the client or audited entity to perform routine work for which he or she receives a fixed salary, or currently serves as a director or supervisor thereof.
2. The CPA has previously served for the client or audited entity as a director, supervisor, managerial officer, or an employee with material influence over attestation, and has been separated from the position for less than two years.
3. The CPA is a spouse, lineal relative, direct relative by marriage, or a collateral relative within the second degree of kinship of any responsible person or managerial officer of the client or audited entity.
4. The CPA, or the spouse or a minor child thereof, has invested in the client or audited entity, or shares in financial gains therewith.
5. The CPA, or the spouse or a minor child thereof, has lent or borrowed funds to or from the client or audited entity. However, this does not apply if the client is a financial institution and the borrowing or lending is part of a normal business relationship.
6. The CPA provides management consulting or other non-attestation services that affect his or her independence.
7. The CPA fails to comply with regulations, as prescribed by the competent authority with relevant jurisdiction, governing CPA rotation, handling accounting matters on behalf of clients, or other matters that affect his or her independence.

Note 2: The Corporate Governance Officer Training Records

Date	Institute	Course	Period (hours)
04/27/2020	The Taiwan Corporate Governance Association	Enterprise M&A Practice and Case Analysis	3
09/22/2020	The Taiwan Corporate Governance Association	Directors' responsibility in M&A activities – Information disclosure and insider trading	3
11/12/2020	The Taiwan Corporate Governance Association	Major corporate fraud cases on corporate governance	3

3.3.5 Implementation of Corporate Social Responsibility

Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
1. If the Company conducted risk assessment on its business operation, social environment as and corporate governance based on the principle of materiality and established risk management policy or strategy accordingly?	V		<p>The Company followed the materiality principle to conduct risk assessment, and established the PureCSR policy based on the materiality issues of environment, social and governance aspect.</p> <p>The Company not only sets up CSR objectives and targets, but also performs internal & external audits. The corrective and preventive actions of each audit are reviewed through the management review meeting to ensure compliance and adequacy of management system.</p> <p>1. PureCSR Policy is as follows:</p> <ul style="list-style-type: none"> a. Abide by all environmental protection, labor, safety and health laws. b. Conserve natural resources, and actively prevent pollution. c. Reduce environmental impact and safety risks. d. Fulfill customer requirements and become a green enterprise. e. Enable company-wide promotion of corporate social responsibility. f. Encourage full participation from employees and conduct continuous improvement. <p>2. 2020 Material Issues:</p> <ul style="list-style-type: none"> a. Environment: Materials, Energy, Emissions, Effluents and waste, Environmental compliance and Green product, Supplier environmental assessment. b. Social: Employment, Labor/ management relations, Occupational health and safety. c. Governance: Economic performance, Market 	None

Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
			<p>presence, Governance, Ethics and integrity and Risk management</p> <p>The material issues, policy and the corresponding directives are disclosed on the Company's intranet and corporate website.</p> <p>http://www.pegatroncorp.com/csr/view/id/1/lang/en_US</p> <p>http://www.pegatroncorp.com/csr/view/id/5/lang/en_US</p>	
2. If the Company established a part time or full time unit to execute corporate social responsibility projects and the Board authorized top management to overlook and provide feedback on status of execution?	V		<p>The CEO appointed by the Company's board of directors is the chairman of the PureCSR Steering Committee. The committee is consisted of the representatives from CQPC, HR&ADM, Procurement, Customer Service, Finance, Legal Affairs Office, Audit Office, Stock Affairs Office, all BU/FU and regional CSR teams. The members identify their stakeholders based on their responsibilities and respond to stakeholders' concerns in their daily works. The CSR team has been set to manage the CSR related issues and coordinate the cross-department issues via bi-weekly PureCSR Steering Committee meetings, so as to reach CSR goals and programs. CSR implementation status is periodically reported to the CEO and significant CSR practices and performance will be reported to the Company's board of directors yearly. CSR implementation status is periodically reported to the CEO and significant CSR practices and performances will be reported to the Company's board of directors yearly.</p>	None
3. Environmental Issues (1) If the Company endeavored to utilize resources more efficiently and utilized renewable materials which have a lower impact on the environment?	V		<p>An international environmental management system is established according to ISO 14001, is in place and certified by the third parties periodically. Dedicated unit is set to implement the relevant requirements of ISO 14001. The certificates have been publicly disclosed on the company's official website.</p>	None

Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
(2) If the Company established proper environmental or energy management system based on the characteristics of the industry where the Company belongs to?	V		<p>From product design, use of green materials, manufacturing to waste material management, reducing environmental impacts has always been one of our guiding principles. We apply the principle to the research, development and manufacturing of consumer electronics with an effort to reduce environmental impacts. The Company complies with customers' product specifications and quality requirements for the use of renewable materials.</p>	None
(3) If the Company assessed current and potential impact and opportunity of climate change on the Company's operation and take preventive measures?	V		<p>The Company focuses on the risks of global climate change, and evaluates the impacts on the business operations. The Company actively takes steps to reduce the emissions of greenhouse gas (GHG) by performing GHG inventory, and conducts internal audit and external verification every year. The risks of global climate change are addressed and the impacts on the business operations are evaluated. The Company actively takes steps to reduce the emissions of greenhouse gas (GHG) by performing GHG inventory, and conducts internal and external verification every year. The target is to reduce greenhouse gas emissions by 21% and electricity consumption by 24% in year 2020 per million revenue compared to that of year 2009 so as to show our commitment to energy saving and carbon reduction. The Company has been engaged in the CDP since 2009 to assess the risks and opportunities of our daily operations for climate change.</p>	

Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
(4) If the Company monitored the amount of greenhouse emission, water usage and waste handling for the past two years and established corporate strategies on reduction of carbon emission, greenhouse gas emission, water usage and waste management?	V		<p>The Company discloses the emissions of greenhouse gas (GHG), amount of water withdraw and waste since 2010 in CSR Report, and compares the yearly data for seeking the opportunities of continuous improvement. The Company considers the reduction of carbon emission, greenhouse gas emission, water usage and waste management, and enacts the PureCSR Policy. PureCSR Policy is as follows:</p> <ol style="list-style-type: none"> 1. Abide by all environmental protection, labor, safety and health laws. 2. Conserve natural resources, and actively prevent pollution. 3. Reduce environmental impact and safety risks. 4. Fulfill customer requirements and become a green enterprise. 5. Enable company-wide promotion of corporate social responsibility. 6. Encourage full participation from employees and conduct continuous improvement. <p>The policy and the corresponding directives have been disclosed on the Company's intranet, corporate website and CSR Report.</p> <p>http://www.pegatroncorp.com/csr/view/id/1/lang/en_US http://www.pegatroncorp.com/csr/view/id/5/lang/en_US</p>	None
4. Social Issues (1) If the Company followed relevant laws, and internationally recognized human rights principal, and established appropriate management policies and procedures?	V		As a corporate citizen and one of Responsible Business Alliance (RBA) members, the Company complies with RBA Code of Conduct, including international human rights, labor standards, environmental & safety laws, ethics and confidentiality requirements. The internal CSR	None

Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
(2) If the Company establish channel for employee grievance, and solve it with care?	V		<p>management system and audit process are implemented to ensure compliance. PureCSR policy has been built accordingly and the corresponding objectives were also implemented. Description of programs is as follows:</p> <p>(1) We participate in the initiatives held by the RBA with the partners in the supply chain and encourage them to join RBA Validated Audit Process (VAP), so as to promote the compliance in supply chain on labor rights.</p> <p>(2) We drive the supply chain toward conducting due diligence on responsible mineral sourcing to avoid unethical procurement on minerals, as well as to protect the labor rights in supply chain.</p> <p>The Company has i-PEGA BOX for employee to raise grievance. There is dedicated personnel to handle the issues, track and reply on the progress. There are also grievance channels at overseas sites, which can effectively solve problems as raised by employees.</p>	None
(3) If the Company provided safe and healthy working environment to employees and conducted relevant training on safety and health management to employees periodically?	V		<p>An international occupational safety and health management system is established according to OHSAS 18001, is in place and certified by the third parties periodically. The certificates have been publicly disclosed on the company's corporate website. Respond to the ISO 45001 publication, the Company conducts the internal migration plan to align with the ISO 45001 standard. A safe and healthy work environment has been established through the implementation of risk assessments, workplace improvements, daily inspections and audits. We are committed to reduce the safety and health</p>	

Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
(4) If the Company provided career planning, relevant training and skill development for employees?	V		<p>hazards of employees and take measures such as conducting health checkups, arranging qualified first-aid personnel, establishing infirmaries and hiring nursing staffs to engage in labor health services. Safety and health trainings are regularly implemented to prevent occupational hazards. The implementation of relevant activities such as risk assessments, medical checkups, audits and safety & health trainings are carried out according to the annual plan. The achievement rate of the plan was up to 100% in 2020.</p> <p>In order to meet the strategy of talent nurturing and to build up a learning environment, Pegatron Group introduced "Individual Development Plan (IDP)" to help all employees to set their self-development plans according to the corporate and personal targets, and to implement the plan to become mature in their occupational field. Through IDP, supervisors can support corresponding resources and assistances in profession or work skills according to the employees' needs. Moreover, employees can set their own targets and develop skills by participating multidimensional learning activities.</p> <p>The Articles of Incorporation states the principle of accrued employee compensation.</p>	None
(5) If the Company provide reasonable employee welfare (including compensation, paid leaves, other benefits, etc.) and adequately reflect company's operational result on their employees' compensation?	V			

Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
(6) If the Company followed relevant laws and regulations and international guidelines on consumer health and safety, customer privacy, marketing and labeling of products and services and established relevant consumer protection policy and grievance channel?	V		The Company is dedicated in design, manufacturing and service (DMS), and does not have direct contact with consumers. For the labeling and marketing, the Company follows legal and customers' requirements.	None
(7) If the Company established suppliers management policy requesting suppliers to comply with relevant regulations on EHS and human rights issues and monitored suppliers' execution status.	V		<p>The Company is a member of RBA and follows its code of conduct. In addition, we promote RBA to our supply chain to ensure our suppliers are responsible for their environment and work place safety. Prior to engaging in a commercial dealing, the Company makes assessment on the suppliers' environmental and social performance, and avoids engaging with a supplier which violates its corporate social responsibility policy. All suppliers are required to sign PEGATRON Supplier Responsible Business Alliance Code of Conduct, which includes environmental, health and safety, labor and ethical standards to commit that their operations are in accordance with our CSR policy. Besides, we have also conducted CSR audits and advocate CSR related contents, including environmental protection and international human rights into supplier self-evaluation checklist to ensure their operations meet our requirements.</p> <p>Description of practices are as follows: (1) For key suppliers, we keep encouraging our suppliers to join RBA Validated Audit Process (VAP) to evaluate their compliance and the</p>	

Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
			<p>performance on sustainability via external audits by the independent 3rd parties. There are more than 2,000 suppliers signed the "PEGATRON Supplier Responsible Business Alliance Code of Conduct Agreement". Meanwhile, in 2020, among key suppliers have not involved in RBA VAP, 60 suppliers were included in e-survey questionnaire while 38 suppliers included in on-site audits.</p> <p>(2) Conflict Minerals Program: The investigation of conflict minerals in supply chain has been initiated since 2012. We require direct suppliers to disclose the sources of minerals used in the products which were supplied to us. In 2020, we completed the investigation of 1,795 suppliers and the overall response rate is about 97%.</p> <p>The other CSR relevant performances and practices have been disclosed on the Company's corporate website and CSR Report: http://www.pegatroncorp.com/csr/view/id/1/lang/en_US http://www.pegatroncorp.com/csr/view/id/5/lang/en_US </p>	
5. If the Company's CSR report prepared based on international recognized standard and if the report verified by the third party?	V		<p>CSR report is published on annual basis with the chapters of corporate governance, social, economic and environmental performances, and the content is verified by an independent third party based on AA1000 AS (2008) and complied with core option level of GRI Standards. It is disclosed on corporate website and Market Observation Post System by the request from the Authority.</p>	None

Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
6. If the Company established any guideline of corporate social responsibility in accordance with "Corporate Social Responsibility Best-Practice Principles for Listed Companies"? "The Second Edition of Corporate Social Responsibility Practice Principles" has been amended and approved by Board of Directors in 2018. We also posted it on our corporate website and MOPS. The implementation status is consistent with the principle. (http://www.pegatroncorp.com/investorRelation/majorInternalPolicies/lang/en_US)			(http://www.pegatroncorp.com/csr/view/id/5/lang/en_US)	
7. Other material information that helps to understand the operation of corporate social responsibility: There is a specific CSR section on the corporate website including CSR policy, targets and management procedures. (http://www.pegatroncorp.com)				

3.3.6 Implementation of Ethical Corporate Management Best Practice Principles:

Items	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
1. Ethical Corporate Management Policy (1) If the Company established ethical corporate management policy approved by the Board and specified procedures in its internal policies and external document? If the Board of Directors and the management team committed to enforce such policies rigorously and thoroughly?	V		The Board of Directors approved Ethical Corporate Management Policy and Codes of Ethical Conduct on Nov 10, 2014. Both policy and code of conduct include: Ethical Corporate Management Policy is clearly stated in the internal policy and external documents. Board of Directors and management team are fully committed to implement such policies rigorously and thoroughly on internal management and external business dealings.	None
(2) If the Company executed any measures to prevent unethical conduct and clearly prescribed the specific ethical management practice including operational procedures, guiding principles, penalties and grievance channels? If the Company reviewed the execution of these measures periodically and revised the measures where necessary.	V		The Company established and stipulated preventive measures of unethical conduct, penalties in the Code of Business Ethics and Business Gifts and Entertainment Policy. All employees shall follow these guiding principles with integrity, confidentiality and respect.	
(3) If the Company established a system to periodically evaluate business activities which are possibly at a higher risk of being involved in an unethical conduct and if relevant prevention policy covering business activities specified in the second paragraph of Article 7 of Ethical Corporate Management Best Practice Principles for TWSE/GTSE Listed Companies established thereof?	V		The Company adopted preventive measures against business activities within the business scope which are possibly at higher risks of being involved in an unethical conduct.	
2. Implementation of Ethical Corporate Management (1) If the Company checked whether the respective counterparty holds any record of unethical misconduct	V		Prior any business engagement, the Company checks the counterparty's legitimacy and record of unethical conduct.	None

Items	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
and if the contract terms required the compliance of ethical corporate management policy?			All vendors are required to sign "Statement of Integrity" which stipulated the contractual liability for violation of ethical conduct.	None
(2) If the Company set up a unit, under the direct supervision of the Board of Directors, to handle the implementation and supervision of ethical corporate management as well as prevention of unethical conduct and reported to the Board of Directors periodically (annually)?	V		The Company values the great significance of integrity and ethical business conduct. Therefore HR&ADM Center, Legal & IPR Center, Audit Office, Stock Affairs Office and relevant departments have been assigned to establish Ethical Corporate Management Policy and its prevention system, which requires the procurement center and all other employees follow ethical policies under any business engagement. Any significant violations and findings will be reported to the Board of Directors annually.	
(3) If the Company established a policy on prevention of conflict of interests, provided appropriate reporting channel and executed rigorously and thoroughly?.	V		The Company established measures to prevent conflict of interests and an appropriate reporting channel is provided to report any potential risks of conflict of interest.	
(4) If the Company established an effective accounting system and internal control system and if internal auditing department formulated auditing plan based on the result of risk evaluation on unethical conduct and audited the compliance of prevention plan or authorized external accounting firm to conduct auditing?	V		The Company established an accounting system and internal control system to evaluate business activities within the business scope which are possibly at a higher risk of being involved in an unethical conduct. Internal Audit would plan its annual audit scope based on the assessment of risks and report to the Board of Directors.	
(5) If the Company organized training and awareness programs on ethical corporate management to internal	V		The Company presents Ethical Corporate Management during new employee orientation. In 2020, 611 employees	

Items	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
and external parties?			attended the course and around 153 hours spent on hosting this introductory course. Shall there be any enquiries about the course, please contact Mr. Bau at David_Bau@pegatroncorp.com.	
3. Implementation of whistleblowing system (1) If the Company established a whistleblowing and reward system? Upon receiving a reported case, is there a dedicated personnel handling the reported case?	V		The Company set forth penalties for violation of ethical conduct and set up Honest_Box@pegatroncorp.com and reporting hotline on the "Stakeholders Communication Area" of the corporate website for reporting of any violations. Internal Audit will be handling any reported cases.	None
(2) If the Company established standard operational procedures and relevant information confidentiality policy for investigation of reported cases and recommendation of preventive measures?	V		The Company established operational procedures for handling reported cases and the identity of the whistleblower as well as the content of the reported case are handled in confidentiality. Furthermore, the Company will investigate every claim, take appropriate measures and issue penalties for any violation found.	
(3) If the Company established any measures for protecting whistleblowers from inappropriate disciplinary actions?	V		The Company provides protection to whistleblower and personnel involved in the investigation against any unfair treatment or retaliation.	
4. Information Disclosure (1) If the Company disclosed ethical corporate management policy and its status of implementation via corporate website or Market Observation Post System?	V		Ethical corporate management policy was disclosed on the corporate website and Market Observation Post System. The Company also set up a designated area on the corporate website to promote ethical business conduct and implement measures such as declarations of ethical business conduct made by management team and the emphasis on disciplines and honor. The content of the website is updated from time to time.	None

Items	Implementation Status		Non-implementation and its reason(s)
	Y	N	
5. If the Company established any guideline of ethical business conduct in accordance with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" and please state the implementation status of the guideline and any reasons for non-implementation?			
6. If any other information that helped to understand the operation of ethical business conduct and its implementation. (ie. Declarations, trainings and conventions held with vender to promote ethical business conduct)?			

3.3.7 Corporate Governance Guideline and Regulations:

Pegatron has established corporate governance guideline and relevant regulations and disclosed on the corporate website and Market Observation Post System.

3.3.8 Other Important Information Regarding Corporate Governance: None.

3.3.9 Internal Control System:

■ Declaration of internal control: Please refer to page 65.

■ If the Company is requested by the SEC to retain CPA's service for examining internal control system, the Independent Auditor's Report must be disclosed: None.

Pegatron Corporation
Statement of Internal Control System

Date: March 25, 2021

Based on the findings of self-assessment, Pegatron Corporation states the following with regard to its internal control system in 2020:

1. Pegatron is fully aware that establishing, operating and maintaining an internal control system are the responsibilities of its Board of Directors and management. The aim of the internal control system is to provide reasonable assurance to effectiveness and efficiency of operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency and regulatory compliance of financial reporting and compliance with of applicable laws, regulations and bylaws.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can only provide reasonable assurance of accomplishing the aforementioned three objectives. Moreover, the effectiveness of an internal control system may be subject to changes of environmental or circumstances. Nevertheless, the internal control system of Pegatron contains self-monitoring mechanism and Pegatron takes corrective actions whenever a deficiency is identified.
3. Pegatron evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control System by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations identify five constituent elements of internal control based on the process of management control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communications, and (5) monitoring activities. Each component further contains several items. Please refer to the Regulations for details.
4. Pegatron has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of the self-assessment mentioned in the preceding paragraph, Pegatron believes that, as of December 31, 2020, its internal control system (including its supervision and management of subsidiaries), as well as understanding the degree of achievement of its objectives concerning operational effectiveness and efficiency, reliability, timeliness, transparency and regulatory compliance of financial reporting, and compliance with the applicable laws, regulations and bylaws, were effective in design and operation, and reasonably assured the achievement of the above-stated objectives.
6. This Statement will be integral part of Pegatron's Annual Report for the year 2020 and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Law.
7. This Statement has been passed by the Board of Directors in their meeting held on March 25, 2021 with zero of eleven attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Pegatron Corporation

T.H. Tung
Chairman

S.J. Liao
President and Chief Executive Officer

3.3.10 The penalties delivered to the Company and the staffs of the Company, or the penalties delivered by the Company to the staffs for violations of internal control system in the most recent years and up to the date of the annual report which caused material impact to shareholder equity or share price and content of penalty shall be disclosed accordingly: None.

3.3.11 Major Resolutions of Shareholders' Meeting and Board Meetings

3.3.11.1 Major Resolutions of Shareholders' Meeting and its Implementation Status:

Pegatron's 2020 Annual General Shareholder Meeting was held in Taipei on June 19, 2020. At the meeting, shareholders presented in person or by proxy approved the following agendas:

(1) The 2019 Business Report and Financial Statements

(2) The proposal of 2019 Earning Distribution

Implementation status : Ex-dividend record date was on July 6, 2020. Cash dividend date was distributed on July 30, 2020 and cash dividends per share was NT\$4.50048404.

(3) Approve of the Issuance of Employee Restricted Stocks Awards

Implementation status : The issuance plan has been declared effective by the Securities and Futures Bureau on August 12, 2020. The record date for the capital increase through issuance of restricted stock awards was December 8, 2020. The issuance number for the capital increase was 52,411 thousand shares. On January 4, 2021, the registration procedures were completed.

3.3.11.2 Major Resolutions of Board Meetings

Date	Major resolutions	Disagreements from Independent Director	Responses to disagreements
02.17.2020	<ul style="list-style-type: none"> ● Approved the establishment of subsidiary in Vietnam 	None	None
03.26.2020	<ul style="list-style-type: none"> ● Approved the appropriated remuneration of 2019Y for employees and directors. ● Approved 2019Y business report and financial statements. ● Approved earnings distribution of year 2019. ● Approved Pegatron's Internal Control System Statement of 2019Y ● Approved the evaluation report for the independence of external Auditor ● Approved the scheduling of 2020 Annual Shareholders' Meeting. ● Approved to issue the corporate bond under the limit of NTD 10,000 millions 	None	None
05.07.2020	<ul style="list-style-type: none"> ● Approved the 1st quarter 2020 consolidated financial report ● Approved 2020Y employees' motivation program to issue 60,000,000 shares as employee restricted stock award. ● Approved to revise the scheduling of 2020 Annual Shareholders' Meeting. 	None	None
08.13.2020	<ul style="list-style-type: none"> ● Approved the 2nd quarter 2020 consolidated financial report ● Approved the Merger of PEGASUS ACE LIMITED (is 100% ownedby Pegatron Corporation) and Casetek Holdings Limited ● Approved to invest Pegaglobe Investment(Jiangsu)Co.,Ltd US\$100M ● Approved the adjustment of managerial officers' salary in year 2020 ● Approved the distribution of Directors' remuneration in 2019 	None	None
09.22.2020	<ul style="list-style-type: none"> ● Approved the performance bonus for managerial officers in year 2020. ● Approved the eligible employees list of 2020Y restricted shares program, total number of granted shares is 53,103,000. 	None	None
11.12.2020	<ul style="list-style-type: none"> ● Approved the 3rd quarter 2020 consolidated financial report ● Approved the total compensation for external auditor in year 2020 ● Approved to invest around US\$150 millions in India subsidiary ● Approved the plan of internal auditing in year 2021 	None	None
01.28.2021	<ul style="list-style-type: none"> ● Approved subsidiary " RIH LI INTERNATIONAL LIMITED" to wave its pre-emptive right to participate in capital injection into Pegatron's subsidiary " RI KAI COMPUTER ACCESSORY CO., LTD" ● Approved the year-end bonus for managerial officers in year 2020. 	None	None

3.3.12 Major Issues of Record or Written Statement Made by Any Director Dissenting to Important Resolutions Passed by the Board of Directors in 2020 and to the date of the annual report: None.

3.3.13 Resignation or Dismissal of Key Personnel Involved in the Company : None.

3.4 CPA Fees

CPA Firm	CPA		Auditing Period	Note
KPMG	Kuo-Yang Tseng	Chi-Lung Yu	Jan 1, 2020 ~ Dec 31, 2020	

Unit: NT\$ thousands

Items of CPAs fee Amount Bracket		Auditing Fees	Non-Auditing Fees	Total
1	Below 2,000 thousand			
2	2,000 thousand (included) ~ 4,000 thousand(excluded)			
3	4,000 thousand (included) ~ 6,000 thousand(excluded)		V	
4	6,000 thousand (included) ~ 8,000 thousand(excluded)			
5	8,000 thousand (included) ~ 10,000 thousand(excluded)			
6	Over 10,000 thousand (included)	V		V

Service Items included in the CPA fees

Unit: NT\$ thousands

CPA Firm	CPA	Fees	Non-Auditing Fees					Auditing Period	Note
			System Design	Industrial and commercial registration	HR	Others	Total		
KPMG	Kuo-Yang Tseng	10,130	0	0	0	4,540	4,540	2020/1/1~2020/12/31	Non-auditing services include R&D investment tax credit, master file, CBC report and tax consultant.
	Chi-Lung Yu								

3.5 Information on Change of CPA: None

3.6 If the chairman, president, and financial or accounting manager of the Company who had worked for the independent auditor or the related party in the most recent year, the name, title, and the term with the independent auditor or the related party must be disclosed:
None.

3.7 Information on Net Change in Shareholding and Net Change in Shares Pledged by Directors, Department Heads and Shareholders of 10% Shareholding or More: None

3.7.1 Information on Net Change in Shareholding

Unit: Share

Title	2020		01/01/2021-02/29/2021	
	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman and Group CEO T.H. Tung	500,000	-		-
Vice Chairman and Deputy Group CEO Jason Cheng	500,000	-	-	-
Director, President and CEO S.J. Liao	1,500,000			
Director C.I. Chia	-	-	-	-
Director C.V. Chen	-	-	-	-
Director T.K. Yang	-	-	-	-
Director HAI-HE Investment Co., Ltd Rep: S. Chi	-	-	-	-
Director S. Chi	-	-	-	-
Director HONG-YE Investment Co., Ltd. Rep. : E.L. Tung	-	-	-	-
Director E.L. Tung	-	-	-	-
Independent Director C.B. Chang	-	-	-	-
Independent Director C.P. Hwang	-	-	-	-
Independent Director C.S. Yen	-	-	-	-
Shareholder of 10% shareholding or more Asustek Computer Inc.	-	-	-	-
Senior Vice President Hsu-Tien Tung	380,000	-	-	-
Chief Operating Officer and Senior Vice President Te-Tzu Yao	622,000	-	-	-
Vice President Kuo-Yen Teng	224,000	-	(25,000)	-
Vice President Tsung-Jen Ku Lai	300,000	-	-	-
Vice President En-Bair Chang	(90,000)	-	(20,000)	-
Vice President Shih-Chi Hsu (Note 1)	(102,000)	-	-	-
Vice President Kuang-Chih Cheng	174,000	-	(7,000)	-
Vice President Tian-Bao Chang	180,000	-	-	-

Title	2019		01/01/2020-02/29/2020	
	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Vice President Ming-Tung Hsu	220,000	-	-	-
Vice President Chih-Hsiung Chen	120,000	-	-	-
Deputy Chief Operating Officer and Vice President Chiu-Tan Lin	150,000	-	-	-
Senior Vice President of RD & Engineering Pei-Chin Wang	450,000	-	(9,000)	-
Chief Technology Officer and Senior Vice President Chung Yu Huang	450,000	-	-	-
Vice President Hsi-Wen Lee	201,000	-	(6,000)	-
Chief Financial Officer and Vice President Shaing-Shaing Wu	400,000	-	-	-
Vice President Chen-Yu Feng	450,000	-	(63,000)	-
Vice President Ting-Pang Huang	270,000	-	(34,000)	-
Vice President Shyh-Heh Hwang	145,000	-	(5,000)	-
Vice President Yi-Yung Wu (Note 2)	270,000			
Corporate Governance Officer Chieh-Tsung Chen	300,000	-	-	-
Accounting Officer Ju-Hui Hsieh	236,000	-	-	-

Note 1: Mr. Shih-Chi Hsu resigned from his position effective on Nov. 6th, 2020. Holding Increase (Decrease) of 2020 is from 01/01/2020 to resignation date.

Note 2: Mr. Yi-Yung Wu was appointed Vice President on August 1st, 2020. Holding Increase (Decrease) of 2020 is from the on-board date to December 31st, 2020.

Note 3: Holding Increase (Decrease) included employee restricted stocks are under the custody of the Trust.

3.7.2 Information of Shares Transferred:

Name	Rason of the Transfer	Transfer Date	Transferee	Relation with the Transferee	Shares	Transfer price
Chih-Hsiung Chen	Gifting	2020/05/15	Wei-Chieh Chen	Daughter	30,000	-
Kuo-Yen Teng	Gifting	2020/06/19	Hao-Tse Teng	Son	36,000	-

3.7.3 Information of Equity Pledged: None.

3.8 The Relations of the Top Ten Shareholders as Defined in the Finance Standard Article 6:

Record Date : 07/06/2020

Name	Shareholding		Spouse & Minor		Shareholding by Nominee Arrangement		The relationship between any of the Company's Top Ten Share holders		Remarks %
	Shares	%	Shares	%	Shares	%	Name	Relation	
Asustek Computer Inc. (Representative: Jonney Shih)	448,506,484	17.18	-	-	-	-	Jonney Shih	Chairman of Asustek Computer Inc.	-
T.H.Tung	94,417,309	3.62	6,074,490	0.23	-	-	-	-	-
NAN SHAN LIFE INSURANCE CO., LTD	74,150,000	2.84	-	-	-	-	-	-	-
Jonney Shih	67,032,290	2.57	-	-	-	-	Asustek Computer Inc.	Chairman	-
Ted Hsu	56,353,713	2.16	-	-	-	-	-	-	-
Silchester International Investors International Value Equity Trust	54,166,000	2.07	-	-	-	-	-	-	-
Government of Singapore	52,840,676	2.02	-	-	-	-	-	-	-
Fubon Life Insurance Co., Ltd	44,900,000	1.72	-	-	-	-	-	-	-
Morgan Stanley & Co. International Plc	38,414,638	1.47	-	-	-	-	-	-	-
Cathay United Bank in Custody for Expert Union Limited Investment account	37,121,000	1.42	-	-	-	-	-	-	-

3.9 Long-Term Investment Ownership

Unit: thousand shares; %; As of 12/31/2020

Long-Term Investment	Ownership by Pegatron (1)		Direct/Indirect Ownership by Directors and Management (2)		Total Ownership (1)+(2)	
	Shares	%	Shares	%	Shares	%
Asustek Investment Co., Ltd.	951,278	100.00	-	0	951,278	100.00
Asuspower Investment Co., Ltd.	932,845	100.00	-	0	932,845	100.00
Asus Investment Co., Ltd.	979,255	100.00	-	0	979,255	100.00
AMA Precision Inc.	33,500	100.00	-	0	33,500	100.00
Pegatron USA, Inc.	50	100.00	-	0	50	100.00
Pegatron Holland Holding B.V.	-	100.00	-	0	-	100.00
Pegatron Holding Ltd.	961,906	100.00	-	0	961,906	100.00
Unihan Holding Ltd.	170,110	100.00	-	0	170,110	100.00
AzureWave Technologies, Inc.	35,750	23.76	13,697	9.10	49,447	32.86
Casetek Holdings Limited (Cayman)	4,809	1.16	245,017	58.86	249,826	60.02
Pegatron Service Australia Pty, Ltd.	6,000	100.00	-	0	6,000	100.00
PT. Pegatron Technology Indonesia	40	99.9975	-	0.0025	40	100.00
Pegatron Vietnam Company Limited	-	100.00	-	0	-	100.00
Pegatron Technology Hai Phong Company Limited	-	100.00	-	0	-	100.00
Pegatron Technology India Private Limited	54,995	99.99	5	0.01	55,000	100.00
Pegasus Ace Limited	-	100.00	-	0	-	100.00

4. Capital and Shares

4.1 Capital and Shares

4.1.1 Type of Stock

As of 03/15/2021

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common Share	2,662,873,656	337,126,344	3,000,000,000	Listed

4.1.2 Share Capital

As of 03/15/2021

Month/ Year	Par Value (NTD)	Authorized Capital		Paid-in Capital		Remark		
		Shares (1,000)	Amount (NT\$1,000)	Shares (1,000)	Amount (NT\$1,000)	Sources of Capital	Capital Increased by Assets Other than Cash	Date of Approval and Document No.
03/2020	10	3,000,000	30,000,000	2,610,792	26,107,919	Cancelling employee restricted stocks of NT\$3,000 thousand	-	Note 1
05/2020	10	3,000,000	30,000,000	2,610,759	26,107,591	Cancelling employee restricted stocks of NT\$328 thousand	-	Note 2
09/2020	10	3,000,000	30,000,000	2,610,511	26,105,111	Cancelling employee restricted stocks of NT\$2,480 thousand	-	Note 3
12/2020	10	3,000,000	30,000,000	2,610,463	26,104,627	Cancelling employee restricted stocks of NT\$484 thousand	-	Note 4
01/2021	10	3,000,000	30,000,000	2,662,874	26,628,737	Issuing employee restricted stocks of NT\$524,110 thousand	-	Note 5

Note 1: 03/03/2020 Jin So Son Tzi No. 10901032460

Note 2: 05/27/2020 Jin So Son Tzi No. 10901088390

Note 3: 09/08/2020 Jin So Son Tzi No. 10901165900

Note 4: 12/01/2020 Jin So Son Tzi No. 10901226570

Note 5: 01/04/2021 Jin So Son Tzi No. 10901243690

4.1.3 Information for Shelf Registration: None**4.1.4 Composition of Shareholders**

Record Date : 07/06/2020; Units: share

Item	Government Agencies	Financial Institutions	Other Juridical Person	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	4	21	368	129,974	1,168	131,535
Shareholding (shares)	9	185,274,622	636,640,784	765,278,931	1,023,564,710	2,610,759,056
Percentage	0	7.10	24.38	29.31	39.21	100.00

4.1.5 Shareholding Distribution Status**Common Share (The par value for each share is NT\$10)**

Record Date : 07/06/2020

Class of Shareholding (Unit : Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	52,408	14,214,329	0.54
1,000 ~ 5,000	63,908	129,387,148	4.96
5,001 ~ 10,000	7,879	61,037,717	2.34
10,001 ~ 15,000	2,296	29,065,364	1.11
15,001 ~ 20,000	1,383	25,492,102	0.98
20,001 ~ 30,000	1,183	29,883,316	1.14
30,001 ~ 50,000	896	35,805,590	1.38
50,001 ~ 100,000	661	46,904,100	1.80
100,001 ~ 200,000	305	43,596,520	1.67
200,001 ~ 400,000	216	61,071,357	2.34
400,001 ~ 600,000	84	41,321,490	1.58
600,001 ~ 800,000	43	30,036,996	1.15
800,001 ~ 1,000,000	38	33,998,259	1.30
over 1,000,001	235	2,028,944,768	77.71
Total	131,535	2,610,759,056	100.00

Preferred Share: The Company did not issue any preferred share.

4.1.6 List of Major Shareholder

Record Date : 07/06/2020

Shareholder's Name	Shareholding	
	Shares	Percentage
Asustek Computer Inc. (Representative: Jonney Shih)	448,506,484	17.18
T.H.Tung	94,417,309	3.62
NAN SHAN LIFE INSURANCE CO., LTD	74,150,000	2.84
Jonney Shih	67,032,290	2.57
Ted Hsu	56,353,713	2.16
Silchester International Investors International Value Equity Trust	54,166,000	2.07
Government of Singapore	52,840,676	2.02
Fubon Life Insurance Co., Ltd	44,900,000	1.72
Morgan Stanley & Co. International Plc	38,414,638	1.47
Cathay United Bank in Custody for Expert Union Limited Investment account	37,121,000	1.42

4.1.7 Market Price, Net Worth, Earnings and Dividends Per Common Share

Unit: NT\$, except for weighted average shares and return on investment ratios

Item	2019	2020	01/01/2021-03/15/2021
Market Price per Share (Note 1)			
Highest Market Price	71.50	71.50	84.50
Lowest Market Price	46.75	46.90	66.50
Average Market Price	55.89	63.99	74.71
Net Worth per Share (Note 2)			
Before Distribution	60.38	61.06	-
After Distribution	55.88	Undistributed	-
Earnings per Share			
Weighted Average Shares (thousand shares)	2,611,330	2,614,021	-
Diluted Earnings Per Share (Note 3)	7.4	7.73	-
Dividends per Share			
Cash Dividends	4.5	Undistributed	-
Stock Dividend			
• Dividends from Retained Earnings	-	-	-
• Dividends from Capital Surplus	-	-	-
Accumulated Undistributed Dividends (Note 4)	-	-	-
Return on Investment			
Price / Earnings Ratio (Note 5)	7.55	8.28	-
Price / Dividend Ratio (Note 6)	12.42	Undistributed	-
Cash Dividend Yield Rate (Note 7)	8.05%	Undistributed	-

Note 1: Listed the highest and the lowest market price per share in every year and the average market price were calculated based on the trading amount and volume.

Note 2: Based on the shares issued for the year end and resolution for stock distribution in the shareholders' meeting the

next year.

Note 3: If the stock dividend is to be adjusted retroactively, earning per share before and after the adjustment shall be listed.

Note 4: Pursuant to regulations of security issuance, the undistributed dividend can be accumulated till the year with retained earnings. However, the accumulated undistributed dividend shall be disclosed.

Note 5: $\text{Price} / \text{Earnings Ratio} = \text{Average Market Price} / \text{Earnings per Share}$

Note 6: $\text{Price} / \text{Dividend Ratio} = \text{Average Market Price} / \text{Cash Dividends per Share}$

Note 7: $\text{Cash Dividend Yield Rate} = \text{Cash Dividends per Share} / \text{Average Market Price}$

4.1.8 Dividend Policy and Execution Status

4.1.8.1 Dividend Policy Stipulated in the Company's Articles of Incorporation

The dividend policy in the Company's Articles of Incorporation is stated as below:

Article 28: When it is determined that the Company has earnings for a fiscal year, the earnings shall firstly be appropriated to profit-seeking enterprise tax payable, and make up the losses of previous years. Then, the Company shall provide 10% of the remaining earnings as the legal reserve if there is any remaining amount, unless such legal reserve has amounted to the paid-in capital, and then set aside the special reserve in accordance with the requirements under the laws and regulations or of the competent authorities.

The remaining and the accumulated undistributed earnings of previous years may then be distributed or kept after the board of directors has made proposal of earnings distribution, and the distributable dividend and bonus may be paid in issuing new shares after a resolution has been adopted by special resolution of shareholders' meeting.

According to Article 240, paragraphs 5 of Company Act, the distributable dividends and bonus in whole or in part or the legal reserve and capital reserved in whole or in part which are brought in Article 241, paragraphs 1 of Company Act may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors, and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

Article 28-1: The distribution of the dividends of the Company will be coordinated with the surplus of that year based on the principle of stabilization. Considering rapid changes occurring in the industry where the Company operates and potential funding needs to support long term business strategy, the Company established a balanced dividend policy. If the Company would set aside dividend under Article 28, the amount shall not be lower than 10% of distributable surplus of the fiscal year, and the cash dividend would be at least ten percent (10%) of the total dividend in the shareholders bonus to be distributed.

4.1.8.2 Proposed Dividend Distribution

The Board approved the proposal for 2020 dividend distribution at its meeting on March 25, 2021. The proposal will become effective according to the relevant regulations, upon the approval of shareholders at the Annual General Shareholders' Meeting on June 22, 2021.

Unit: NT\$

Items	Amount	
	Subtotal	Total
Beginning Retained Earnings		25,058,681,990
Add: Net Profit After Tax		20,207,597,666
Minus: Losses on Re-evaluation of Defined Benefits Plans		(10,894,470)
Minus: Disposal of Investments in Equity Instruments Measured at Fair Value Through Other Comprehensive Income		(153,679,506)
Minus: Expiration of Restricted Stock to Employees		(51,729,694)
Minus: Changes in Ownership interests in Subsidiaries		(71,752,053)
Distributable Net Profit		44,978,223,933
Minus: Special Reserve Appropriated		(4,580,151,790)
Minus: 10% Legal Reserve		(1,991,954,194)
Minus: Cash Dividend		(11,982,931,452)
Unappropriated Retained Earnings		26,423,186,497

4.1.9 Impact to 2020 Business Performance and EPS resulting from Stock Dividend Distribution:

Not Applicable.

4.1.10 Compensation to Employees and Remuneration to Directors:

4.1.10.1 Compensation to employees and remuneration to directors stipulated in the Company's Articles of Incorporation

In Company' Articles of Incorporation provides that:

Article 26-1: When it is determined that the Company has profit for a fiscal year, the Company shall appropriate the employees' and directors' remuneration according to the following sequence. But, in the case that the Company still has retained losses, the Company should appropriate sufficient amount for making up the losses of previous year and then appropriate according to the following sequence:

1. At least 7% of the profit shall be allocated as the remuneration of employees, which may be paid in cash or in the form of shares, and qualified employees of the parent and subordinate companies, who meet qualification requirements, may be included. The qualification requirements shall be determined by the board of directors.

2. At most 7‰ of the profit shall be allocated as directors' remuneration.

In this article, the "profit" means the net profit before tax, employees' remuneration and directors' remuneration.

4.1.10.2 Accounting treatment applied to the difference between actual and estimated compensation to employees and remuneration to directors.

Shall there be any difference between the actual amount of compensation and remuneration approved by Annual Shareholders' Meeting and that of the estimation, it will be deemed as the changes in accounting estimates and will be recognized in the profit and loss account of the distributing year.

4.1.10.3 Remuneration distribution to employees in 2020 resolved by the Board of Directors

a. Proposed remuneration to employees and remuneration to directors.

	Amount (NT\$)
Remuneration to Employees	1,633,000,000
Remuneration to Directors	162,000,000

b. Proposed stock based remuneration to employees as a percentage of total employee remuneration and of net income from standalone financial report:

No stock based remuneration was distributed in 2020.

4.1.10.4 Distribution of remuneration to employees and remuneration to directors in 2019 resolved by the Annual Shareholders Meeting on Jun. 19, 2020

	Amount (NT\$)
Remuneration to Employees	1,639,000,000
Remuneration to Directors	163,000,000

Above cash bonus and compensation, being approved by the Board, has been expensed under the Company's 2019 income statements. There is no difference between the amounts approved in the shareholders' meeting and those of the estimation recognized in the financial statements.

4.1.11 Buyback of Common Stock: None.

4.2 Issuance of Corporate Bond:

As of 03/15/2021 ; Unit: NT\$

Type of Corporate Bonds	Domestic Unsecured Bond (106-1)	Domestic Unsecured Bond (106-2)	Domestic Unsecured Bond (108-1)
Issuance Date	2017/07/13	2018/01/10	2019/06/13
Denomination	NT\$1,000,000		
Offering Price	At Par		
Total Amount	NT\$7,000,000,000	NT\$8,000,000,000	NT\$8,500,000,000
Coupon	Tranche A: 0.91% p.a. Tranche B: 1.06% p.a. Tranche C: 1.20% p.a.	Tranche A: 0.78% p.a. Tranche B: 0.92% p.a. Tranche C: 1.08% p.a.	Tranche A: 0.85% p.a. Tranche B: 0.95% p.a.
Tenure & Maturity Date	Tranche A: 3 years Maturity: 2020/07/13 Tranche B: 5 years Maturity: 2022/07/13 Tranche C: 7 years Maturity: 2024/07/13	Tranche A: 3 years Maturity: 2021/01/10 Tranche B: 5 years Maturity: 2023/01/10 Tranche C: 7 years Maturity: 2025/01/10	Tranche A: 5 years Maturity: 2024/06/13 Tranche B: 7 years Maturity: 2026/06/13
Guarantor	None		
Trustee	Taipei Fubon Commercial Bank Co., Ltd		
Underwriter	Capital Securities Corp.	Yuanta Securities Co., Ltd	Yuanta Securities Co., Ltd
Legal Counsel	Hui-Chi Kuo		
Auditor	Kuo-Yang Tseng / Chi-Lung Yu		
Type of Corporate Bonds	Domestic Unsecured Bond (106-1)	Domestic Unsecured Bond (106-2)	Domestic Unsecured Bond (108-1)
Repayment	Bullet		
Outstanding	NT\$4,000,000,000	NT\$7,000,000,000	NT\$8,500,000,000
Redemption or Early Repayment Clause	None		
Covenants	None		
Credit Rating	twAA- (Taiwan Ratings Corporation, 02/22/2021)		
Other Rights of Bondholders 1. Amount of Converted or Exchanged Common Shares, GDRs or Other Securities 2. Conversion Right	1. Not applicable 2. None		
Dilution Effect and Other Adverse Effects on Existing Shareholders	None		
Custodian	None		

Type of Corporate Bonds	Domestic Unsecured Bond (109-1)	Domestic Unsecured Bond (109-2)
Issuance Date	2020/10/21	2021/01/08
Denomination	NT\$1,000,000	
Offering Price	At Par	
Total Amount	NT\$5,000,000,000	NT\$3,500,000,000
Coupon	0.65% p.a.	Tranche A: 0.43% p.a. Tranche B: 0.58% p.a.
Tenure & Maturity Date	5 years Maturity: 2025/10/21	Tranche A: 5 years Maturity: 2026/01/08 Tranche B: 7 years Maturity: 2028/01/08
Guarantor	None	
Trustee	Taipei Fubon Commercial Bank Co., Ltd	
Underwriter	Hua Nan Commercial Bank , Ltd.	Hua Nan Commercial Bank , Ltd.
Legal Counsel	Hui-Chi Kuo	
Auditor	Kuo-Yang Tseng / Chi-Lung Yu	
Type of Corporate Bonds	Domestic Unsecured Bond (109-1)	Domestic Unsecured Bond (109-2)
Repayment	Bullet	
Outstanding	NT\$5,000,000,000	NT\$3,500,000,000
Redemption or Early Repayment Clause	None	
Covenants	None	
Credit Rating	twAA- (Taiwan Ratings Corporation, 02/22/2021)	
Other Rights of Bondholders 1. Amount of Converted or Exchanged Common Shares, GDRs or Other Securities 2. Conversion Right	1. Not applicable 2. None	
Dilution Effect sand Other Adverse Effects on Existing Shareholders	None	
Custodian	None	

4.3 Preferred Shares (with stock option): None.

4.4 Issuance of Global Depositary Receipts:

As of 03/15/2021

Item \ Date of Issuance		August 9, 2010	
Date of issuance (Process)		08/09/2010	
Location and Issuance and Trade		Luxemburg Stock Exchange	
Total Amount		Non applicable	
Unit Price (in NT\$ per GDS)		NT\$37.70	
Total Issuance		12,163,804	
Source of Common Stock Registration		One GDS stands to five common share of Pegatron	
Total Marketable Security Shares Recognized		Stands for 60,819,020 common shares of Pegatron	
Rights and Obligations of GDR Holders		Same as those of common share holders (See Deposit Agreement and Custody Agreement for Details)	
Trustee		Non applicable	
GDR Institute		Citibank N.A.	
Depositary Institute		Citibank Taiwan Limited	
Outstanding GDSs (as of December 31, 2020)		708,861 GDSs	
Issuance and Expense Amortization throughout the Issuance Period		Annual listing fees and accountant fees were borne by Pegatron	
GDR Agreement and Depositary Agreement		See Deposit Agreement and Custody Agreement for Details	
Market Price per unit (US\$)	2020	Max.	US\$12.40
		Min.	US\$7.90
		Average	US\$10.88
	As of March 15, 2021	Max.	US\$14.50
		Min.	US\$11.90
		Average	US\$13.41

4.5 Employee Stock Option: None.

4.6 Employee Restricted Stocks

4.6.1 Issuance of Employee Restricted Stocks

As of 02/28/2021

Type of Restricted Shares	Grant of 2020	First Grant of 2016	Second Grant of 2016
Approval Date by the Authority	2020/08/12	2016/12/19	
Grant Date	2020/12/08	2017/07/11	2017/10/19
Number of Employee Restricted Stock Granted	52,411,000	37,808,000	2,192,000
Price of Issuance	NT\$10	NT\$10	
Percentage of Employee Restricted Stocks to Outstanding Common Shares	1.97%	1.42%	0.08%
Conditions for Exercise of Employee Restricted Stocks	<p>Company Performance Criteria: It shall conform with the Criteria of Earnings Per Share ("EPS") and Return On Equity ("ROE") below.</p> <ol style="list-style-type: none"> Earnings Per Share ("EPS") : On the date RSAs are scheduled to be vested, the average EPS based on the financial statements of recent three years is higher than those of the peer group. Return On Equity("ROE") : On the date RSAs are scheduled to be vested, the average ROE based on the financial statements of recent three years is higher than those of the peer group. The Peer group set forth in the two preceding paragraphs includes HON HAI Precision Industry Co., Ltd., Quanta Computer Inc., Compal Electronics Inc., Wistron Corp. and Inventec Corporation. EPS set forth in the first paragraph refers to the basic earnings per share of the consolidated statements of comprehensive income of the consolidated financial statements audited by CPA. ROE set forth in the 		

Company Performance Criteria :

- Earnings Per Share ("EPS") : On the date RSAs are scheduled to be vested, the average EPS based on the financial statements of recent three years is higher than those of the peer group.
- Return On Equity("ROE") : On the date RSAs are scheduled to be vested, the average ROE based on the financial statements of recent three years is higher than those of the peer group.
- The Peer group set forth in the two preceding paragraphs includes HON HAI Precision Industry Co., Ltd., Quanta Computer Inc., Compal Electronics Inc., Wistron Corp. and Inventec Corporation.
- EPS set forth in the first paragraph refers to the basic earnings per share of the consolidated statements of comprehensive income of the consolidated financial statements audited by CPA. ROE set forth in the second paragraph refers to the comprehensive income divided by average shareholder's equity, based on the consolidated financial statements or non-consolidated financial statements audited by CPA. When ROE calculated is higher than either one of the two performance criteria, RSAs will be vested.

Employee Performance Criteria :

- Upon the first anniversary of receiving the restricted stocks, employees can exercise 20% of the restricted stocks, provided the employees fulfill the requirements specified in the annual

Type of Restricted Shares	Grant of 2020	First Grant of 2016	Second Grant of 2016
	<p>second paragraph refers to the comprehensive income divided by average shareholder's equity, based on the consolidated financial statements or non-consolidated financial statements audited by CPA. When ROE calculated is higher than either one of the two performance criteria, RSAs will be vested.</p> <p>Employee Performance Criteria :</p> <p>a. Upon the first anniversary of receiving RSAs, employees can exercise 25% of RSAs, provided the employees fulfill the requirements specified in the annual appraisal of that year and have not violated any statutory laws and/or any of the following internal policies and regulations such as employment contract, none disclosure agreement, company code of conduct, behavior of business ethic and conduct.</p> <p>b. Upon the second anniversary of receiving RSAs, employees can exercise 25% of RSAs, provided the employees fulfill the requirements specified in the annual appraisal of that year and have not violated any statutory laws and/or any of the following internal policies and regulations such as employment contract, none disclosure agreement, company code of conduct, behavior of business ethic and conduct.</p> <p>c. Upon the third anniversary of receiving RSAs, employees can exercise 25% of RSAs, provided the employees</p>	<p>appraisal of that year and have not violated any statutory laws and/or any of the following internal policies and regulations such as employment contract, none disclosure agreement, company code of conduct, behavior of business ethic and conduct.</p> <p>b. Upon the second anniversary of receiving the restricted stocks, employees can exercise 40% of the restricted stocks, provided the employees fulfill the requirements specified in the annual appraisal of that year and have not violated any statutory laws and/or any of the following internal policies and regulations such as employment contract, none disclosure agreement, company code of conduct, behavior of business ethic and conduct.</p> <p>c. Upon the third anniversary of receiving the restricted stocks, employees can exercise the remaining 40% of the restricted stocks, provided the employees fulfill the requirements specified in the annual appraisal of that year and have not violated any statutory laws and/or any of the following internal policies and regulations such as employment contract, none disclosure agreement, company code of conduct, behavior of business ethic and conduct.</p>	

Type of Restricted Shares	Grant of 2020	First Grant of 2016	Second Grant of 2016
	<p>fulfill the requirements specified in the annual appraisal of that year and have not violated any statutory laws and/or any of the following internal policies and regulations such as employment contract, none disclosure agreement, company code of conduct, behavior of business ethic and conduct.</p> <p>d. Upon the fourth anniversary of receiving RSAs, employees can exercise the remaining 25% of RSAs, provided the employees fulfill the requirements specified in the annual appraisal of that year and have not violated any statutory laws and/or any of the following internal policies and regulations such as employment contract, none disclosure agreement, company code of conduct, behavior of business ethic and conduct.</p>		
Limitations to the Rights of Employee Restricted Stocks	<p>a. Before fulfilling the vesting conditions, the restricted shares under the custody shall not be sold, pledged, transferred, and gave as gifts to others or any other means of disposal.</p> <p>b. Voting rights: To be conducted by the Trust in accordance with the relevant laws and regulations.</p>		
Custody of Employee Restricted Stocks	A total of 52,411,000 shares delivered to the Trust	A total of 38,400 shares delivered to the Trust	A total of 0 shares delivered to the Trust
Procedures for Non-Compliance of the Conditions	The Company can buy back and cancel all restricted stocks from any employee whom received restricted stocks but fail to comply with the conditions.		
Number of Employee Restricted Stocks Bought Back	0	3,007,931 (Note 1)	68,000 (Note 1)
Number of Employee Restricted Stocks Free from Custody	0	34,761,669	2,124,000
Number of Employee Restricted Stocks under Custody	52,411,000	38,400	0
Number of Employee Restricted Stocks under Custody to Outstanding Common Shares (%)	1.97%	0.00%	0

Type of Restricted Shares	Grant of 2020	First Grant of 2016	Second Grant of 2016
Impact on Shareholders' Equity	<p>A. Potential expense: The number of restricted stocks proposed at 2020 Annual General Shareholders' Meeting is 60,000,000 shares at NT\$10 as issuance price. The Company shall evaluate the fair value of the stocks on the issuance date and accrue relevant cost over the issuance period. The potential expense incurred is estimated at NT\$1,402,964 thousands. In accordance with the conditions for exercising restricted stocks set forth in the preceding paragraph, the annually expensed amount was NT\$256,305 thousands in 2020. The annually expensed is estimated at NT\$683,752 thousands, NT\$284,284, NT\$133,050 thousands and NT\$45,573 thousands in 2021, 2022, 2023 and 2024 respectively.</p> <p>B. Potential impact to dilution of earnings per share (EPS) and other factors that may affect shareholder's equity: Potential dilution of EPS based on the existing outstanding ordinary shares of 2,662,873,656 shares, is estimated at NT\$0.10, NT\$0.26, NT\$0.11 and NT\$0.05 and \$0.02 in 2020, 2021, 2022, 2023 and 2024 respectively. Since the potential impact to EPS is limited, we do not expect any material impact to shareholders' equity.</p>	<p>A. Potential expense: The number of restricted stocks proposed at 2016 Annual General Shareholders' Meeting is 40,000,000 shares at NT\$10 as issuance price. The Company shall evaluate the fair value of the stocks on the issuance date and accrue relevant cost over the issuance period. The potential expense incurred is estimated at NT\$2,363,933 thousands. In accordance with the conditions for exercising restricted stocks set forth in the preceding paragraph, the annually expensed amount was NT\$725,512 thousands, NT\$945,744 thousands, NT\$299,175 thousands and NT\$393,502 thousands in 2017, 2018, 2019 and 2020 respectively.</p> <p>B. Potential impact to dilution of earnings per share (EPS) and other factors that may affect shareholder's equity: Potential dilution of EPS based on the existing outstanding ordinary shares of 2,662,873,656 shares, is estimated at NT\$0.27, NT\$0.36, NT\$0.11 and NT\$0.15 in 2017, 2018, 2019 and 2020 respectively. Since the potential impact to EPS is limited, we do not expect any material impact to shareholders' equity.</p>	

Note 1 : Public filings made regarding shares bought back from employees.

4.6.2 Information on Name of Managers and Top 10 Employees obtaining Employee Restricted Stocks

As of 02/28/2021; Unit: Shares; %, NT\$

Position	Title	Name	Number of Employee Restricted Shares	Number of Employee Restricted Stocks to Outstanding Common Shares	Free from the Trust				Under the Trust			
					Number of Employee Restricted Stocks Free from Custody	Price of Issuance	Total Amount of Issuance	Number of Employee Restricted Stocks Free from Custody Common Shares (%)	Number of Employee Restricted Stocks under Custody	Price of Issuance	Total Amount of Issuance	Number of Employee Restricted Stocks under Custody Common Shares (%)
Management Team	Group CEO	T.H. Tung										
	Deputy Group CEO	Jason Cheng										
	President and CEO	S.J. Liao										
	Deputy Chief Operating Officer and Vice President	Chiu-Tan Lin										
	Senior Vice President	Hsu-Tien Tung										
	Chief Operating Officer and Senior Vice President	Te-Tzu Yao										
	Vice President	Kuo-Yen Teng										
	Vice President	Tsung-Jen Ku Lai										
	Vice President	En-Bair Chang										
	Vice President	Shih-Chi Hsu (Note 1)										
	Vice President	Kuang-Chih Cheng										
	Vice President	Tian-Bao Chang										
	Vice President	Ming-Tung Hsu	18,010,000	0.68	8,840,000	10	88,400,000	0.33	9,170,000	10	91,700,000	0.35
	Vice President	Chih-Hsiung Chen										
	Senior Vice President of RD and Engineering	Pei-Chin Wang										
	Vice President	Hsi-Wen Lee										
	Chief Technology Officer and Senior Vice President	Chung Yu Huang										
	Chief Financial Officer and Vice President	Shaing-Shaing Wu										
	Vice President	Chen-Yu Feng										
	Vice President	Ting-Pang Huang										
	Vice President	Shyh-Heh Hwang										
	Vice President	Yi-Yung Wu (Note 2)										
	Corporate Governance Officer	Chieh-Tsung Chen										
	Accounting Officer	Ju-Hui Hsieh										

Position	Title	Name	Number of Employee Restricted Shares	Number of Restricted Employee Shares to Outstanding Common Shares	Free from the Trust				Under the Trust			
					Number of Employee Restricted Stocks Free from Custody	Price of Issuance	Total Amount of Issuance	Number of Employee Restricted Stocks to Outstanding Common Shares (%)	Number of Employee Restricted Stocks under Custody	Price of Issuance	Total Amount of Issuance	Number of Employee Restricted Stocks under Custody to Outstanding Common Shares (%)
Employee	Associate Vice President	Wei-Kang Wang										
	Associate Vice President	Yu-Heng Lu										
	Associate Vice President	Wei-Pang Lee										
	Associate Vice President	Yi-Hsin Lee										
	Associate Vice President	Ching-Ru Wu										
	Associate Vice President	Yen-Jen Lin										
	Special Assistant	Yean-Jen Shue										
	Associate Vice President	Hsiang-Chieh Huang										
	Associate Vice President	Shing-Jung Kuo										
	Senior Director	Chi-Liang Chen										
	Associate Vice President	Hsin-Cheng Chen										
	Associate Vice President	Li-Ling Chao										
	Associate Vice President	I-Sheng Tsai										
	Associate Vice President	Che-Yen Lai										
	Associate Vice President	Yu-Ching Lo										

Note 1: Mr. Shih-Chi Hsu resigned from his position effective on Nov. 6th, 2020.

Note 2: Mr. Yi-Yung Wu was appointed Vice President on August 1st, 2020.

Note 3: Employees who granted the same number of options are being listed.

4.7 Status of New Shares Issuance in connection with Mergers and Acquisitions:

Not Applicable.

4.8 Financing Plan and Implementation

Up to the last quarter before the printing of the financial statements, outstanding equity issuance or marketable security subscription or the completed equity issuance or subscribed marketable security without success: Not Applicable.

5. Overview of Business Operation

5.1 Business Activities

5.1.1 Business Scope

5.1.1.1 Operating Scope

The Company offers a wide range of electronics products in computing, communications and consumer electronics segments, including Notebook PCs, Desktop PCs, Motherboards, Cable Modems, Set-top Boxes, Smartphones, Game Consoles, Tablets, IoT Devices, Wearable Devices, Smart Home Devices, Automotive Electronics, etc. The Company also engages in development, design and manufacturing of peripherals and components of the above-mentioned products. In addition to the well diversified product portfolio, the Company also places great emphasis on development of both software and hardware technologies to provide customers with total solutions and high value-added services.

5.1.1.2 Breakdown of Sales by Major Products

Unit: NT\$ thousands; %

Year Major Product	2019		2020	
	Amount	%	Amount	%
3C Products	1,289,751,694	94.40	1,268,191,173	90.63
Other	76,535,632	5.60	131,141,733	9.37
Total	1,366,287,326	100.00	1,399,332,906	100.00

5.1.1.3 Product Lines

Computing Product

- a. Notebook PCs
- b. DeskTop PCs
- c. Motherboards

Communication Product

- a. Cable modems
- b. Set-top boxes
- c. Smartphones
- d. Switches
- e. Router

Consumer Electronics and Other Product

- a. Tablets
- b. Game consoles
- c. Wearable devices
- d. Smart home devices
- e. Automotive electronics

5.1.1.4 Product (Service) Development

- a. Developing “consumer” systems (Desktop / AIO / Notebook PC / 2-in-1) designs mainly using Intel Tiger Lake and next generation platform, AMD Lucienne, and Cezanne, etc, for different operating systems, while meeting market demands for customization, deep plowing products, and diversified gaming / creator / thin & light product lines with new features.
- b. Developing “commercial” & “educational” systems (Desktop / AIO / Notebook PC) designs mainly using Intel Tiger Lake / Jasper Lake / next generation platforms, AMD Pollock, ARM platforms, etc.
- c. Developing server products mainly using Intel next generation XEON SP, AMD Milan platforms, etc.
- d. Utilizing radar and image recognition technologies to perform vehicle recognition and combining the latest C-V2X technology to form a network connection among companions travelled on personal transportation equipments. It will realize the instant information sharing of certain safety precautions and companions’ personal status to enhance the safety, security, and companion traveling scenarios.
- e. Developing set-top boxes; one utilizing Synaptics VS680 platform with 4K HDR technology and AI services. Another is based on the BCM72190 platform, equipped with Wi-Fi 6 and high-quality speakers or high-capacity hard disk drives to meet market demands for high resolution, high-performance, and large-capacity storage, and high-speed Wi-Fi network requirements.
- f. Continue developing big data storage and deep learning computing platforms to provide real-time data collection, data processing, data management, deep learning model training, online deployment, model performance tracking related toolset and services; to speed up development of artificial intelligence related applications..
- g. Developing emotion detecting face morph by AI deep learning technologies, provide long distance communication and social experience by mobile phones, Notebook PCs, or video conferencing.
- h. Developing AI deep learning indoor positioning to allow navigation in rooms with low cost mobile components to apply to AR glasses, robots, and wearable devices.
- i. Developing Android ruggedized LTE phones using Qualcomm SD660 platforms

with SW ODM co-working models, while meeting market demands for North-America LTE carrier TA, and vertical customization.

- j. Leader in developing Qualcomm SDX55 platform based 5G mobile hotspots, getting GCF/PTCRB conformance certification, and getting several operators' carrier TA already. Continue to develop Qualcomm 5G new generation SDX65 platform based 5G mobile hotspots.
- k. Developing EVSV, with built-in Wi-Fi, NFC, BT, and other wireless technologies. Based on their MX 1050 hardware and using FreeRTOS platform. Developing CCS 1/2, CHadeMO, GB, and related charger protocols. Provide EV with various charger protocols to the charger.
- l. Developing 5G NR dual WAN gateway designed with 12 antennas to achieve 360 degree full coverage to provide ultra-high internet speeds.
- m. Developing high-speed LTE Telematics system enables connected-car services including eCall (Emergency Call), bCall (Breakdown Call), V2X communication (Vehicle to Vehicle & Vehicle to Infrastructure) to make journeys safer. In addition, developing value-added services through wireless technology such as remote vehicle diagnosis and remote vehicle control by mobile APP.
- n. Researching the bonding technology of car panel/cluster and curved glass, including flat panel to curved glass, and curved panel to curved glass. The study and application will improve the immersive (feeling) and increase the depth of field. A wider view will make the internal environment of the vehicle friendlier to drivers. In addition, the research and improvement of the bonding structure will also better meet car crash safety requirements.
- o. Developing a new generation of MoCA and 2.5Gbps Ethernet WAN routers, supporting MoCA 1.1 to 2.5, WAN/LAN Dual band that can flexibly react to telecoms' wiring solutions. Our products also support 2 port VOIP and tri-band Wi-Fi (2.4G/5G/6G), expanding bandwidth application for users.
- p. Developing enterprise 10G-PON Fiber optical modem, using Cortina's newest chipset, providing 10Gbps LAN and Dual-band Wi-Fi (2.4G/5G).
- q. Developing RDKB-based high-performance high-speed Cable Wi-Fi Home Gateway, and being a DOCSIS 3.1 certified high-speed cable modem that can rival the speed of Fiber. Also integrating the latest 802.11ax dual-band (2.4G/5G) wireless network and passed Comcast certification. Developing SOAP APIs, Router Analytic, and RDKB platform; providing easy management using

Android/iOS APPs, and router data collection for Big Data Analysis.

- r. Developing next generation of IP phones with PoE, NFC, Wi-Fi, BT functions, adopting new Broadcom OMEGA SoC; with circular or strip multi-color LEDs showing the status of the IP phone.
- s. Developing 5th generation fronthaul gateway, using Intel S10 FPGA (2800K logic) to covert CPRI, RoE, eCPRI signal, supports 25GbE, timing port with IEEE 1588v2.

5.1.2 Industry Overview

5.1.2.1 Progress and Development of the Industry

a. Computing Industry

According to IDC, total PC volume (including notebook PCs, desktop PCs and work stations) grew by 13.1% YoY in 2020. Although shipment drastically declined in early 2020 as production in China was suspended resulting from lockdown, movement restrictions, supply chain disruptions and logistics shutdowns due to pandemic, demand for notebooks was triggered by work and learn from home. Gaming notebook and DIY desktop PC were also benefited from home entertainment. In addition, Chromebook shipment growth accelerated due to competitive pricing and accessibility. It shall continue to grow in Asia market, followed by education market in Europe, US, and Japan. In the mid to long term, while migration to Windows 10 for large enterprises slows down, there remains significant opportunity among small and medium-sized business. Moreover, pandemic further fueled gaming and education market demand. Having said that, we need to be cautious about how long this resurgence will last. As a result, IDC predicts that the compound annual growth rate (CAGR) of overall PC volume is expected to be 1.4% from 2020 to 2024.

b. Communication Industry

According to IDC, worldwide volume of smartphone shipped in 2020 reached 1.28 billion units, declined by 6.4% YoY. The decline was due to pandemic and longer replacement cycle. It is expected that with upcoming launch of 5G smartphone and continuous demand in emerging markets, growth of smartphone volume is likely reach 4.4% YoY in 2021. In the mid to long perspective, foldable smartphone is expected to be one of the momentum drivers as a result of advanced technology, improved performance and slimmer in size. Moreover, pricing of 5G smartphone shall decline, thanks to better manufacturing and efficiency. It will further accelerate replacement of 4G smartphone, which will stimulate smartphone growth. IDC

estimates the overall smartphone shipment from 2019 to 2024 to be CAGR 1.3%. In 2020, lifestyle changes due to COVID-19. It has led to a surge in e-commerce and accelerated digital transformation, which drives demand of broadband devices. Along the progress of 5G technologies and deployment of infrastructure, applications of 5G product has also increased. Private LTE/5G network infrastructure across the world and development of applications are expected to be the cores that affect 5G evolution. IDC estimates that worldwide revenue attributable to the sales of private LTE/5G infrastructure will increase from US\$944 million to US\$5.7 billion from 2019 to 2024 with estimated compound annual growth rate of 43.3%.

c. Consumer Electronics Industry

Tablets, game consoles and IoT devices are the major revenue contributors in Consumer Electronics segment. According to IDC, around 159 million units of tablet shipped in 2020, increased by 10% YoY, mainly attributable to growing demand from remote work, home education needs and entertainment during COVID-19 pandemic. Detachable tablets reported the most significant growth of 37% YoY as the emphasis on productivity, flexibility, and ease of use is now greater than before. In the mid to long run, IDC projects the demand of consumer and commercial tablets will decline followed by a robust 2020 given COVID-19 pandemic slow-down and continuous cannibalization from bigger screen smartphone. As a result, the compound annual growth rate of tablet market is expected to be -2.1% from 2019 to 2024

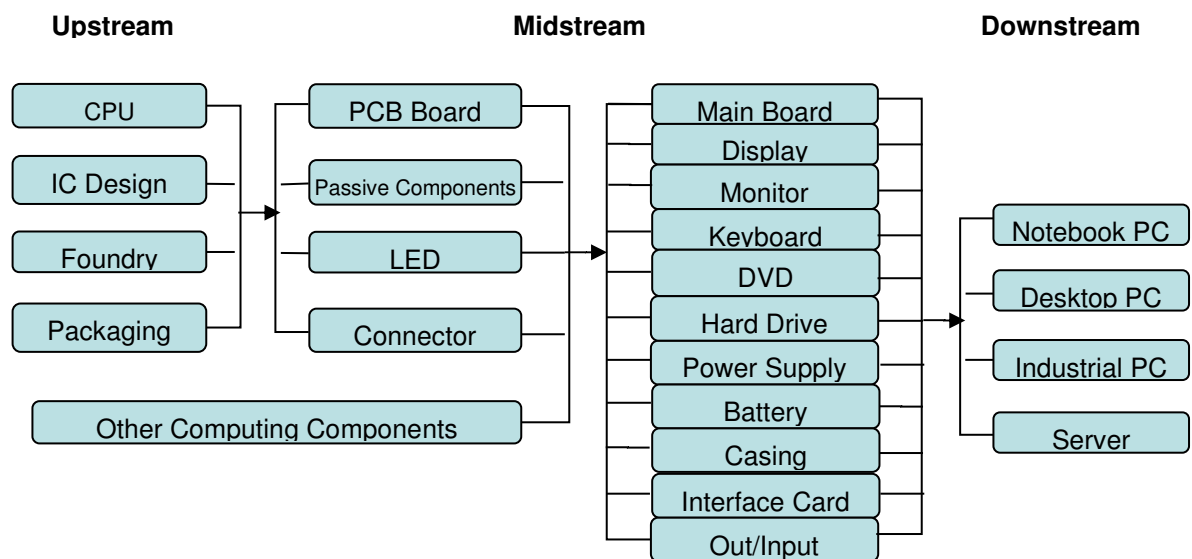
According to IDC, total game console volume reached 36 million units in 2020, increased by 1.3% YoY. The momentum was mainly driven by rising demand for home entertainment and the launched of new model by Sony and Microsoft in late 2020. In the next few years, IDC predicts change of lifestyle resulting from pandemic will continuously drive shipment of game console. In addition, the trend on console has been toward digital game spending. Nevertheless, end demand for game console may soften as pandemic slows down. IDC estimates that the compound growth rate for game console will be 5.4% from 2019 to 2024.

IDC data shows that worldwide spending on IoT field reached US\$707.2 billion in 2020, an increase of 7.3% YoY. Yet, the growth rate was lower than in 2019, which was owing to downward pressure on technology investment by enterprises during COVID-19. The largest portion of spending is expected to remain in the IoT device category. On the other hand, as IoT infrastructure is deployed, application development and deployment will become an important factor and push up momentum of application software. In the mid to long term, with stabilized global

economy, launched of new smart home and wearable products with better performance, and higher acceptance of consumers, IDC expects IoT shipment shall report double digits growth in the next few years. The estimated compound growth rate for overall IoT is 11.0% from 2019 to 2024.

Regarding electric vehicles (EV), due to stricter emission standards of greenhouse gas, purchase subsidies from government and increasing affordability, shipment of EV was 3.12 million units in 2020, grew by 42% YoY. Going forward, advanced driver-assistance systems (ADAS), cost efficiency and scale of manufacturing, and product diversification will be the key factors of EV development. According to market research, the major driver of EV market in the next 5 years will be Battery Electronic Vehicles (BEV), which will account for 60% of sales and overtake plug-in hybrid electric vehicle (PHEV). With establishment of EV incentives, shorter model development cycle, and expansion of product line, the compound growth rate for global EV sales will be double digits.

5.1.2.2 Correlation of the Upper-stream, Mid-stream and Down-stream of the Industry



After decades of development of the computing industry in Taiwan, the relationships among upstream, midstream and downstream sectors have become highly correlated. While it is evident that bigger suppliers are expanding over the years, it has been difficult for smaller suppliers to survive in the industry.

5.1.2.3 Trends of Product Development

With completed network infrastructure, consumers are paying more attention to the function of mobility and looking for products lighter in weight and slimmer in size with longer battery life. As IoT industry and 5G technology are matured and advanced, supply chains also integrate development and product design of IoT, AI, and 5G into mobile device, networking, smart home, AIoT, automotive electronics, and vehicle-to-everything (V2X). It is expected to stimulate another wave of growth in computing, consumer and communication segments. Demand of notebooks and tablets has increased, which is fueled by work from home, online learning and entertainment amid the coronavirus pandemic. Consumer, education and gaming type of notebooks have more significant growth.

With favorable government policy and higher investment from automakers, it is expected that automakers to increase battery electric vehicle (BEV) product lines, and BEV to become more affordable. The trend of “software-defined vehicles” accelerates the development of autonomous vehicle technologies. While Level 1 and Level 2 are widely adopted, enhancing autonomous driving level with safety and better experience will become the key technology. As a result, investment in autonomous Level 3 & 4 shall gradually increase.

5.1.2.4 Market Competition

In the process of market consolidation among computing, consumer electronics, and communication products, major assembly companies are gaining more market share from the smaller ones. Furthermore, Chinese vendors also challenge the assembly industry, which was traditionally dominated by Taiwanese vendors, by penetrating into downstream assembly business from upstream component business. Therefore, in order to obtain orders from international brand customers and maintain topline growth, it has become crucial for assembly companies to provide total solution, maintain competitive advantage, and increase value add to brand customers by enhancing capabilities in hardware and software design, industrial design as well as vertical integration. In light of continuous trade dispute and major public health crisis which impacted global financial market and brought disruption to supply chain, it is therefore utmost important for assembly companies to promptly respond to all kind of changes, actively adjust production planning based on customers' demand, adequately allocate resources and strictly conduct cost management.

Pegatron assembles computing, consumer electronics and communication products for brands customer. In addition to improving manufacturing efficiency, Pegatron also assist brand customers in handling global logistics and distribution as well as further cost reduction. While economies of scale and comprehensive vertical integration are

considered two important elements, DMS service (design, manufacturing and services) and integrated services in hardware and software are also key successful factors to secure customers' orders.

5.1.3 Research and Development

5.1.3.1 Research and Development Expense in Recent Year

Unit: NT\$ thousands; %

Items	2019	2020
R&D Expense (A)	14,773,900	16,681,735
Net Revenue (B)	1,366,287,326	1,399,332,906
(A)/(B) %	1.08	1.19

5.1.3.2 Research and Development Accomplishments in the Recent Year

Year	Achievement in Research and Development
2020	<ol style="list-style-type: none"> 1. Developed big data storage and deep learning computing platform to provide toolset and services for deep learning application development, and combined with machine learning to develop best match, capacity simulation, optimized schedule related smart operation applications. 2. Developed face detection and 2D/3D face recognition deep learning technologies, even with medical facial masks. Detecting face on smart albums, AR glasses, electronic doorbells, IP cameras, and Notebook PCs. 3. Developed AI edge computing neural networks, doubling the speed of other leading solutions in the world. To apply to smart albums, AR glasses, robots, electronic doorbells, IP cameras, and Notebook PCs. 4. Developed AI non-visual recognition neural networks by training Wi-Fi, mmWave, ultra-sound, and G-sensor to identify differences such as people, objects, and environments; applies to smart albums, AR glasses, robots, and Notebook PCs. 5. Keep developing the latest thin & light laptop in 2020, with Intel's Tiger Lake-U platform and dual camera / AI image, and application features. 6. Self-developed image recognition algorithm combining with edge computing accelerator to convert traditional image sensors into smart sensors. And then utilizing the low latency data transmission technology of V2X communication together with smart sensors to develop smart RSU (road-side unit) with safety precautions from collision warnings. 7. Developed a new architecture outdoor IP camera, with dual wireless interfaces (sub-GHz & Wi-Fi), fulfilling technical features of both low power consumption and high transmission bandwidth. Equipped with tapping screw enclosures with O-ring design, allows easy disassembly and IP proofing. 8. Developed vehicle GPS and warning systems, based on LoRa 900MHz frequency network, applying to vehicle systems with warning devices to achieve vehicle positioning and warning. With LTE modules, it can reduce positioning dead corners. When vehicles are stopped and turned off, the GPS and warning devices are in standby and can turn on when needed.

	<p>For example, when an object is approaching, the system can connect to video cameras to record and notify the owner remotely if the car is damaged.</p> <p>9. Developed WiFi-6E dual-band and tri-band (2.4G/5G/6G), 802.11ax high-speed wireless network sharing devices. These antenna are designed using dual-band and tri-band structures with high isolation capabilities to provide high-speed, secured, and reliable wireless network connections.</p> <p>10. Developed Cable Modem DOCSIS3.1 adopting the new generation Wi-Fi Broadcom chipset, built-in 3x 1Gbps ETH, 1x 2.5Gbps ETH, 2 VOIP, and Wi-Fi 4x4 (2.4G/5G) wireless networks.</p> <p>11. Developed 25G SFP28 optical transceiver using BIDI design and can be applied from DU to RRU to meet 5G markets. Successfully developed a QOSA Fiber optical modem compatible of both XGS PON and GPON. Before, users need to switch transceivers in order to match the receiving source from the telecom provider. With our new developed products, users are able to flexibly match telecom provider's wiring solutions without changing transceivers. Also providing 1 port 10Gbps LAN, 2 port VOIP, tri-band Wi-Fi (2.4G/5GL/5GH), Zigbee, and Z-wave applications.</p> <p>12. Developed high-end 32-port 400Gbps (QSFP-DD) enterprise-level data center switch, which has two 10Gbps (SFP+) management ports and one 1Gbps (RJ45) OOB port, a modularized x86 CPU and BMC boards for different customer needs, with six hot-swappable fan modules (5+1 redundancy), and two CRPS power supply modules (1+1 redundancy) improves stability and reliability of the entire system.</p> <p>13. Developed high-end 48-port 25Gbps (SFP-28) + 8-port 100Gbps (QSFP-28) enterprise-level data center switch, each port with independent controllable power switch, with all 25Gbps ports providing 2.8watt to SFP28 modules that is higher than the standard 2W requirement. With new-generation OLT modules, can also be used as OLT switches to replace traditional OLT Black Box in PON and X-Haul systems. Modularly designed x86 CPU and BMC boards are available for different customer needs, with 5 Hot-swappable fan modules (4+1 redundancy) and 2 CRPS power supply modules (1+1 redundancy) improve the stability and reliability of the entire system.</p>
--	--

5.1.4 Long Term and Short Term Business Development Plans

5.1.4.1 Short Term Business Development Plan

- a. To increase market competitiveness, maintain operation sustainability and pursue higher annual revenue growth by lean operation management and effective manufacturing process.
- b. To improve the efficiency of logistic management by reducing logistic cost and shortening product delivery time.
- c. Based on the product mix to approach different markets with different strategies. For mainstream products, the aim is to increase value-added services and versatility of the products with industrial design and new technologies, so as to become the market leader by developing leading products with innovative technology and expertise in the market. As for low cost products, the Company endeavors to provide products with lower manufacturing cost to fulfill consumers' needs.
- d. To strengthen the relationship with existing customers, promote benefits of vertical integration within group and provide total solutions to customers.

5.1.4.2 Long Term Business Development Plan

The Company intends to enhance product mix and strengthen the factors that drive revenue growth. The development plan includes the following strategies:

- a. Customer Service Strategy
 - To strengthen the customer relationship and provide services in product planning, research and development, and manufacturing.
 - To complete the deployment of global sales network and provide comprehensive after sales services to customers.
- b. Manufacturing Strategy
 - To continuously promote the LSS project and improve the quality and efficiency at all level
 - To enhance vertical as well as horizontal integration and streamline group resources in related components, products, and services.
 - To expand manufacturing footprint globally and fulfill customers' requirements by offering various multiple manufacturing locations.
 - To continuously invest in automation equipment to reduce the reliance on labor and improve product quality
- c. Product Development Strategy
 - To focus on talent development especially in R&D and industrial design sectors and to enhance the Company's R&D capabilities.
 - To proactively develop material and technologies that are environmentally friendly and that comply with green product and other relevant environmental protection regulations

5.2 Market and Sales Overview

5.2.1 Market Analysis

5.2.1.1 Sales (Service) Regions

Unit: NT\$ thousands; %

		2019		2020	
		Amount	%	Amount	%
Domestic		132,035,182	9.66	95,105,765	6.80
Export	Asia	137,063,944	10.03	107,683,176	7.70
	Europe	553,601,989	40.52	602,818,642	43.08
	America	471,554,246	34.52	526,476,490	37.62
	Others	72,031,965	5.27	67,248,833	4.81
	Subtotal	1,234,252,144	90.34	1,304,227,141	93.20
Total		1,366,287,326	100.00	1,399,332,906	100.00

5.2.1.2 Market Share

According to market research, notebook PC ODM/EMS companies in Taiwan accounted for 150 million units of notebook PCs in 2020, around 75% of total global shipment volume. This included 57.6 million units from Quanta, 45.7 million units from Compal, 19.9 million units from Wistron, 16.8 million units from Inventec and 10.1 million units from Pegatron. Notebook PCs manufactured by Pegatron accounted for 5.05% of worldwide volume.

5.2.1.3 Market Demand, Supply and Growth

In order to expand market shares, customers depend more on suppliers to shorten time to market for computing, consumer electronics and communication products, and meanwhile suppliers are also developing and offering more service categories. Currently, more international brand customers outsource products to ODM/EMS companies, whom, apart from manufacturing, can also provide extensive services for logistics and after sale services. With capabilities in cost control, advantages in manufacturing skills, production flexibility, and experience in logistics, innovative research, marketing and management, ODM/EMS companies in Taiwan have the competitive edge in the industry. In addition, with highly vertical integrated capabilities, efficient product design and production flexibilities, ODM/EMS companies in Taiwan can provide services to customers that differ from other EMS and OEM companies located elsewhere.

Looking forward to 2021, demand from remote working shall continue and drives momentum of consumer type of notebook. Online learning and promotion of cloud education system by the government shall stimulate next wave of Chromebook growth.

Nevertheless, component shortage may dampen the overall notebook shipment. As for the outlook of mobile devices, despite smartphone volume slowing down in the developed countries, major product innovation leveraging 5G technologies and its applications will help stimulate another wave of replacement cycle. With IoT industry gradually maturing and demand of IoT devices substantially increasing, there will be various applications for consumer electronics segment such as smart home devices, wearable devices, auto electronics, Internet of Vehicles, etc. to boost market demand. In a broader perspective, concerns such as trade dispute between US and China, key component shortage and the status of pandemic may further fuel uncertainty over end demand and more time is required to monitor the volatility in the market.

5.2.1.4 Competitive Advantages

a. Experienced R&D Team

In addition to R&D Center within the Company, there are also designated research and development engineers in each product category. As of the date of this annual report, total research and development engineers reached 7,221. The leading research and development engineers in each product development have more than 15 years of experience in the relevant fields.

b. Comprehensive Manufacturing Locations

Suzhou, Shanghai, Kunshan and Chongqing in China, Juarez in Mexico, Ostrava in the Czech Republic, Indonesia, Vietnam, India and Taoyuan and Xindian in Taiwan to fulfill the needs of global customers at different regions.

c. Diversified Product Portfolio and Customer Based

The Company emphasizes on design capabilities, manufacturing excellence and service quality, and our major customers are well known global brand companies in the computing, communication and consumer electronics markets. In addition to our diversified product portfolio, the Company also has in-depth knowledge of the products to provide services to various types of customers.

d. Global Logistics Capabilities

The Company has manufacturing sites and service & repair stations across Europe, North America, Australia and Asia. One of the most important advantages of Pegatron is the effective management of global logistics based on the long-term experience providing prompt services across different time zones to meet customers' needs.

e. Professional Management Team

The management team consists of highly regarded senior professionals in the industry with more than 20 years of experience in the founding and managing of Asustek. One of the essential factors to the Company's sound development is the

unspoken consensus and successful collaboration among the members of the management team after the long-term and stable working relationship.

f. Innovation Capabilities

With outstanding design capabilities and effective manufacturing capacity, the Company is able to design products based on customers' requirements and shorten products' time to market. The Company has in-depth study of special material and is able to offer various selections of material with a cost effective options. The industrial design team, after years of experience, has won numerous international awards. It is evident that the capability of producing innovative designs is one of the core competitive advantages of the Company.

g. Comprehensive Vertical Integration

We are dedicated in the development of vertical integration. With our capabilities and know-how in working with a wide range of materials, from traditional metal stamping and plastic injection to newer light metal technologies, we are able to fulfill our customers' diverse needs and product design requirements and enhance our ability to offer competitive one-stop-shopping solutions. Our focus on vertical integration will continue to translate into larger cost advantages and shorter time-to-market to help us win new manufacturing mandates from major OEM/brand customers.

5.2.1.5 Advantages, Disadvantages and its Responsive Strategies

Advantages

a. Strong marketing attraction for fully the developed electronics industry in Taiwan

The computing industry in Taiwan experienced numerous transformations and has fully developed over time. With the evenly developed industry and excellent collaboration among each supply chain, the computing industry in Taiwan is a strong marketing attraction and has become the global procurement center for computer, consumer electronic and communication products.

b. Matured electronics components industry and stable supply of key components in Taiwan

In the recent years, key components, such as chipset and PCB and other electronic products have become more competitive at the global level. Comprehensive development of the component industry is one of the key factors for the prosperity of the electronics industry in Taiwan.

c. Integration of software and hardware systems help create growth momentum in the electronics industry

In addition to the excellent capability in hardware design, the Company strives to

provide integrated solutions to customers by continuously investing in research and development of key technologies in hardware and software design as well as its applicable operating systems. With the capabilities in software and hardware integration, the Company is able to tap into this trend and turn the opportunities into a growth momentum.

d. Excellent capabilities in research & development and innovative industrial design

The Company has an excellent research and development team, whom is fully dedicated to product development and innovative industrial design. As a result, the Company is able to launch new models before its peer companies. In addition to the corporate perspective technology office, there are also designated R&D units within each business unit, which helps shorten production cycle and keep the Company a step ahead of its peer companies in this competitive environment.

e. Comprehensive after sales service network

The Company provides consistent after sales services and quality assurance to global customers via service & repair stations across Europe, America, Australia and Asia.

Disadvantages

a. Declined gross margin due to severe pricing competition

The competition in the computing industry is intense due to the low entry barrier that attracts a large number of competitors. Furthermore, with the products becoming more matured over time, product supply has been higher than its demand. Product differentiation has also gradually diminished, which may also lead to a decline of gross margin.

b. Profit margin impact by fluctuation of foreign exchange rates

Most of the Company's products are exported and is highly exposed to the fluctuation of foreign exchange rates which may have direct impact to the Company's profit margin.

c. Increase of manufacturing costs by potential labor shortage and higher acquisition cost of land

The Company has increased the usage of automation for majority of products in an effort to reduce the reliance on labors. However, certain manufacturing processes are still conducted manually. As the issues of labor shortage gradually surfaced over recent years, labor compensation has increased dramatically, which increases the manufacturing cost and affects the Company's competitiveness in the global market.

Responsive Strategies

- a. Enhance research and development capability and manufacture high value-added products.
- b. Enforce cost control and inventory management, and maximize production efficiency by increasing automation.
- c. Maximize the hedging effect by balancing the position in foreign and local currencies.
- d. Invest in automation equipment to reduce the reliance on labor and improve product quality.
- e. Allocate labors across manufacturing sites appropriately and minimize the impact of labor shortage.
- f. Adjust global manufacturing footprint, reduce impact from trade dispute and improve overall production efficiency.

5.2.2 Application of Major Products

a. Computing Products

Notebook PCs, desktop PCs and other information electronic products that are mainly used for word processing, information management, typesetting, industrial design, presentation, statistical analysis, multimedia application, etc.

b. Communication Products

Communication products can be used for individual communication, internet communication, wire and wireless internet access.

c. Consumer Electronics Products

Products that can be used for entertainment and smart home connectivity, such as tablets, game consoles, smart home security systems, etc.

5.2.3 Supply of Major Material

Major Raw Materials	Source of Supply	Supply Situation
Chipset	X Company 、R Company	Stable
System Module	X Company 、Q Company	Stable
Display	X Company 、J Company 、Z Company	Stable
Mechanical Parts	X Company 、T Company 、K Company	Stable
IC	X Company 、M Company 、N Company	Stable

Note: Partial major materials are purchased by major customers and resell to the Company for manufacturing and system assembly. Therefore, partial source of supply is from major customers.

5.2.4 Major Customers with over 10% Net Sales and Suppliers with over 10% Net Purchases of the Last Two Fiscal Years

5.2.4.1 Major Suppliers of the Last Two Fiscal Years

Unit: NT\$ thousands

Item	2019				2020			
	Company Name	Amount	%	Relation with Issuer	Company Name	Amount	%	Relation with Issuer
1	X Company (Note1)	576,249,476	50.02	None	X Company (Note1)	659,060,909	50.50	None
2	Z Company (Note 1)	86,045,169	7.47	Shareholder	J Company (Note 1)	108,805,107	8.34	None
3	U Company (Note 1)	37,526,129	3.26	None	Z Company (Note 1)	65,585,199	5.02	Shareholder
	Others	452,127,675	39.25	-	Others	471,747,208	36.14	-
	Net Total Purchases	1,151,948,449	100.00	-	Net Total Purchases	1,305,198,423	100.00	-

Note 1: In 2019 and 2020., the Company purchased (raw) material via major customers.

Note 2: Increase and decrease of the amount was due to business demand.

5.2.4.2 Major Customers of the Last Two Fiscal Years

Unit: NT\$ thousands

Item	2019				2020			
	Company Name	Amount	%	Relation with Issuer	Company Name	Amount	%	Relation with Issuer
1	A Company	828,174,033	60.61	None	A Company	853,146,423	60.97	None
2	B Company	106,817,483	7.82	Shareholder	B Company	164,480,895	11.75	None
	Others	431,295,810	31.57	-	Others	381,705,588	27.28	-
	Net Total Sales	1,366,287,326	100.00	-	Net Total Sales	1,399,332,906	100.00	-

Note: Increase and decrease of the amount was due to business demand.

5.2.5 Production/Sales Quantities and Value over the Past Two Years

Unit: thousands; NT\$ thousands

Output Major Products (or by departments)	Year	2019			2020		
		Capacity	Quantity	Amount	Capacity	Quantity	Amount
3C Products		5,045	3,804	9,416,811	13,404	9,875	12,344,859
Others		-	-	16,671,718	-	-	20,316,608
Total		5,045	3,804	26,088,529	13,404	9,875	32,661,467

Note: Based on Pegatron Corporation only. For information of other listed subsidiaries, please refer to their annual reports.

5.2.6 Sales Quantities and Value of the Last Two Years

Unit: thousands; NT\$ thousands

Shipments & Sales Major Products	Year	2019				2020			
		Domestic		Export		Domestic		Export	
		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
3C Products		10,874	118,674,065	192,159	1,101,867,097	10,041	92,444,051	170,127	1,112,447,542
Others		-	2,596,140	-	41,695,583	-	1,525,830	-	40,364,082
Total		10,874	121,270,205	192,159	1,143,562,680	10,041	93,969,881	170,127	1,152,811,624

Note: Based on Pegatron Corporation only. For information of other listed subsidiaries, please refer to their annual reports.

5.3 Status of Employees

Status of employees over the past two years and up to the date of the report

Year		2019	2020	As of 03/15/2021
Number of Employees	Others	3,554	4,199	4,284
	R&D	4,067	3,963	3,939
	Total	7,621	8,162	8,223
Average Age		36.6	36.9	37.0
Average Years of Service		7.2	7.2	7.2
Education	Ph.D.	0.24%	0.25%	0.26%
	Masters	37.93%	35.59%	35.07%
	Bachelor's Degree	53.98%	55.38%	55.54%
	Senior High School	7.09%	7.95%	8.29%
	Below Senior High School	0.76%	0.83%	0.84%

Note: Based on Pegatron Corporation only. For information of other listed subsidiaries, please refer to their annual report.

5.4 Expenditure on Environmental Protection

Total amount of loss (including penalty and violation of environmental laws and regulations) paid for environmental pollution and stated any responsive actions and potential expenditure

In 2019 and as of the date of this annual report, the Company was in accordance with environmental legislation and did not incur any loss or receive any penalty for major environmental pollution. Environmental aspects are identified and managed under an environmental management system. The management system is certified according to the international standard ISO14001 (Environmental Management System). There are designated personnel within the company who are in charge of environmental protection in compliance with the legal requirements. Waste clearance and disposal, wastewater management, environmental measurement and chemicals management have been conducted and controlled according to management procedures. Besides, we entrust the 3rd parties to measure the concentration of the emissions and discharges to eliminate environmental pollution and ensure its compliance with relevant legal regulations. In order to meet the international regulations and customer requirements, the company implements IECQ QC 080000 (Hazardous Substances Process Management System) to ensure the compliance of its products. Suppliers are requested to sign statements, provide material testing reports and guarantee that their products do not contain any environmental hazardous substance. Our major expenditure on environmental protection includes the costs of pollution control, waste disposal, environmental monitoring, inspections of hazardous chemicals on products, environmental management system certification, hiring of dedicated professionals, environmental trainings and the relevant activities.

5.5 Employee Relations

5.5.1 Employee's Welfare and Benefit

a. Employee welfare and benefit

Employee welfare and benefit are provided by both the Company and Pegatron Employee Welfare Committee. Corporate benefit program offered to employees include group insurance, travel insurance on business trips, meal subsidies, year-end bonus, performance bonus, etc., while benefit from Pegatron Employee Welfare Committee includes social clubs, family outlining, company group outlining, bonuses for three major festivals and different subsidies such as marriage, funeral, scholarship, etc. The details of welfare and benefit will be announced through announcement, company website, and email.

b. Training program

We place great emphasis on career planning and talent development for employees by encouraging employees to attend internal and external training programs. Internal

training programs include courses for core competency and professional competency development to enhance employees' capabilities, while external training programs include seminars or conferences organized by external parties that provide excellent training opportunities for employees. We have around 97,000 training hours in 2020. The average training hour is above 15 hours per employee.

Resources of Learning	Description
New employee orientation	<ul style="list-style-type: none"> Corporate introduction, corporate culture, and online orientation programs, HSF, and Occupational Safety & Health Programs are included to help new employees know about Pegatron and adapt to the new work environment In order to help new employee be familiar with the environment and the internal procedures quickly, each new employee may have one mentor
Core competency training	We plan training programs of each level's employees which are based on competencies.
Management training	We plan management training programs such as new manager orientation which is based on roles and responsibilities of supervisors.
Professional competency training	Each unit plans professional competency training programs which are based on needs of professional knowledge and skills.
Train the trainer training	In order to pass down the internal knowledge, train the trainer training is held regularly every year. And both of e-learning and classroom training's instructor are included.
Pega e-library	Offers employees over one thousand books to borrow and read.

c. Retirement system

Pegatron's retirement policy is in accordance with the provisions in the Labor Standards Law and Labor Pension Act of the Republic of China.

d. Employee rights

The Company always emphasizes employee benefits as well as harmonious labor relations, and we highly value employees' opinions and feedbacks, which can be submitted via employee mailbox, conferences and emails. Employees can fully express their opinions, raising any labor issues to promote and maintain a positive labor relationship.

e. Employees code of conduct

Pursuing sustainable corporate development and embracing integrity is our highest guiding principle, and the Company has established Business Ethic Guidelines. Based on the Business Ethic Guideline, employees are required to strictly follow the moral standards and advocate honesty, integrity and confidentiality to protect the rights of the Company and shareholders and enhance the Company's competitiveness.

5.5.2 Any current or potential loss resulting from labor disputes and prevention actions for the past year and as of the date of this annual report.

There have not been any material losses resulting from major labor disputes for the past year and as of the date of this annual report.

5.6 Important Contracts

As of 03/15/2021

Agreement	Counterparty	Period	Major Contents	Restrictions
Appointment Agreement	ABeam Consulting Ltd	03/28/2008 ~ to date	SAP system development and migration	Should ABeam not complete the work specified in the contract, the Company is entitled to cancel the contract and request for punitive damage as well as other compensation, provided ABeam is solely responsible for not completing the work as scheduled.
Software Purchase Agreement	NEC Taiwan Ltd	03/07/2012 ~ to date	Purchase of SAP software	None
License Agreement	SAP Taiwan Co., Ltd.	03/07/2012 ~ to date	License of SAP software	None
Lease Agreement	TUNG WEI CONSTRUCTION CO., LTD	10/16/2020 ~ 12/31/2025	Lease the building from TUNG WEI as the factory.	None
Lease Agreement	Koo Foundation Sun Yat-Sen Cancer Center	01/01/2020~ 12/31/2027	Lease the building from Koo Foundation as the office	None
Real Estate Purchase Agreement	Dijiya Energy Saving Technology Inc.	03/27/2020	Purchase the building and land from DIJIYA	None
Software Purchase Agreement	Acer e-Enabling Service Business Inc.	12/1/2019 ~ 11/30/2022	Purchase of Microsoft operating system and the related software	None
License Agreement	Microsoft Ireland Operations Limited.	12/1/2019 ~ 11/30/2022	License of Microsoft Office system and the related software	None
Construction Engineering Agreement	JONY AIR CONDITIONING ENGINEERING CO., LTD.	04/06/2020~ 07/30/2020	Reconstruction for the production lines in Taoyuan factory	None
Investment Agreement	PEGASUS ACE LIMITED, Casetek Holdings Limited	2020/8/13	Reverse Triangular Merger of Pegatron, PEGASUS ACE, and Casetek	None
Investment Agreement	China Renewable Energy Fund GP Pte. Ltd., Deutsche Asset Management (Hong Kong) Limited, and ARA Initial Limited	6/29/2018	Participate in China Renewable Energy Fund investment	None
Lease Agreement	Suzhou DTW Warehouse Co., Ltd.	1/1/2020~12/31/2020	Lease the hub for product storage	None

Note: Based on Pegatron Corporation only. For information of other listed subsidiaries, please refer to their annual report.

6. Financial Information

6.1 Five-Year Financial Summary

6.1.1 Condensed Consolidated Balance Sheet

Unit: NT\$ thousands

Year Item		Five-Year Financial Summary (Note)				
		2016	2017	2018	2019	2020
Current assets		364,225,586	395,398,572	482,805,097	475,833,911	582,130,864
Funds & Investments		362,909	503,718	246,423	256,093	351,450
Property, plant and equipment		66,860,809	78,075,271	87,605,762	80,248,760	83,385,274
Intangible assets		1,439,186	1,497,234	1,475,872	1,297,891	386,975
Other assets		11,056,743	12,760,824	12,217,461	12,883,138	18,092,046
Total assets		443,945,233	488,235,619	584,350,615	570,519,793	684,346,609
Current liabilities	Before Distribution	254,236,823	291,327,147	370,401,314	345,586,659	444,312,180
	After Distribution	267,110,739	301,781,799	379,542,893	357,335,222	Undistributed
Non-current liabilities		7,686,209	17,184,662	27,502,518	31,687,621	41,093,907
Total liabilities	Before Distribution	261,923,032	308,511,809	397,903,832	377,274,280	485,406,087
	After Distribution	274,796,948	318,966,461	407,045,411	389,022,843	Undistributed
Equity		148,269,590	145,975,738	150,028,838	157,665,062	162,594,581
Share capital		25,751,695	26,140,906	26,123,773	26,110,919	26,628,737
Capital surplus		78,214,259	79,897,751	80,676,330	81,052,101	83,008,347
Retained earnings	Before Distribution	48,104,750	49,976,468	51,627,273	61,799,379	69,970,357
	After Distribution	35,230,834	39,521,816	42,485,694	50,050,816	Undistributed
Other equity interest		(3,798,868)	(10,037,445)	(8,393,564)	(11,294,337)	(17,012,860)
Treasury stock		(2,246)	(1,942)	(4,974)	(3,000)	-
Non-controlling interests		33,752,611	33,748,072	36,417,945	35,580,451	36,345,941
Total Equity	Before Distribution	182,022,201	179,723,810	186,446,783	193,245,513	198,940,522
	After Distribution	169,148,285	169,269,158	177,305,204	181,496,950	Undistributed

Note: Above financial information has been audited by CPA.

6.1.2 Condensed Consolidated Statement of Comprehensive Income

Unit: NT\$ thousands

Item \ Year	Five-Year Financial Summary (Note)				
	2016	2017	2018	2019	2020
Operating revenues	1,157,710,113	1,193,808,515	1,340,002,031	1,366,287,326	1,399,332,906
Gross profit	63,067,117	46,669,889	40,768,545	45,105,358	49,604,249
Results from operating activities	32,413,969	18,998,696	11,930,623	16,906,266	19,062,736
Non-operating income and expenses	(3,334,299)	1,414,354	3,125,644	8,561,639	10,380,547
Profit before tax	29,079,670	20,413,050	15,056,267	25,467,905	29,443,283
Profit (loss) from continuing operations	22,137,392	16,014,772	11,116,099	18,284,108	22,419,552
Profit (loss) from discontinued operations	-	-	-	-	-
Profit (loss)	22,137,392	16,014,772	11,116,099	18,284,108	22,419,552
Other comprehensive income (after tax)	(8,421,469)	(5,878,122)	1,776,451	(4,023,062)	(4,814,250)
Comprehensive income	13,715,923	10,136,650	12,892,550	14,261,046	17,605,302
Profit (loss), attributable to owners of parent	19,339,815	14,682,988	11,114,866	19,317,741	20,207,598
Profit (loss), attributable to non-controlling interests	2,797,577	1,331,784	1,233	(1,033,633)	2,211,954
Comprehensive income, attributable to owners of parent	12,008,187	9,241,061	13,096,757	15,889,966	15,462,872
Comprehensive income, attributable to non-controlling interests	1,707,736	895,589	(204,207)	(1,628,920)	2,142,430
Basic earnings per share	7.05	5.66	4.25	7.40	7.73

Note: Above financial information has been audited by CPA.

6.1.3 Condensed Individual Balance Sheet

Unit: NT\$ thousands

Year Item		Five-Year Financial Summary (Note)				
		2016	2017	2018	2019	2020
Current assets		372,570,658	380,463,314	560,145,033	576,874,914	509,195,078
Funds & Investments		117,619,640	122,190,881	129,941,116	138,654,566	147,643,776
Property, plant and equipment		4,724,010	4,722,912	7,384,642	8,123,507	10,182,540
Intangible assets		184,050	316,961	293,045	143,655	92,409
Other assets		833,534	1,259,125	1,546,820	1,910,403	4,859,180
Total assets		495,931,892	508,953,193	699,310,656	725,707,045	671,972,983
Current liabilities	Before Distribution	344,696,528	355,933,994	534,208,466	547,410,312	481,384,680
	After Distribution	357,570,444	366,388,646	543,350,045	559,158,875	Undistributed
Non-current liabilities		2,965,774	7,043,461	15,073,352	20,631,671	27,993,722
Total liabilities	Before Distribution	347,662,302	362,977,455	549,281,818	568,041,983	509,378,402
	After Distribution	360,536,218	373,432,107	558,423,397	579,790,546	Undistributed
Equity		NA	NA	NA	NA	NA
Share capital		25,751,695	26,140,906	26,123,773	26,110,919	26,628,737
Capital surplus		78,214,259	79,897,751	80,676,330	81,052,101	83,008,347
Retained earnings	Before Distribution	48,104,750	49,976,468	51,627,273	61,799,379	69,970,357
	After Distribution	35,230,834	39,521,816	42,485,694	50,050,816	Undistributed
Other equity interest		(3,798,868)	(10,037,445)	(8,393,564)	(11,294,337)	(17,012,860)
Treasury stock		(2,246)	(1,942)	(4,974)	(3,000)	-
Non-controlling interests		NA	NA	NA	NA	NA
Total Equity	Before Distribution	148,269,590	145,975,738	150,028,838	157,665,062	162,594,581
	After Distribution	135,395,674	135,521,086	140,887,259	145,916,499	Undistributed

Note: Above financial information has been audited by CPA.

6.1.4 Condensed Individual Statement of Comprehensive Income

Unit: NT\$ thousands

Year Item	Five-Year Financial Summary (Note1)				
	2016	2017	2018	2019	2020
Operating revenues	1,008,096,787	1,080,574,995	1,234,333,298	1,264,832,885	1,246,781,505
Gross profit (Note 2)	26,868,971	18,787,939	17,785,437	24,130,535	18,045,943
Results from operating activities	12,121,369	6,304,079	5,163,823	11,715,347	4,537,702
Non-operating income and expenses	9,776,015	8,896,368	6,579,206	9,788,099	16,890,111
Profit before tax	21,897,384	15,200,447	11,743,029	21,503,446	21,427,813
Profit (loss) from continuing operations	19,339,815	14,682,988	11,114,866	19,317,741	20,207,598
Profit (loss) from discontinued operations	-	-	-	-	-
Profit (loss)	19,339,815	14,682,988	11,114,866	19,317,741	20,207,598
Other comprehensive income (after tax)	(7,331,628)	(5,441,927)	1,981,891	(3,427,775)	(4,744,726)
Comprehensive income	12,008,187	9,241,061	13,096,757	15,889,966	15,462,872
Profit (loss), attributable to owners of parent	NA	NA	NA	NA	NA
Profit (loss), attributable to non-controlling interests	NA	NA	NA	NA	NA
Comprehensive income, attributable to owners of parent	NA	NA	NA	NA	NA
Comprehensive income, attributable to non-controlling interests	NA	NA	NA	NA	NA
Basic earnings per share	7.50	5.66	4.25	7.40	7.73

Note 1: Above financial information has been audited by CPA.

Note 2: Gross profit included realized (unrealized) profits from affiliated companies.

6.1.5 Auditing by CPA from 2016 to 2020

Year	CPA Firm	CPA's Name	Auditing Opinion
2016	KPMG	Kuo-Yang Tseng & Chi-Lung Yu	Unqualified
2017	KPMG	Kuo-Yang Tseng & Chi-Lung Yu	Unqualified
2018	KPMG	Kuo-Yang Tseng & Chi-Lung Yu	Unqualified
2019	KPMG	Kuo-Yang Tseng & Chi-Lung Yu	Unqualified
2020	KPMG	Kuo-Yang Tseng & Chi-Lung Yu	Unqualified

6.2 Five-Year Financial Analysis

6.2.1 Consolidated Financial Analysis

Year (Note 1) Item (Note 2)		Five-Year Financial Analysis				
		2016	2017	2018	2019	2020
Capital structure (%)	Debt ratio	59.00	63.19	68.09	66.13	70.92
	Ratio of long-term capital to property, plant and equipment	279.01	248.06	240.79	274.47	281.19
Solvency	Current ratio (%)	143.26	135.72	130.35	137.69	131.01
	Quick ratio (%)	98.23	90.20	83.82	105.36	91.57
	Times interest earned (Times)	32.88	22.45	6.80	8.98	17.71
Operating ability	Accounts receivable turnover (Times)	10.65	9.69	7.62	6.69	6.47
	Average collection period	34.27	37.66	47.90	54.56	56.41
	Inventory turnover (Times)	9.23	9.44	8.55	9.25	9.48
	Accounts payable turnover (Times)	6.59	6.41	6.26	5.92	5.68
	Average days in sales	39.52	38.66	42.69	39.46	38.50
	Property, plant, and equipment turnover (Times)	17.32	15.29	15.30	17.03	16.78
	Total assets turnover (Times)	2.61	2.45	2.29	2.39	2.04
Profitability	Return on total assets (%)	4.98	3.61	2.46	3.61	3.79
	Return on stockholders' equity (%)	11.83	8.85	6.07	9.63	11.43
	Pretax profit to paid-in capital (%)	112.92	78.09	57.63	97.54	110.56
	Net profit margin (%)	1.91	1.34	0.83	1.34	1.60
	Basic earnings per share (\$)	7.50	5.66	4.25	7.40	7.73
Cash flow	Cash flow ratio (%)	28.25	6.46	(Note 3)	22.42	(Note 3)
	Cash flow adequacy ratio (%)	109.74	102.32	58.65	97.96	58.34
	Cash reinvestment ratio (%)	22.34	1.65	(Note 3)	21.58	(Note 3)
Leverage	Operating leverage	1.40	1.69	2.38	2.10	1.96
	Financial leverage	1.03	1.05	1.28	1.23	1.10

Analysis of financial ratio change in the last two years.

1. Times interest earned ratio: The ratio increased in 2020 due to the increase in gross profit and net income.
2. Cash flow ratio: The ratio decreased in 2020 due to the decrease in net cash inflow from operating activity.
3. Cash flow adequacy ratio: The ratio decreased in 2020 due to the decrease in net cash inflow from operating activity.
4. Cash reinvestment ratio: The ratio decreased in 2020 due to the decrease in net cash inflow from operating activity.

Note 1: Financial report of each year has been audited by CPA firm.

Note 2: Equations:

1. Capital Structure

(1) Debt ratio = Total liability / Total assets

(2) Ratio of long-term capital to property, plant and equipment = (Net shareholders' equity + Long-term liability) / Net property, plant and equipment

2. Solvency

(1) Current ratio: Current assets / current liability

(2) Quick ratio = (Current assets – Inventory – Prepaid expense) / current liability

(3) Times interest earned = Net income before tax and interest expense / Interest expense of the year

3. Operating ability

(1) Account receivable turnover (including accounts receivable and notes receivable derived from business

- operations) = Net sales / Average accounts receivable (including accounts receivable and notes receivable derived from business operation)
- (2) Days sales in accounts receivable = 365 / Account receivable turnover
- (3) Inventory turnover = Cost of goods sold / Average inventory amount
- (4) Account payable turnover (including accounts payable and notes payable derived from business operation) = Cost of goods sold / Average accounts payable (including accounts payable and notes payable derived from business operation)
- (5) Average days in sales = 365 / Inventory turnover
- (6) Fixed assets turnover = Net sales / Net fixed assets
- (7) Total assets turnover = Net sales / Total assets
4. Profitability
- (1) Return on assets = (Net income (loss) + interest expense x (1-tax rate)) / Average total assets
- (2) Return on shareholders' equity = Net income (loss) / Net average shareholders' equity
- (3) Return to issued capital stock = Net income before tax / Issued capital stock
- (4) Profit ratio = Net income (loss) / Net sales
- (5) Basic earnings per share = (Net income – preferred stock dividend) / Weighted average stock shares issued
5. Cash flow
- (1) Cash flow ratio = Net cash flow from operating activity / Current liability
- (2) Cash flow adequacy ratio = Net cash flow from operating activity in the past 5 years / (Capital expenditure + Inventory interest + Cash dividend) in the past 5 years
- (3) Cash + reinvestment ratio = (Net cash flow from operating activity – Cash dividend) / (Fixed assets + Long term investment + Other assets + Working capital)
6. Balance
- (1) Degree of operating leverage = (Net operating income – Variable operating cost and expense) / Operating income (note 6)
- (2) Degree of financial leverage = Operating income / (Operating income – interest expense)
- Note 3: The analysis of negative cash flow from operating activities is meaningless.

6.2.2 Individual Financial Analysis

Year (Note1) Item (Note 2)		Five-Year Financial Analysis				
		2016	2017	2018	2019	2020
Capital structure (%)	Debt ratio	70.10	71.32	78.55	78.27	75.80
	Ratio of long-term capital to property, plant and equipment	3,195.62	3,238.85	2,234.58	2,192.96	1,868.08
Solvency	Current ratio (%)	108.09	106.89	104.86	105.38	105.77
	Quick ratio (%)	99.72	96.95	95.45	99.60	98.18
	Times interest earned (Times)	45.46	28.56	8.20	13.48	26.42
Operating ability	Accounts receivable turnover (Times)	9.08	8.95	7.96	6.88	6.68
	Average collection period	40.20	40.78	45.85	53.05	54.64
	Inventory turnover (Times)	34.56	32.36	27.88	29.97	35.95
	Accounts payable turnover (Times)	3.99	3.55	3.25	2.72	2.89
	Average days in sales	10.56	11.28	13.09	12.18	10.15
	Property, plant, and equipment turnover (Times)	213.40	228.79	167.15	155.70	122.44
	Total assets turnover (Times)	2.03	2.12	1.77	1.74	1.85
Profitability	Return on total assets (%)	4.22	3.01	2.06	2.90	2.98
	Return on stockholders' equity (%)	12.95	9.98	7.51	12.56	12.61
	Pretax Profit to paid-in capital (%)	85.03	58.15	44.95	82.35	80.46
	Net profit margin (%)	1.92	1.36	0.90	1.53	1.62
	Basic earnings per share (\$)	7.50	5.66	4.25	7.40	7.73
Cash flow	Cash flow ratio (%)	15.86	(Note3)	(Note 3)	7.31	(Note 3)
	Cash flow adequacy ratio (%)	85.59	76.57	40.46	75.34	49.64
	Cash reinvestment ratio (%)	27.41	(Note3)	(Note 3)	17.21	(Note 3)
Leverage	Operating leverage	1.05	1.13	1.14	1.08	1.21
	Financial leverage	1.04	1.10	1.46	1.17	1.22

Analysis of financial ratio change in the last two years.

1. Times interest earned ratio: The ratio increased in 2020 due to the decrease in interest expense.
2. Property, plant, and equipment turnover (Times): The ratio decreased in 2020 due to the increase in net property, plant, and equipment.
3. Cash flow ratio: The ratio decreased in 2020 due to the decrease in net cash inflow from operating activity.
4. Cash flow adequacy ratio: The ratio decreased in 2020 due to the decrease in net cash inflow from operating activity.
5. Cash reinvestment ratio: The ratio decreased in 2020 due to the decrease in net cash inflow from operating activity.

Note 1: Financial report of each year has been audited by CPA firm.

Note 2: Equations:

1. Capital Structure

(1) Debt ratio = Total liability / Total assets

(2) Ratio of long-term capital to property, plant and equipment = (Net shareholders' equity + Long-term liability) / Net property, plant and equipment

2. Solvency

(1) Current ratio: Current assets / current liability

(2) Quick ratio = (Current assets – Inventory – Prepaid expense) / current liability

(3) Times interest earned = Net income before tax and interest expense / Interest expense of the year

3. Operating ability

(1) Account receivable turnover (including accounts receivable and notes receivable derived from business operations) = Net sales / Average accounts receivable (including accounts receivable and notes receivable derived from business operation)

(2) Days sales in accounts receivable = 365 / Account receivable turnover

(3) Inventory turnover = Cost of goods sold / Average inventory amount

(4) Account payable turnover (including accounts payable and notes payable derived from business operation) = Cost of goods sold / Average accounts payable (including accounts payable and notes payable derived from

business operation)

(5) Average days in sales = $365 / \text{Inventory turnover}$

(6) Fixed assets turnover = $\text{Net sales} / \text{Net fixed assets}$

(7) Total assets turnover = $\text{Net sales} / \text{Total assets}$

4. Profitability

(1) Return on assets = $(\text{Net income (loss)} + \text{interest expense} \times (1 - \text{tax rate})) / \text{Average total assets}$

(2) Return on shareholders' equity = $\text{Net income (loss)} / \text{Net average shareholders' equity}$

(3) Return to issued capital stock = $\text{Net income before tax} / \text{Issued capital stock}$

(4) Profit ratio = $\text{Net income (loss)} / \text{Net sales}$

(5) Basic earnings per share = $(\text{Net income} - \text{preferred stock dividend}) / \text{Weighted average stock shares issued}$

5. Cash flow

(1) Cash flow ratio = $\text{Net cash flow from operating activity} / \text{Current liability}$

(2) Cash flow adequacy ratio = $\text{Net cash flow from operating activity in the past 5 years} / (\text{Capital expenditure} + \text{Inventory interest} + \text{Cash dividend}) \text{ in the past 5 years}$

(3) Cash + reinvestment ratio = $(\text{Net cash flow from operating activity} - \text{Cash dividend}) / (\text{Fixed assets} + \text{Long term investment} + \text{Other assets} + \text{Working capital})$

6. Balance

(1) Degree of operating leverage = $(\text{Net operating income} - \text{Variable operating cost and expense}) / \text{Operating income (note 6)}$

(2) Degree of financial leverage = $\text{Operating income} / (\text{Operating income} - \text{interest expense})$

Note 3: The analysis of negative cash flow from operating activities is meaningless.

Pegatron Corporation

Audit Committee's Review Report

Date: March 25, 2021

The Board of Directors has prepared the Pegatron Corporation's ("the Company") 2020 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 requirement of the Company Law, we hereby submit this report.

Pegatron Corporation

Chairman of the Audit Committee: Mr. C.B. Chang

6.4 Consolidated Financial Statements of the Parent Company and Subsidiary in the Most Recent Year:

Please refer to Attachment I.

6.5 Non-Consolidated Financial Statements of the Most Recent Year:

Please refer to Attachment II.

6.6 Financial Difficulties Encountered By the Company and the Related Party in the Most Recent Year and Up to the Date of the Annual Report: None.

7. Review of Financial Position, Management Performance and Risk Management

7.1 Analysis of Financial Status – Consolidated

Unit: NT\$ thousands; %

Item \ Year	2019	2020	Difference	
			Amount	%
Current Assets	475,833,911	582,130,864	106,296,953	22.34%
Funds & Investments	256,093	351,450	95,357	37.24%
Property, plant and equipment	80,248,760	83,385,274	3,136,514	3.91%
Intangible Assets	1,297,891	386,975	(910,916)	(70.18%)
Other Assets	12,883,138	18,092,046	5,208,908	40.43%
Total Assets	570,519,793	684,346,609	113,826,816	19.95%
Current Liabilities	345,586,659	444,312,180	98,725,521	28.57%
Long-term Liabilities	27,015,293	35,538,015	8,522,722	31.55%
Other Liabilities	4,672,328	5,555,892	883,564	18.91%
Total Liabilities	377,274,280	485,406,087	108,131,807	28.66%
Capital stock	26,110,919	26,628,737	517,818	1.98%
Capital surplus	81,052,101	83,008,347	1,956,246	2.41%
Retained Earnings	61,799,379	69,970,357	8,170,978	13.22%
Other Adjustments	24,283,114	19,333,081	(4,950,033)	(20.38%)
Total Stockholders' Equity	193,245,513	198,940,522	5,695,009	2.95%
Analysis of changes in financial ratios:				
1. Current Assets: The increase is due to the increase of inventories and other current financial assets.				
2. Funds & Investments: The increase is due to the increase of unrealized gains on available-for-sale financial assets recognized under equity method.				
3. Intangible Assets: The decrease is due to the decrease of goodwill.				
4. Other Assets: The increase is due to the increase of other non-current financial assets.				
5. Current Liabilities: The increase is due to the increase of short-term loans and accounts payable.				
6. Long-term Liabilities: The increase is due to the increase of long-term loans and issuance of corporate bonds.				
7. Total Liabilities: The increase is due to the increase of current liabilities and long-term liabilities.				
8. Other Adjustments: The decrease is due to the decrease of other equity interest.				

- **Effect of change on financial condition:**

No significant changes on the Company's financial condition.

- **Future response actions:** Not applicable.

7.2 Analysis of Operating Results - Consolidated

Unit: NT\$ thousands; %

Item \ Year	2019	2020	Difference	
			Amount	%
Net Sales	1,366,287,326	1,399,332,906	33,045,580	2.42%
Cost of Sales	1,321,181,968	1,349,728,657	28,546,689	2.16%
Gross Profit	45,105,358	49,604,249	4,498,891	9.97%
Operating Expense	28,199,092	30,541,513	2,342,421	8.31%
Results from operating activities	16,906,266	19,062,736	2,156,470	12.76%
Non-operating Income and Expenses	8,561,639	10,380,547	1,818,908	21.24%
Profit Before Tax	25,467,905	29,443,283	3,975,378	15.61%
Income Tax Expense	7,183,797	7,023,731	(160,066)	(2.23%)
Profit for the year	18,284,108	22,419,552	4,135,444	22.62%
Other Comprehensive Income	(4,023,062)	(4,814,250)	(791,188)	19.67%
Total Comprehensive Income	14,261,046	17,605,302	3,344,256	23.45%
Analysis of changes in financial ratios:				
1. Non-operating Income and Expense: The increase is due to the decrease of finance costs.				
2. Profit for the year: The increase is due to the increase of gross profit, non-operating Income and expense.				
3. Total comprehensive income: The increase is due to the increase in profit for the year.				

7.3 Analysis of Cash Flow

7.3.1 Cash Flow Analysis for the Current Year – Consolidated

Unit: NT\$ thousands; %

Item \ Year	2019	2020	Difference	
			Amount	%
Cash flows from operating activities	77,478,014	(29,409,575)	(106,887,589)	137.96
Cash flows from investing activities	(9,615,718)	(22,267,532)	(12,651,814)	131.57
Cash flows from financing activities	(25,662,841)	36,347,912	62,010,753	241.64
Analysis of changes in financial ratios:				
1. Cash flows from operating activities: The decrease in cash flow was due to increased inventory as compared to the previous year.				
2. Cash flows from investing activities: The decrease was due to increased acquisition of property, plant and equipment as compared to the previous year.				
3. Cash flows from financing activities: The increase was due to increased short-term debt as compared to the previous year.				

7.3.2 Remedy for Cash Deficit and Liquidity Analysis:

In light of positive cash flows, remedial actions are not required.

7.3.3 Cash Flow Analysis for the Coming Year: Not applicable.

7.4 Major Capital Expenditure Items: None.

7.5 Investment Policy in the Last year, Main Causes for Profits or Losses, Improvement Plans and the Investment Plans for the Coming Year

The Company's long-term investment accounted under the equity method is mostly for strategic purposes. In 2020, the investment income under equity method reached NT\$14,821,890 thousand dollars, which increase by 30.8% as compared to the previous year. The growth was due to order increasing from customers and operation improvement in 2020. In addition, in response to the challenges in rapidly changing global markets and industries, our group is devoting efforts to resource integration and refocus so as to reinforce our competitive advantages and to improve the operational performance. The board of directors approved to acquire the outstanding shares of Casetek Holdings Limited on August 13th, 2020, As a result of the Merger, Casetek Holdings Limited will become a wholly-owned subsidiary of Pegatron and cessation of its status as a public company in Taiwan on January 15th, 2021. For future investment, the Company will continue focusing on strategic purpose and carefully assessing the financial risks and its return in order to maximize the value for the Company.

7.6 Analysis of Risk Management

7.6.1 Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation of Corporate Finance, and Future Response Measures

(1) Interest Rate

The Company's interest rate risks mainly arise from the short-term loans made from banks and the short-term capital management for working capital needs. In order to reduce the risks of interest rates, especially relating to bank loans, the Company contacts banks on the regular basis, studies the trend of interest rate and negotiates for the best interest rate for the Company. We also issued NT\$8.5 billion unsecured corporate bonds in order to lock in long term funding cost. As for short-term capital management, the Company mainly invests in financial instruments of fixed deposit, which not only secures the capital but also reduces associated risks.

(2) Foreign Exchange Rate

The Company adopts a prudent approach towards foreign exchange strategy. Since the Company's sales and purchases are denominated mainly in US dollars, the risks are naturally hedged. However, significant changes in foreign exchange rate may cause adverse impact to the financial conditions of the Company (i.e. the depreciation of USD), the responsive measures to potential foreign exchange risk are taken as follows:

- a. Collecting market information for analysis and risk evaluation, contacting banks on a regular basis to be fully aware of the trend of foreign exchange rate, and adjusting financial positions in foreign currency when necessary.
- b. Securing reasonable profits by taking foreign exchange into consideration when providing quotations for sales.

(3) Inflation

According to the statistics released by the Directorate-General of Budget, Accounting and Statistics, Executive Yuan, the consumer price index and wholesale price index decreased by 0.23% and decreased by 7.77% respectively in 2020, which represented no inflation and did not have material impact on the Company's financial conditions in 2020. The Company observes the changes of market price at all times and adjusts selling price or inventory levels when necessary.

7.6.2 Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-Risk, High-Leverage Investment, Loaning or Endorsement Guarantees and Derivatives Transactions

(1) High-Risk, High-Leverage Investment

In 2020 and as of the date of this annual report, the Company has not conducted any high-risk and/or high-leverage investment.

(2) Loaning or Endorsement Guarantees

The Company conducts loaning or endorsement guarantees according to the internal policy "Procedures for Loaning of Funds and Making of Endorsements / Guarantees".

Procedures and risk evaluation are conducted in accordance with this policy.

(3) Derivatives Transactions

The Company did not conduct any derivative transactions in 2020. Shall such needs arise due to business operation, the transaction will be processed in accordance with the Company's internal policy "Procedures for the Acquisition and Disposal of Assets". The derivative transactions conducted by the Company's subsidiaries are for hedging purpose. For non-hedging transactions, subsidiaries will handle cautiously.

7.6.3 Future Research & Development Projects and Corresponding Budget

The Company focuses on the development of products that are integrated with high added value based on the Company's product roadmap. Going forward, it is estimated that around NT\$11 billion will be spent on product research and development and pursuing leading position in core business by controlling factors such as talent, capital, technology, etc.

7.6.4 Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales

The Company complies with regulations associating with corporate governance, company law, security law and other important sources of regulations. In addition, the Company also monitors material changes in governing regulations and laws and be fully aware of the changes in the markets. In 2020 and as of the date of this annual report, there were no such risks to the Company.

7.6.5 Effects of and Response to Changes in Technology and in Industry Relating to Corporate Finance and Sales

The Company pays attention to the changes in technologies and in industry at all time so as to be fully aware of the market trend and evaluate any potential impact on the operations of the Company. No material changes of technologies have brought any adverse impact to the financial conditions of the Company.

The Company established an information security management organization to identify and control information security risks to protect information assets from various security threats. Currently, the risks identified are under control and no material impact to business operation.

7.6.6 The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures

Since the date of incorporation, the Company has been having a positive corporate image and complying with relevant laws and regulations. In 2020 and as of the date of

this annual report, there were no such risks for the Company.

7.6.7 Expected Benefits and Risks Relating to and Response to Merger and Acquisition Plans

In 2020 and as of the date of this annual report, the Company did not have any plans for mergers and acquisitions and there were no such risks for the Company.

7.6.8 Expected Benefits and Risks Relating to and Response to Factory Expansion Plans

The Company takes factors such as global economy, industry outlook, market demand and customers' order forecast into consideration when planning factory and capacity expansion. In 2020 and as of the date of this annual report, the benefits of expansion plan meet the Company's expectation.

7.6.9 Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration

The Company's core business is design, manufacturing and services of 3C products, and according to the industry practice, the Company tends to purchase raw material and sell the finished goods to the same party.

a. Source of Purchase

Per ODM/EMS industry practice, major customers, in order to control product quality and reduce cost of key components, will request the Company to purchase key components from specific supplier(s) and sell back to the customer after assembly. Therefore, purchase of material and sales of finished goods are concentrated to specific customer(s). The Company maintains more than two qualified raw material suppliers to ensure supply flexibility and pricing advantages so as to achieve cost reduction. In conclusion, The Company does not have risks associating with excessive concentration of supply.

b. Sales of Products

The Company continues engaging new customers, enhancing technologies and improving manufacturing process. In addition to existing customers, the Company endeavors to expand customer portfolio, develop new products to meet the versatile market demands and reduce concentration risks.

7.6.10 Effects of Risks Relating to and Response to Large Share Transfer or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholding of over 10%

The value of Pegatron shareholders' investment may be reduced by possible future

sales of Pegatron shares by the major shareholders.

As of the date of this annual report, Asustek Computer Inc. owns around 16.84% of Pegatron total outstanding shares. Asustek has reiterated its intention to gradually and orderly reduce its equity interest in Pegatron. Pegatron will work closely with Asustek to complete their contemplated disposals of Pegatron shares in a way that would minimize the negative impact on the price of Pegatron shares and other shareholders.

7.6.11 Effects of Risks Relating to and Response to Changes in Control over the Company

By the end of 2009, the Company was owned 100% by Asustek and the shareholding reduced dramatically after the spin-off plan in 2010. The operation of the Company has become more transparent after the spin-off and acceptable by customers, which is considered a positive factor in business development. In addition, the Company has formed a management team to manage the Company's operation and does not have risks associating with the changes in control over the Company.

7.6.12 Litigation or Non-litigation Matters

In 2020 and as of the date of this annual report, the Company did not engage in litigation or non-litigation matters that had significant impacts on shareholders' right or security prices. For litigation or non-litigation matter for major shareholder with 10% or more holding (as of the date of this annual report, Asustek Computer Inc. is the only shareholder with more than 10% of shareholding), please refer to the major shareholder's annual report.

7.7 Other Major Risks

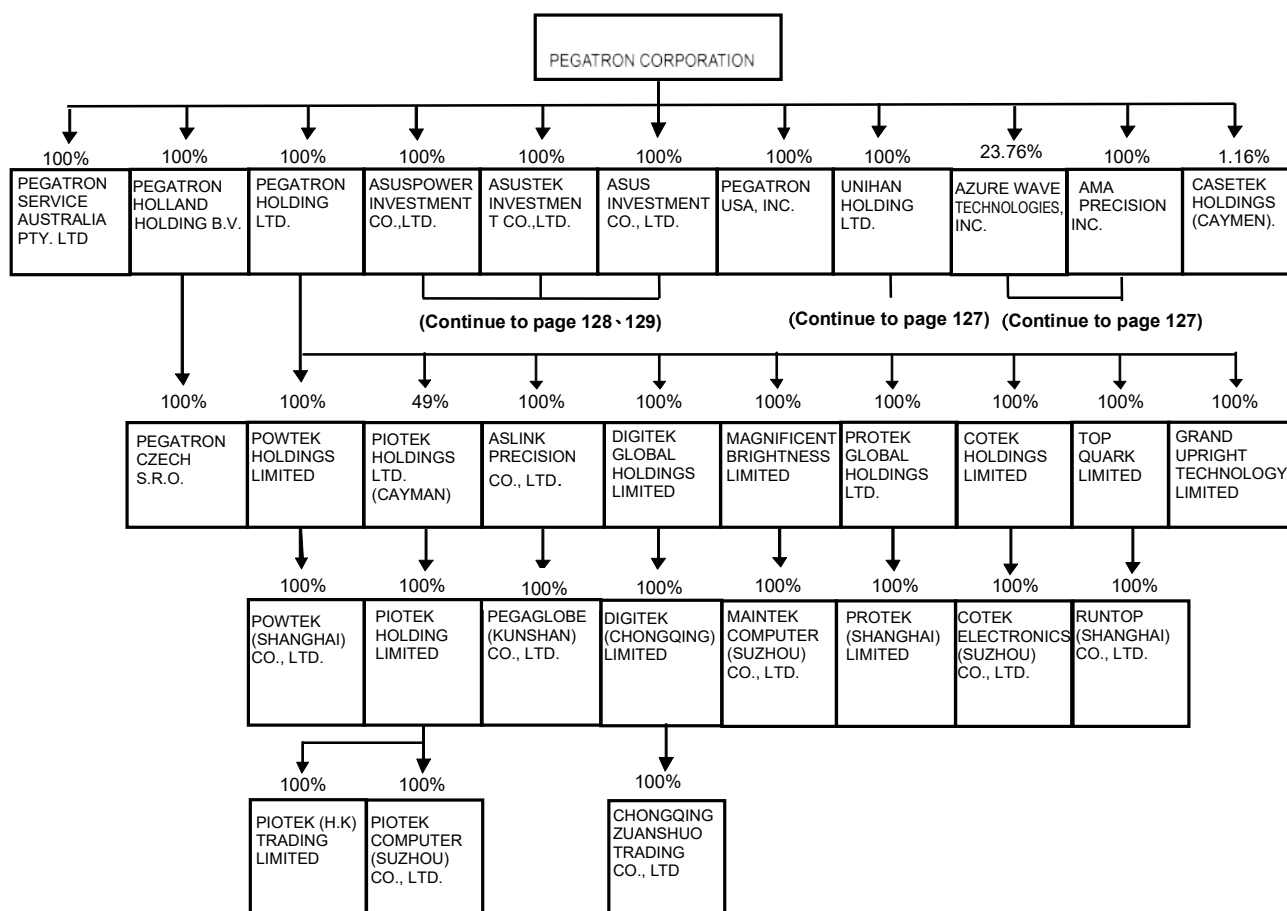
In 2020 and as of the date of this annual report, the Company did not have any other major risks.

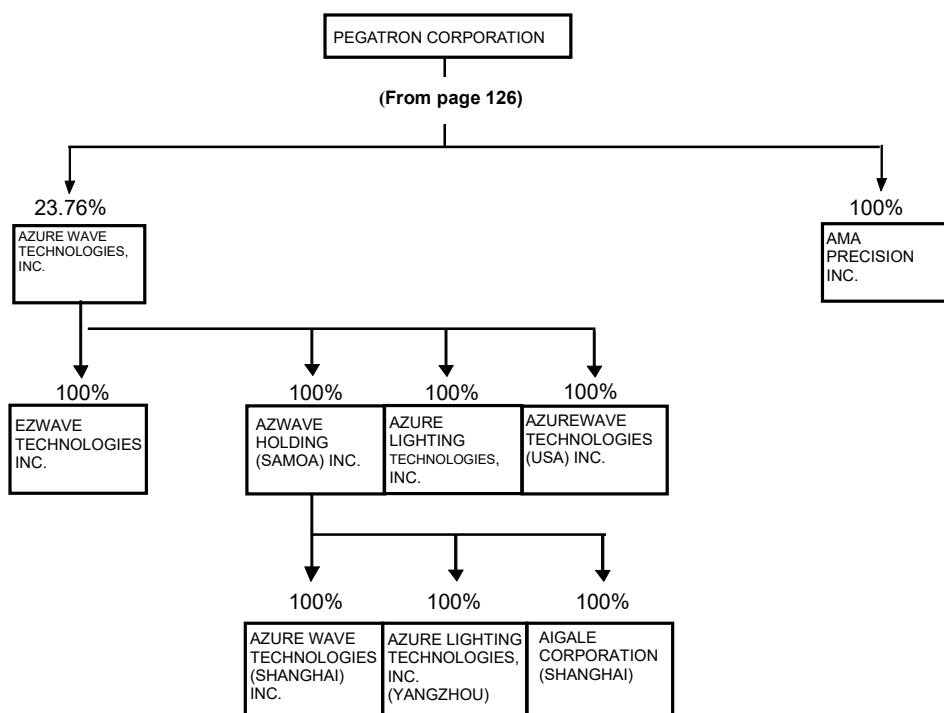
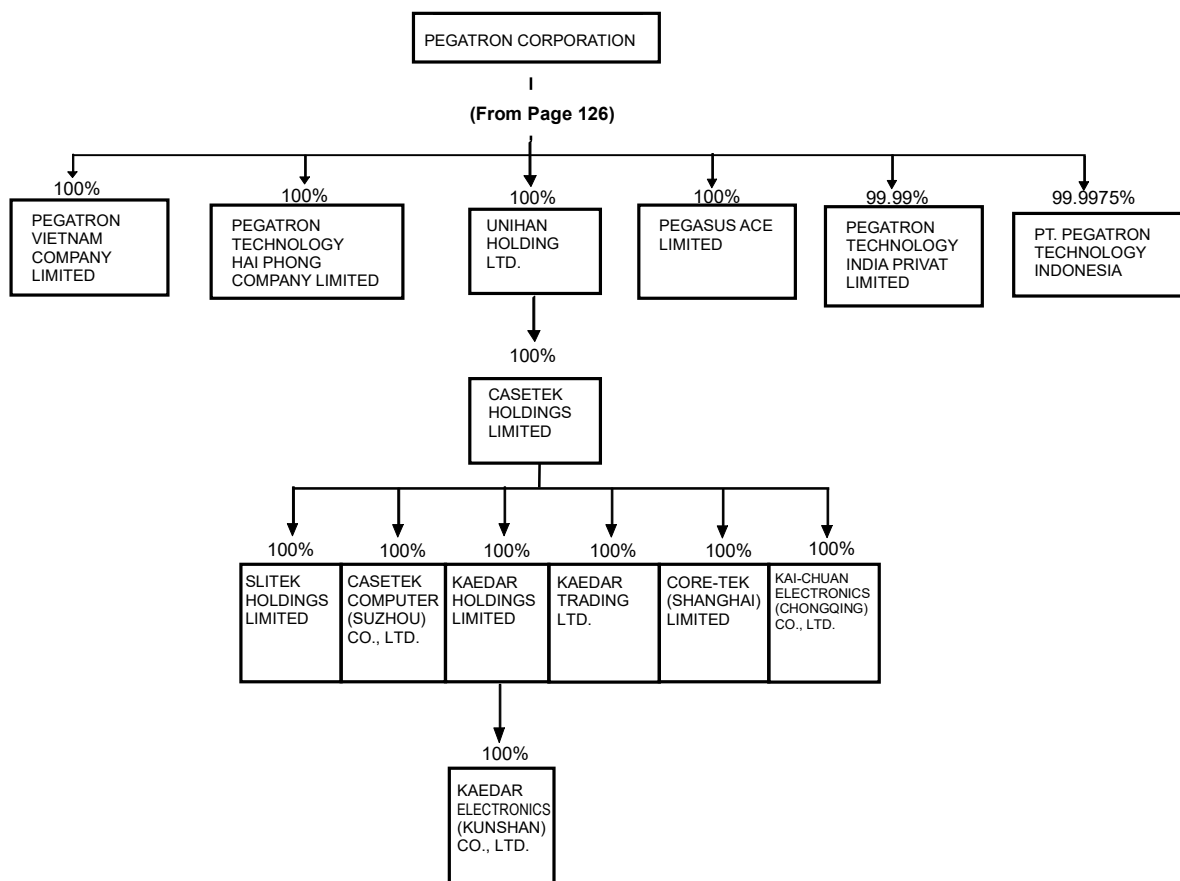
8. Other Special Notes

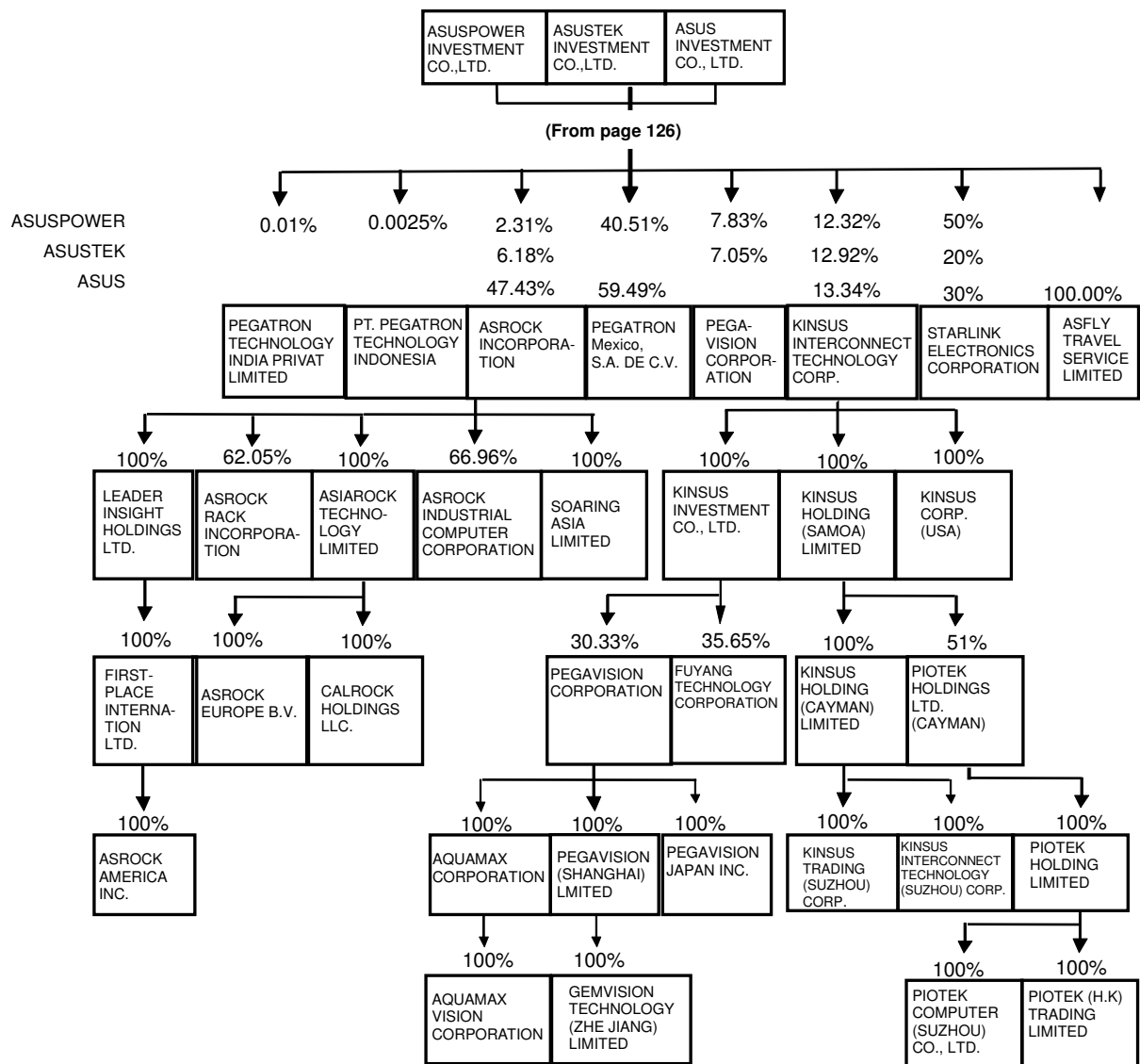
8.1 Summary of Affiliated Companies

8.1.1 Affiliated Companies Chart

As of 12/31/2020

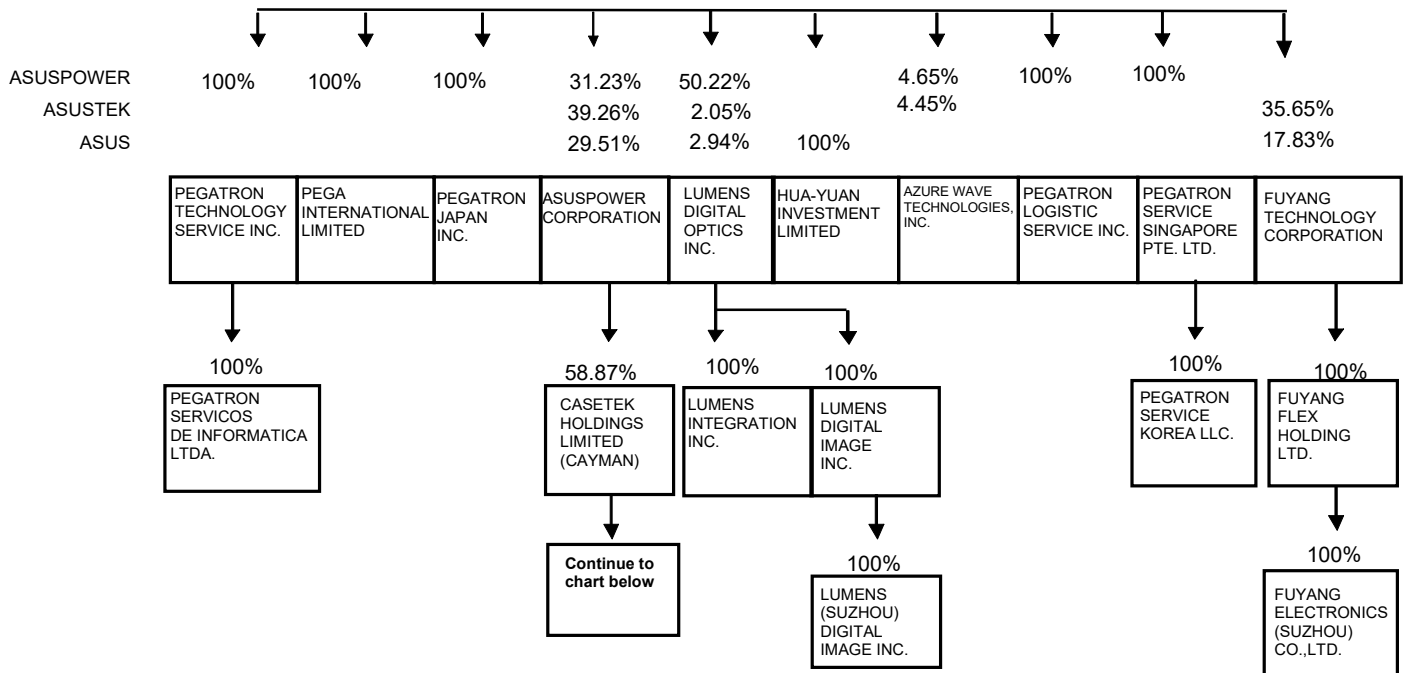


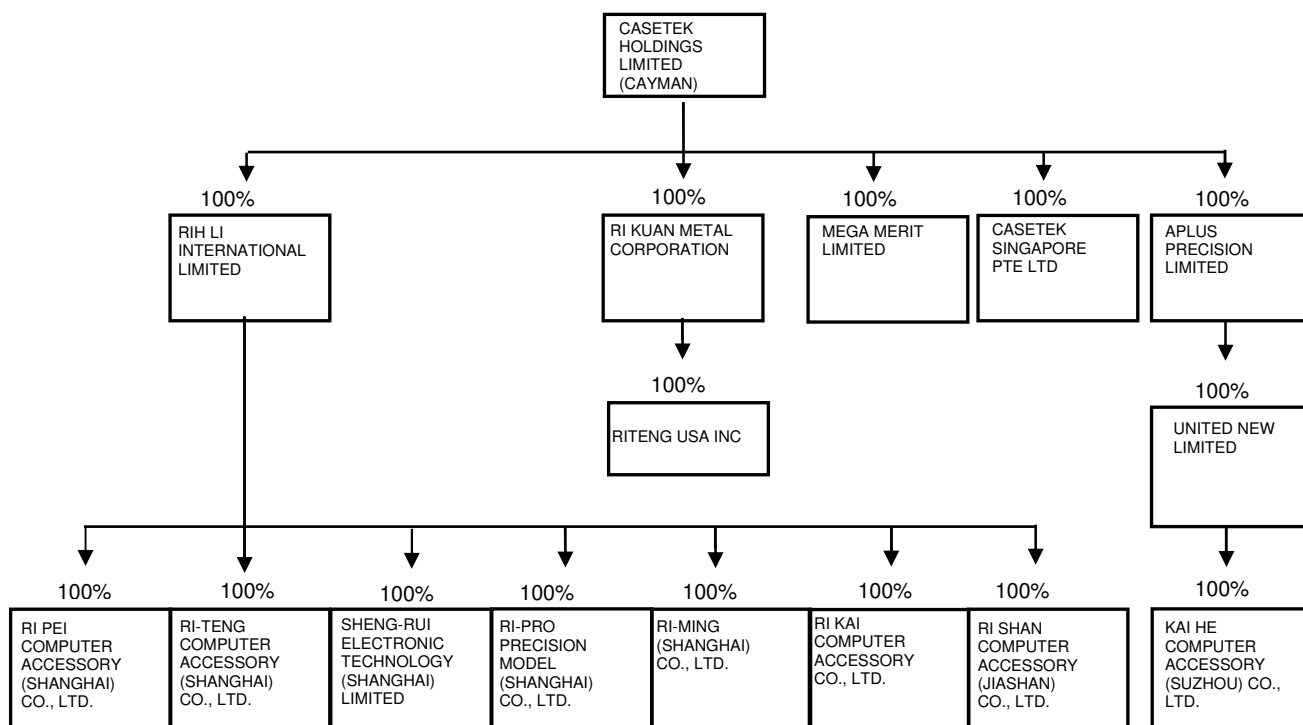






(From page 126)





8.1.2 Business Scope of Pegatron and Its Affiliated Companies

Pegatron's affiliates support the Company's core business in providing design, manufacturing and services (DMS) of computing, consumer electronics and communication products. Some of Pegatron's affiliated companies are focused on investing in related companies in the industry. Pegatron and its affiliates provide mutual support in technology, capacity and services to maximize synergy within the group, enabling Pegatron to provide its customers with the most complete and comprehensive services.

8.2 Private Placement Securities in the Most Recent year: None.

8.3 The Shares of the Company Held or Disposed of by the Subsidiaries in the Most Recent year: None.

8.4 Any Other Special Notes to be specify: None.

8.5 Any Events in 2020 and as of the Date of this Annual Report that had Significant Impacts on Shareholders' Right or Security Prices as Stated in Item 2 Paragraph 2 of Article 36 of Securities and Exchange Law of Taiwan: None.

Attachment I

(English Translation of Financial Report Originally Issued in Chinese)

PEGATRON CORPORATION AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(With Independent Accountants' Audit Report Thereon)

Representation Letter

The entities that are required to be included in the combined financial statements of Pegatron Corporation as of and for the year ended December 31, 2020 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Pegatron Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Pegatron Corporation
Chairman: Tzu-Hsien Tung
Date: March 25, 2021

Independent Auditors' Report

To the Board of Directors of Pegatron Corporation:

Opinion

We have audited the consolidated financial statements of Pegatron Corporation and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as of December 31, 2020 and 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the years ended then and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to Other Matter paragraph), the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretations as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Based on our professional judgment, key audit matters pertain to the most important matters in the audit of consolidated financial statements for the year ended December 31, 2020 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(p) of the notes to consolidated financial statements.

(a) Key audit matters:

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

Therefore, the test of revenue recognition was one of the key audit matters in the audit of consolidated financial reports for the years ended December 31, 2020 and 2019 of the Group.

(b) Auditing procedures performed:

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

2. Inventory valuation

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

(a) Key audit matters:

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

(b) Auditing procedures performed:

- Analyze the amount of obsolete inventory and inventory market price decline between 2020 and 2019 and understand reasons of the difference.
- Obtain an inventory aging analysis and randomly select items to verify the accuracy for age of inventory.
- Obtain the most recent selling price for finished goods and replacement cost for raw material, and recalculate net realizable value with selling expense rate to check whether the net realizable value adopted by the Group is reasonable.

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 8.81% and 9.94% of consolidated total assets at December 31, 2020 and 2019, respectively, and total operating revenues constituting 3.87% and 3.07% of consolidated total operating revenues for the years then ended December 31, 2020 and 2019, respectively.

Pegatron Corporation has prepared its parent-company-only financial statements as of and for the years ended December 31, 2020 and 2019, on which we have issued an unmodified opinion with other matters paragraph.

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

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

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

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

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

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

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

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

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)
March 25, 2021

Notes to Readers

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

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

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

Consolidated Balance Sheets

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2020		December 31, 2019	
		Amount	%	Amount	%
Assets					
Current assets:					
1100	Cash and cash equivalents (Note 6(a))	\$ 125,996,714	19	145,795,913	26
1110	Current financial assets at fair value through profit or loss (Note 6(b))	13,945,314	2	6,801,529	1
1170	Notes and accounts receivable, net (Notes 6(d), 6(y) and 8)	223,963,691	33	206,338,405	36
1200	Other receivables, net (Note 6(e))	2,015,489	-	1,472,702	-
130X	Inventories (Note 6(f))	165,142,393	24	106,063,490	19
1460	Non-current assets classified as held for sale, net (Note 6(g))	-	-	122,652	-
1476	Other current financial assets (Notes 6(n) and 8)	40,943,545	6	3,564,920	1
1479	Other current assets (Note 6(n))	<u>10,123,718</u>	<u>1</u>	<u>5,674,300</u>	<u>1</u>
		<u>582,130,864</u>	<u>85</u>	<u>475,833,911</u>	<u>84</u>
Non-current assets:					
1510	Non-current financial assets at fair value through profit or loss (Note 6(b))	611,284	-	556,266	-
1517	Non-current financial assets at fair value through other comprehensive income (Note 6(c))	1,002,211	-	858,158	-
1550	Investments accounted for using the equity method (Note 6(h))	351,450	-	256,093	-
1600	Property, plant and equipment (Notes 6(j) and 8)	83,385,274	12	80,248,760	14
1755	Right-of-use assets (Note 6(k))	6,581,805	1	5,888,602	1
1760	Investment property, net (Note 6(l))	39,416	-	44,496	-
1780	Intangible assets (Note 6(m))	386,975	-	1,297,891	-
1840	Deferred tax assets (Note 6(t))	3,526,493	1	3,305,613	1
1915	Prepayments on purchase of equipment	2,506,384	-	1,698,780	-
1980	Other non-current financial assets (Notes 6(n) and 8)	3,763,709	1	481,158	-
1990	Other non-current assets (Note 6(n))	<u>60,744</u>	<u>-</u>	<u>50,065</u>	<u>-</u>
		<u>102,215,745</u>	<u>15</u>	<u>94,685,882</u>	<u>16</u>
Total assets		\$ <u>684,346,609</u>	<u>100</u>	<u>570,519,793</u>	<u>100</u>

See accompanying notes to financial statements.

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

PEGATRON CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets (CONT'D)

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2020		December 31, 2019	
		Amount	%	Amount	%
Liabilities and Equity					
Current liabilities:					
2100	Short-term loans (Note 6(d) and 6(o))	\$ 105,242,889	16	64,808,786	11
2130	Current contract liabilities (Note 6(y))	1,053,313	-	1,522,221	-
2150	Notes and accounts payable	256,879,266	38	218,101,566	38
2209	Accrued expenses (Note 6(s))	36,210,492	5	26,992,758	5
2219	Other payables	9,201,062	1	3,760,422	1
2230	Current tax liabilities	3,097,379	-	4,037,776	1
2281	Current lease liabilities (Note 6(r))	1,547,060	-	1,195,039	-
2321	Bonds payable, current portion (Note 6(q))	1,000,000	-	3,000,000	1
2322	Long-term loans payable, current portion (Note 6(p))	5,954,625	1	2,657,496	-
2399	Other current liabilities	<u>24,126,094</u>	<u>4</u>	<u>19,510,595</u>	<u>4</u>
		<u>444,312,180</u>	<u>65</u>	<u>345,586,659</u>	<u>61</u>
Non-Current liabilities:					
2527	Non-current contract liabilities (Note 6(y))	301,158	-	420,197	-
2530	Bonds payable (Note 6(q))	24,478,182	4	20,480,339	4
2540	Long-term loans (Note 6(p))	11,059,833	2	6,534,954	1
2570	Deferred tax liabilities (Note 6(t))	3,126,296	-	1,928,241	-
2581	Non-current lease liabilities (Note 6(r))	1,044,631	-	1,294,702	-
2670	Other non-current liabilities	<u>1,083,807</u>	<u>-</u>	<u>1,029,188</u>	<u>-</u>
		<u>41,093,907</u>	<u>6</u>	<u>31,687,621</u>	<u>5</u>
		<u>485,406,087</u>	<u>71</u>	<u>377,274,280</u>	<u>66</u>
Total liabilities					
Equity Attributable to Owners of the Parent Company (Note 6(u)):					
3100	Share capital	<u>26,628,737</u>	<u>4</u>	<u>26,110,919</u>	<u>5</u>
Capital surplus:					
3210	Capital surplus, premium on capital stock	77,471,560	11	76,645,504	13
3280	Capital surplus, others (Note 6(v))	<u>5,536,787</u>	<u>1</u>	<u>4,406,597</u>	<u>1</u>
		<u>83,008,347</u>	<u>12</u>	<u>81,052,101</u>	<u>14</u>
Retained earnings:					
3310	Legal reserve	13,706,083	2	11,774,310	2
3320	Special reserve	11,286,050	2	7,868,877	2
3350	Unappropriated retained earnings	<u>44,978,224</u>	<u>6</u>	<u>42,156,192</u>	<u>7</u>
		<u>69,970,357</u>	<u>10</u>	<u>61,799,379</u>	<u>11</u>
Other equity interest:					
3410	Exchange differences on translation of foreign financial statements	(15,808,892)	(2)	(10,982,396)	(2)
3420	Unrealized losses on financial assets measured at fair value through other comprehensive income	(57,309)	-	(303,654)	-
3491	Deferred compensation cost arising from issuance of restricted stock (Note 6(v))	<u>(1,146,659)</u>	<u>-</u>	<u>(8,287)</u>	<u>-</u>
		<u>(17,012,860)</u>	<u>(2)</u>	<u>(11,294,337)</u>	<u>(2)</u>
3500	Treasury stock	-	-	(3,000)	-
	Equity attributable to the parent company	<u>162,594,581</u>	<u>24</u>	<u>157,665,062</u>	<u>28</u>
36xx	Non-controlling interests (Notes 6(i) and 6(u))	<u>36,345,941</u>	<u>5</u>	<u>35,580,451</u>	<u>6</u>
	Total equity	<u>198,940,522</u>	<u>29</u>	<u>193,245,513</u>	<u>34</u>
	Total liabilities and equity	<u>\$ 684,346,609</u>	<u>100</u>	<u>570,519,793</u>	<u>100</u>

See accompanying notes to financial statements.

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

PEGATRON CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

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

		For the years ended December 31			
		2020		2019	
		Amount	%	Amount	%
4110	Operating revenue (Note 6(y))	\$ 1,402,677,996	100	1,369,180,977	100
4170	Less: Sales returns and allowances	3,345,090	-	2,893,651	-
	Operating revenue, net	1,399,332,906	100	1,366,287,326	100
5000	Cost of sales (Notes 6(f), 6(r), 6(s), 6(v), 6(w), 6(z) and 7)	1,349,728,657	96	1,321,181,968	97
	Gross profit from operations	49,604,249	4	45,105,358	3
6000	Operating expenses (Notes 6(r), 6(s), 6(v), 6(w) and 6(z)):				
6100	Selling expenses	4,981,177	-	5,063,535	-
6200	General and administrative expenses	8,878,601	1	8,361,657	1
6300	Research and development expenses	16,681,735	1	14,773,900	1
	Total operating expenses	30,541,513	2	28,199,092	2
	Net operating income	19,062,736	2	16,906,266	1
	Non-operating income and expenses:				
7100	Interest income (Note 6(aa))	2,921,350	-	3,599,944	-
7010	Other income (Note 6(aa))	5,182,941	-	4,575,624	1
7020	Other gains and losses (Notes 6(j), 6(m), 6(aa) and 12)	4,016,376	-	3,588,864	-
7050	Finance costs (Notes 6(d), 6(q), 6(r) and 6(aa))	(1,776,100)	-	(3,206,542)	-
7060	Share of profit of associates and joint ventures accounted for using the equity method (Note 6(h))	119,759	-	60,281	-
7590	Miscellaneous disbursements	(83,779)	-	(56,532)	-
	Total non-operating income and expenses	10,380,547	-	8,561,639	1
	Profit before tax	29,443,283	2	25,467,905	2
7950	Less: Tax expenses (Note 6(t))	7,023,731	1	7,183,797	1
	Profit for the year	22,419,552	1	18,284,108	1
8300	Other comprehensive income:				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8311	Losses on remeasurements of defined benefit plans	(20,372)	-	(11,520)	-
8316	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	92,665	-	79,232	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 6(t))	(1,455)	-	(538)	-
	Total components of other comprehensive income that will not be reclassified to profit or loss	73,748	-	68,250	-
8360	Components of other comprehensive income that will be reclassified to profit or loss (Note 6(ab))				
8361	Exchange differences on translation of foreign financial statements	(4,882,779)	-	(4,088,409)	-
8370	Share of other comprehensive income of associates and joint ventures accounted for using the equity method, components of other comprehensive income that will be reclassified to profit or loss (Note 6(h))	190	-	(232)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Note 6(t))	5,409	-	2,671	-
	Total components of other comprehensive income that will be reclassified to profit or loss	(4,887,998)	-	(4,091,312)	-
8300	Other comprehensive income for the period, net of tax	(4,814,250)	-	(4,023,062)	-
8500	Total comprehensive income for the period	\$ 17,605,302	1	14,261,046	1
	Profit attributable to:				
8610	Owners of the parent company	\$ 20,207,598	1	19,317,741	1
8620	Non-controlling interests	2,211,954	-	(1,033,633)	-
		\$ 22,419,552	1	18,284,108	1
	Comprehensive income attributable to:				
8710	Owners of the parent company	\$ 15,462,872	1	15,889,966	1
8720	Non-controlling interests	2,142,430	-	(1,628,920)	-
		\$ 17,605,302	1	14,261,046	1
	Earnings per share, net of tax (Note 6(x))				
9750	Basic earnings per share	\$ 7.73		7.40	
9850	Diluted earnings per share	\$ 7.64		7.32	

See accompanying notes to financial statements.

(Expressed in Thousands of New Taiwan Dollars)

See accompanying notes to financial statements.

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

Consolidated Statements of Cash Flows
For the years ended December 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

	For the years ended December 31	
	2020	2019
Cash flows from operating activities:		
Profit before tax	\$ 29,443,283	25,467,905
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	18,122,646	18,289,662
Amortization expense	198,069	277,737
Expected credit reversal loss (gain)	10,706	(13,912)
Net gain on financial assets and liabilities at fair value through profit or loss	(4,285,651)	(4,046,018)
Interest expense	1,761,453	3,189,505
Interest income	(2,921,350)	(3,599,944)
Dividend income	(53,005)	(46,910)
Compensation cost arising from employee stock options	696,013	462,367
Amortization of issuance costs on bonds payable	3,843	3,077
Share of gain of associates and joint ventures accounted for using the equity method	(119,759)	(60,281)
Gain on lease remeasurement	(9,468)	(2,522)
Loss on disposal of property, plant and equipment	366,913	11,170
Property, plant and equipment charged to expenses	124,740	140,546
Gain on disposal of investments	-	(5,892)
Impairment loss on non-financial assets	1,185,640	15,279
Gain on foreign currency exchange on long-term loans	(309,682)	(209,016)
Government grants income	(41,093)	-
Total adjustments to reconcile profit	14,730,015	14,404,848
Changes in operating assets and liabilities:		
Changes in operating assets:		
(Increase) decrease in financial assets at fair value through profit or loss	(2,913,152)	221,196
Increase in notes and accounts receivable	(17,634,300)	(7,437,581)
(Increase) decrease in other receivables	(447,755)	25,731
(Increase) decrease in inventories	(59,112,597)	58,924,851
Increase in other financial assets	(37,378,625)	(2,770,145)
(Increase) decrease in other current assets	(3,928,842)	1,904,251
(Increase) decrease in other non-current assets	(10,679)	279,354
Total changes in operating assets	(121,425,950)	51,147,657
Changes in operating liabilities:		
(Decrease) increase in contract liabilities	(587,947)	579,221
Increase (decrease) in notes and accounts payable	38,777,700	(9,973,190)
Increase (decrease) in accrued expenses	9,001,692	(583,518)
Increase (decrease) in other payables	2,037,300	(1,940,326)
Increase in other current liabilities	4,598,020	3,256,412
Increase (decrease) in other non-current liabilities	111,382	(75,662)
Total changes in operating liabilities	53,938,147	(8,737,063)
Total changes in operating assets and liabilities	(67,487,803)	42,410,594
Total adjustments	(52,757,788)	56,815,442
Cash (outflow) inflow generated from operations	(23,314,505)	82,283,347
Interest received	2,959,200	3,687,886
Dividends received	77,395	95,691
Interest paid	(1,695,643)	(3,205,765)
Income taxes paid	(7,436,022)	(5,383,145)
Net cash flows (used in) from operating activities	(29,409,575)	77,478,014

(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, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	For the years ended December 31	
	2020	2019
Cash flows used in investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(230,468)	(6,244)
Proceeds from disposal of financial assets at fair value through other comprehensive income	176,983	38,950
Proceeds from capital reduction of investments accounted for using the equity method	-	1,336
Acquisition of property, plant and equipment	(15,062,536)	(8,139,057)
Proceeds from disposal of property, plant and equipment	608,357	1,563,205
Acquisition of intangible assets	(282,931)	(115,322)
Acquisition of right-of-use assets	(652,766)	-
Proceeds from disposal of investment properties	-	164,961
(Increase) decrease in other financial assets	(3,282,551)	169,738
Increase in prepayments on purchase of equipment	(3,541,620)	(3,293,285)
Net cash flows used in investing activities	(22,267,532)	(9,615,718)
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term loans	40,434,103	(22,118,460)
Proceeds from issuing bonds	4,994,000	8,490,500
Repayments of bonds	(3,000,000)	-
Proceeds from long-term loans	11,711,607	4,928,900
Repayments of long-term loans	(3,498,130)	(7,427,637)
Repayments of lease liabilities	(1,793,913)	(1,522,957)
Cash dividends paid	(12,553,366)	(10,061,913)
Issuance of restricted stock	524,110	-
Redemption of restricted stock	(3,832)	(12,500)
Changes in non-controlling interests	(466,667)	2,061,226
Net cash flows from (used in) financing activities	36,347,912	(25,662,841)
Effect of exchange rate fluctuations on cash held	(4,470,004)	(2,471,588)
Net (decrease) increase in cash and cash equivalents	(19,799,199)	39,727,867
Cash and cash equivalents, beginning of the period	145,795,913	106,068,046
Cash and cash equivalents, end of the period	\$ 125,996,714	145,795,913

See accompanying notes to financial statements.

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

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

(1) Company history

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

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

The consolidated financial statements of the Company as of and for year ended December 31, 2020 comprise the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”) and the Group’s interest in associates entities.

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

The accompanying consolidated financial statements were authorized for issue by the Board of Directors on March 25, 2021.

(3) New standards, amendments and interpretations adopted:

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

The details of impact on the Group’s adoption of the new amendments beginning January 1, 2020 are as follows:

- (i) Amendments to IFRS 16 “COVID-19-Related Rent Concessions”

As a practical expedient, a lessee may elect not to assess whether a rent concession that meets certain conditions is a lease modification, rather any changes in lease liability are recognized in profit or loss. The amendments have been endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) in July 2020, earlier application from January 1, 2020 is permitted. Related accounting policy is explained in Note 4(m).

The Group has elected to apply the practical expedient for all rent concessions that meet the criteria beginning January 1, 2020, with early adoption. No adjustment was made upon the initial application of the amendments. The amounts recognized in profit or loss for the year ended December 31, 2020 was \$21,765 thousand.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Other amendments

The following new amendments, effective January 1, 2020, do not have a significant impact on the Group's consolidated financial statements:

- Amendments to IFRS 3 "Definition of a Business"
- Amendments to IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"
- Amendments to IAS 1 and IAS 8 "Definition of Material"

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its consolidated financial statements:

- Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform—Phase 2"

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

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

- Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"
- IFRS 17 "Insurance Contracts" and amendments to IFRS 17 "Insurance Contracts"
- Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"
- Amendments to IAS 16 "Property, Plant and Equipment—Proceeds before Intended Use"
- Amendments to IAS 37 "Onerous Contracts—Cost of Fulfilling a Contract"
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 "Reference to the Conceptual Framework"
- Amendments to IAS 1 "Disclosure of Accounting Policies"
- Amendments to IAS 8 "Definition of Accounting Estimates"

(4) Summary of significant accounting policies:

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

The following significant accounting policies have been applied consistently to all periods presented in the consolidated financial statements.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(a) Statement of compliance

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

(b) Basis of preparation

(i) Basis of measurement

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

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

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries.

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

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

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Acquisition of non-controlling interests

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

(iii) Subsidiaries

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

(iv) Business combination under common control

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

(v) Losing control

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

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

Investor	Subsidiary	Nature of business	Shareholding ratio		Notes
			December 31, 2020	December 31, 2019	
THE COMPANY	UNIHAN HOLDING LTD. (UNIHAN HOLDING)	Investing activities	100.00 %	100.00 %	
UNIHAN HOLDING	CASETEK HOLDINGS LIMITED (CASETEK HOLDINGS)	Investing and trading activities	100.00 %	100.00 %	
CASETEK HOLDINGS	SLITEK HOLDINGS LIMITED	Investing and trading activities	100.00 %	100.00 %	
CASETEK HOLDINGS	CASETEK COMPUTER (SUZHOU) CO., LTD.	Manufacturing, developing and selling computers, computer parts, application systems, and providing after-sales service	100.00 %	100.00 %	
CASETEK HOLDINGS	KAEDAR HOLDINGS LIMITED (KAEDAR HOLDINGS)	Investing and trading activities	100.00 %	100.00 %	
KAEDAR HOLDINGS	KAEDAR ELECTRONICS (KUNSHAN) CO., LTD.	Tooling molds of stainless steel computer cases	100.00 %	100.00 %	
CASETEK HOLDINGS	KAEDAR TRADING LTD.	Investing and trading activities	100.00 %	100.00 %	

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investor	Subsidiary	Nature of business	Shareholding ratio		Notes
			December 31, 2020	December 31, 2019	
CASETEK HOLDINGS	CORE-TEK (SHANGHAI) LIMITED	Researching and producing spare parts for notebook computers, designing nonmetal tooling, electronic specific equipment and related products, repairing and producing precision equipment and providing after-sales service	100.00 %	100.00 %	
CASETEK HOLDINGS	KAI-CHUAN ELECTRONICS (CHONGQING) CO., LTD.	Manufacturing, developing and inspecting computers and application systems, designing and manufacturing nonmetal and metal tooling, developing plastic and electronic component, selling self-manufactured products	100.00 %	100.00 %	
THE COMPANY, ASUSPOWER INVESTMENT AND ASUSTEK INVESTMENT	AZUREWAVE TECHNOLOGIES, INC. (AZUREWAVE)	Manufacturing office machinery, electronic parts and computer peripherals and selling precision equipment, and digital cameras	32.86 %	32.85 %	Notes 1 and 2
AZUREWAVE	EZWAVE TECHNOLOGIES, INC.	Manufacturing office machinery, electronic parts and computer peripherals	100.00 %	100.00 %	Note 1
AZUREWAVE	Azurewave Technologies (USA) Inc.	Market development activities	100.00 %	100.00 %	Note 1
AZUREWAVE	AZURE LIGHTING TECHNOLOGIES, INC.	Selling electronic parts	100.00 %	100.00 %	Note 1
AZUREWAVE	Azwave Holding (Samoa) Inc.(Azwave Samoa)	Investing activities	100.00 %	100.00 %	Note 1
Azwave Samoa	AZUREWAVE TECHNOLOGIES (SHANGHAI) INC.	Designing, manufacturing and trading computer products	100.00 %	100.00 %	Note 1
Azwave Samoa	AZURE LIGHTING TECHNOLOGIES, INC. (YANGZHOU)	Manufacturing and selling LED and relevant lighting products	100.00 %	100.00 %	Note 1
Azwave Samoa	AIGALE CORPORATION (SHANGHAI)	Designing and selling communication equipment and electronic products	100.00 %	100.00 %	Note 1
THE COMPANY	AMA PRECISION INC.(AMA PRECISION)	Designing and developing computer parts	100.00 %	100.00 %	
AMA PRECISION	AMA Holdings Limited(AMA)	Investing activities	- %	100.00 %	Note 14
THE COMPANY	PEGATRON HOLLAND HOLDING B.V.(PHH)	Investing activities	100.00 %	100.00 %	
PHH	PEGATRON Czech s.r.o.	Installing, repairing and selling electronic products	100.00 %	100.00 %	
THE COMPANY	PEGATRON HOLDING LTD. (PEGATRON HOLDING)	Investing activities	100.00 %	100.00 %	
PEGATRON HOLDING	POWTEK HOLDINGS LIMITED (POWTEK)	Investing and trading activities	100.00 %	100.00 %	
POWTEK	POWTEK (SHANGHAI) LTD.	Selling main boards, computer peripherals, note books, servers and software, and providing after-sales service	100.00 %	100.00 %	

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investor	Subsidiary	Nature of business	Shareholding ratio		Notes
			December 31, 2020	December 31, 2019	
PEGATRON HOLDING · KINSUS SAMOA	PIOTEK HOLDINGS LTD. (CAYMAN) (PIOTEK CAYMAN)	Investing activities	100.00 %	100.00 %	Note 5
PIOTEK CAYMAN	PIOTEK HOLDING LIMITED (PIOTEK HOLDING)	Investing activities	100.00 %	100.00 %	Note 5
PIOTEK HOLDING	PIOTEK COMPUTER (SUZHOU) CO., LTD.	Developing, manufacturing and selling new electronic components, circuit boards and relevant products, and providing after-sales service	100.00 %	100.00 %	Note 5
PIOTEK HOLDING	PIOTEK(H.K.) TRADING LIMITED	Trading activities	100.00 %	100.00 %	Note 5
PEGATRON HOLDING	GRAND UPRIGHT TECHNOLOGY LIMITED	Investing and trading activities	100.00 %	100.00 %	
PEGATRON HOLDING	ASLINK PRECISION CO., LTD. (ASLINK)	Investing and trading activities	100.00 %	100.00 %	
ASLINK	PEGAGLOBE (KUNSHAN) CO.,LTD.	Manufacturing GPS, computer electronic devices, mobile phone, high-end server, disk drive, and other related components	100.00 %	100.00 %	
PEGATRON HOLDING	DIGITEK GLOBAL HOLDINGS LIMITED (DIGITEK)	Investing and trading activities	100.00 %	100.00 %	
DIGITEK	DIGITEK (CHONGQING) LTD.	Manufacturing, developing, and selling GPS, electronic calculators, and after sale service	100.00 %	100.00 %	
DIGITEK (CHONGQING) LTD.	CHONGQING ZUANSHUO TRADING CO., LTD.	Computer software and hardware, computer parts, electronic products (excluding electronic publications), electric appliance, industrial communication device (excluding wireless transmitter and transmitter), communication equipment (excluding wireless transmitter and satellite ground receiving facilities), and providing related technical consulting services. Import and export of goods and technology. Packaging service, product design, marketing planning, business consulting	100.00 %	100.00 %	
PEGATRON HOLDING	MAGNIFICENT BRIGHTNESS LIMITED (MAGNIFICENT)	Investing and trading activities	100.00 %	100.00 %	
MAGNIFICENT	MAINTEK COMPUTER (SUZHOU) CO., LTD.	Manufacturing, developing and selling power supply units, computer cases, computer systems, notebooks, main boards, and computer peripherals, and providing after-sales service	100.00 %	100.00 %	
PEGATRON HOLDING	PROTEK GLOBAL HOLDINGS LTD. (PROTEK)	Investing and trading activities	100.00 %	100.00 %	
PROTEK	PROTEK (SHANGHAI) LTD.	Developing, manufacturing and selling GPS, new electronic components, circuit boards and relevant products, and providing after-sales service	100.00 %	100.00 %	

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investor	Subsidiary	Nature of business	Shareholding ratio		Notes
			December 31, 2020	December 31, 2019	
PEGATRON HOLDING	COTEK HOLDINGS LIMITED(COTEK)	Investing and trading activities	100.00 %	100.00 %	
COTEK	COTEK ELECTRONICS (SUZHOU) CO., LTD.	Developing, manufacturing and selling new electronic components, circuit boards and relevant products, and providing after-sales service	100.00 %	100.00 %	
PEGATRON HOLDING	TOP QUARK LIMITED(TOP QUARK)	Investing activities	100.00 %	100.00 %	
TOP QUARK	RUNTOP (SHANGHAI) CO., LTD.	Manufacturing and selling computer parts and peripherals of digital automatic data processors, multimedia computer system accessories, power supply units, network switches, and modems	100.00 %	100.00 %	
THE COMPANY	ASUSPOWER INVESTMENT CO., LTD.	Investing activities	100.00 %	100.00 %	
THE COMPANY	ASUS INVESTMENT CO., LTD.	Investing activities	100.00 %	100.00 %	
THE COMPANY	ASUSTEK INVESTMENT CO., LTD.	Investing activities	100.00 %	100.00 %	
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	ASROCK INCORPORATION (ASROCK)	Data storage and processing equipment, manufacturing wired and wireless communication equipment, and whole selling of computer equipment and electronic components	55.92 %	55.92 %	Note 3
ASROCK	ASIAROCK TECHNOLOGY LIMITED (ASIAROCK)	Investing and holding activities	100.00 %	100.00 %	
ASIAROCK	ASROCK EUROPE B.V.	Selling database service and trading electronic components	100.00 %	100.00 %	
ASIAROCK	Calrock Holdings, LLC.	Office building leasing	100.00 %	100.00 %	
ASROCK	Leader Insight Holdings Limited (Leader)	Investing and holding activities	100.00 %	100.00 %	
Leader	First place International Limited (First place)	Investing and holding activities	100.00 %	100.00 %	
First place	ASRock America, Inc.	Selling database service and trading electronic components	100.00 %	100.00 %	
ASROCK	ASRock Rack Incorporation	Manufacturing and selling computer and related peripherals	62.05 %	62.02 %	Note 6
ASROCK	ASRock Industrial Computer Corporation	Manufacturing and selling computer and related peripherals	66.96 %	67.38 %	Note 7
ASROCK	Soaring Asia Limited	Trading activities	100.00 %	100.00 %	
ASUSPOWER INVESTMENT AND ASUS INVESTMENT	PEGATRON Mexico, S.A. DE C.V.	Sales and repair service center in Mexico	100.00 %	100.00 %	
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	KINSUS INTERCONNECT TECHNOLOGY CORP. (KINSUS)	Manufacturing electronic parts, whole selling and retailing electronic components, and providing business management consultant service	38.57 %	38.56 %	Notes 4 and 5

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investor	Subsidiary	Nature of business	Shareholding ratio		Notes
			December 31, 2020	December 31, 2019	
KINSUS	KINSUS INVESTMENT CO., LTD. (KINSUS INVESTMENT)	Investing activities	100.00 %	100.00 %	Note 5
KINSUS INVESTMENT, ASUSPOWER INVESTMENT AND ASUSTEK INVESTMENT	PEGAVISION CORPORATION	Manufacturing medical appliances	45.21 %	45.21 %	Notes 5 and 8
KINSUS INVESTMENT, ASUSTEK INVESTMENT AND ASUS INVESTMENT	FUYANG TECHNOLOGY CORPORATION	Manufacturing and wholesaling wires, cables, and electronic components	89.13 %	89.13 %	
PEGAVISION CORPORATION	PEGAVISION HOLDINGS CORPORATION (PEGAVISION)	Investing activities	- %	100.00 %	Notes 5, 8 and 13
PEGAVISION CORPORATION	PEGAVISION JAPAN INC.	Selling medical appliances	100.00 %	100.00 %	Notes 5 and 8
PEGAVISION CORPORATION	AQUAMAX CORPORATION	Selling medical appliances	100.00 %	- %	Notes 5, 8 and 10
AQUAMAX CORPORATION	AQUAMAX VISION CORPORATION	Selling medical appliances	100.00 %	- %	Notes 5, 8 and 11
PEGAVISION CORPORATION	PEGAVISION (SHANGHAI) LIMITED	Selling medical appliances	100.00 %	- %	Notes 5, 8 and 12
FUYANG TECHNOLOGY CORPORATION	FUYANG FLEX HOLDING LTD. (FUYANG HOLDING)	Investing activities	100.00 %	100.00 %	
FUYANG HOLDING	FUYANG ELECTRONICS (SUZHOU) CO., LTD.	Researching, producing, inspecting, repairing and selling flexible multilayer model, computer digital signal process system and card; selling own produced products and providing related technical consulting service	100.00 %	100.00 %	
PEGAVISION	PEGAVISION (SHANGHAI) LIMITED	Selling medical appliances	- %	100.00 %	Notes 5, 8 and 12
PEGAVISION (SHANGHAI) LIMITED	Gemvision Technology (Zhejiang) Limited.	Selling medical appliances	100.00 %	100.00 %	Note 5 and 8
KINSUS	KINSUS CORP. (USA)	Developing and designing new technology and products; analyzing marketing strategy and developing new customers	100.00 %	100.00 %	Note 5
KINSUS	KINSUS HOLDING (SAMOA) LIMITED (KINSUS SAMOA)	Investing activities	100.00 %	100.00 %	Note 5
KINSUS SAMOA	KINSUS HOLDING (CAYMAN) LIMITED(KINSUS CAYMAN)	Investing activities	100.00 %	100.00 %	Note 5
KINSUS CAYMAN	KINSUS INTERCONNECT TECHNOLOGY (SUZHOU) CORP.	Manufacturing and selling circuit boards	100.00 %	100.00 %	Note 5

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investor	Subsidiary	Nature of business	Shareholding ratio		Notes
			December 31, 2020	December 31, 2019	
KINSUS CAYMAN	KINSUS TRADING (SUZHOU) CORP.	Manufacturing and selling circuit boards related products and materials	100.00 %	100.00 %	Note 5
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	STARLINK ELECTRONICS CORPORATION	Manufacturing electronic parts and plastic products, and manufacturing and wholesaling electronic components	100.00 %	100.00 %	
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	ASUSPOWER CORPORATION	Investing and trading activities	100.00 %	100.00 %	
THE COMPANY, ASUSPOWER CORPORATION	CASETEK HOLDINGS LIMITED(CAYMAN) (CASETEK CAYMAN)	Investing activities	60.02 %	59.41 %	Note 9
CASETEK CAYMAN	RIH LI INTERNATIONAL LIMITED (RIH LI)	Investing activities	100.00 %	100.00 %	
RIH LI	RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling	100.00 %	100.00 %	
RIH LI	RI-PRO PRECISION MODEL (SHANGHAI) CO., LTD.	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling	100.00 %	100.00 %	
RIH LI	RI-MING (SHANGHAI) CO., LTD.	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling	100.00 %	100.00 %	
RIH LI	SHENG-RUI ELECTRONIC TECHNOLOGY (SHANGHAI) LIMITED	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling and surface processing for the aforementioned product.	100.00 %	100.00 %	
RIH LI	RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling	100.00 %	100.00 %	
RIH LI	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling and surface processing for the aforementioned product	100.00 %	100.00 %	
RIH LI	RI KAI COMPUTER ACCESSORY CO., LTD.(RI KAI)	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling	100.00 %	100.00 %	
CASETEK CAYMAN	RI-KUAN METAL CORPORATION	Selling iron and aluminum products	100.00 %	100.00 %	
RI-KUAN METAL CORPORATION	RITENG USA, INC	Market survey	100.00 %	100.00 %	

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Investor	Subsidiary	Nature of business	Shareholding ratio		Notes
			December 31, 2020	December 31, 2019	
CASETEK CAYMAN	APLUS PRECISION LIMITED(APLUS)	Investing and trading activities	100.00 %	100.00 %	
APLUS	UNITED NEW LIMITED(UNITED)	Investing and trading activities	100.00 %	100.00 %	
UNITED	KAI HE COMPUTER ACCESSORY (SUZHOU) CO., LTD	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling and surface processing for the aforementioned product	100.00 %	100.00 %	
CASETEK CAYMAN	MEGA MERIT LIMITED	Trading activities	100.00 %	100.00 %	
CASETEK CAYMAN	CASETEK SINGAPORE PTE. LTD.	Trading activities	100.00 %	100.00 %	
ASUS INVESTMENT	AS FLY TRAVEL SERVICE LIMITED	Travel agency	100.00 %	100.00 %	
ASUSPOWER INVESTMENT	PEGATRON TECHNOLOGY SERVICE INC. (PTSI)	Sales and repair service center in North America	100.00 %	100.00 %	
PTSI	PEGATRON SERVICOS DE INFORMATICA LTDA.	Maintenance service	100.00 %	100.00 %	
ASUSPOWER INVESTMENT	PEGA INTERNATIONAL LIMITED	Design service and sales	100.00 %	100.00 %	
ASUSPOWER INVESTMENT	PEGATRON JAPAN INC.	Sales and repair service center in Japan	100.00 %	100.00 %	
ASUSPOWER INVESTMENT	PEGATRON LOGISTIC SERVICE INC.	Sales and logistics center in North America	100.00 %	100.00 %	
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	Lumens Digital Optics Inc. (Lumens Optics)	Developing, manufacturing and selling computer data projectors and related peripherals	55.21 %	55.21 %	
Lumens Optics	Lumens Integration Inc.	Selling computer communication products and peripherals	100.00 %	100.00 %	
Lumens Optics	Lumens Digit Image Inc. (SAMOA)(Lumens)	Investing activities	100.00 %	100.00 %	
Lumens	Lumens (Suzhou) Digital Image Inc.	Manufacturing and selling projectors, projection screens and related products	100.00 %	100.00 %	
ASUSPOWER INVESTMENT	Pegatron Service Singapore Pte. Ltd.(PSG)	Sales and logistics center in Singapore	100.00 %	100.00 %	
PSG	PEGATRON SERVICE KOREA LLC.	Sales and repair service center in Korea	100.00 %	100.00 %	
ASUS INVESTMENT	HUA-YUAN INVESTMENT LIMITED	Investing activities	100.00 %	100.00 %	
THE COMPANY	PEGATRON SERVICE AUSTRALIA PTY. LTD.	Investing activities	100.00 %	100.00 %	
THE COMPANY	PEGATRON USA, INC.	Sales and repair service center in North America	100.00 %	100.00 %	

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Investor	Subsidiary	Nature of business	Shareholding ratio		Notes
			December 31, 2020	December 31, 2019	
THE COMPANY, ASUSPOWER INVESTMENT	PT. PEGATRON TECHNOLOGY INDONESIA	Data storage and processing equipment, manufacturing wired and wireless communication equipment, and whole selling of computer equipment and electronic components	100.00 %	100.00 %	
THE COMPANY	PEGATRON VIETNAM COMPANY LIMITED	Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts	100.00 %	-	% Note 10
THE COMPANY	PEGATRON TECHNOLOGY HAI PHONG COMPANY LIMITED	Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts	100.00 %	-	% Note 10
THE COMPANY	PEGASUS ACE LIMITED	Investing activities	100.00 %	-	% Note 11
THE COMPANY, ASUSPOWER INVESTMENT	PEGATRON TECHNOLOGY INDIA PRIVATE LIMITED	Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts	100.00 %	-	% Note 11

- Note 1 : Since the Group only held 32.86% of voting rights of AZUREWAVE TECHNOLOGY INC. (AZUREWAVE), with the remaining 67.14% shares belonging to different shareholders having no intention of exercising their votes collectively, and also, due to the fact that the Group's participation dominated the previous shareholders' meetings, resulting in the Group having a significant control over AZUREWAVE, therefore, AZUREWAVE has been included in the consolidated financial statement of the Group.
- Note 2 : On March 18, 2020, AZUREWAVE TECHNOLOGY INC. (AZUREWAVE) reduced its capital by canceling those retired employee restricted shares, resulting in the Group's shareholding ratio in AZUREWAVE to increase from 32.85% to 32.86%.
- Note 3 : On April 29, 2020, ASROCK INCORPORATION (ASROCK) reduced its capital by canceling those retired employee restricted shares, resulting in the Group's shareholding ratio in ASROCK to increase from 55.92% to 55.92%.
- Note 4 : On April 27, July 27, and October 26, 2020 respectively, KINSUS INTERCONNECT TECHNOLOGY CORP. (KINSUS) reduced its capital by canceling those retired employee restricted shares, resulting in the Group's shareholding ratio in ASROCK to increase from 38.56% to 38.57%.
- Note 5 : Since the Group only held 38.57% of the voting rights of KINSUS INTERCONNECT TECHNOLOGY CORP. (KINSUS), with the remaining 61.43% shares belonging to different shareholders having no intention of exercising their votes collectively, and also, due to the fact that the Group's participation dominated the previous shareholders' meetings, resulting in the Group having a significant control over KINSUS. Therefore, KINSUS has been included in the consolidated financial statements of the Group.
- Note 6 : On March 25, and April 15, 2020, respectively, ASROCK RACK INCORPORATION purchased 2 and 9 thousand shares from non-related parties amounting to \$40, and \$172, respectively, resulting in the Group's shareholding ratio to increase to 62.05%.
- Note 7 : On January 13, March 23, and May 7, 2020, respectively, the Group purchased shares from non-related parties resulting in the Group's shareholding ratio to increase from 67.38% to 67.58%. On July 31, 2020, ASRock Industrial Computer Corporation approved to award employee stock option through issuing new shares. However, the Group did not increase its shares proportionally in ASRock Industrial Computer Corporation, resulting in its shareholding ratio to decrease from 67.58% to 66.28%. On September 30, December 7, and December 21, 2020, respectively, the Group purchased shares from non-related parties, resulting in the Group's shareholding ratio to increase from 66.28% to 66.96%.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- Note 8 : Since the Group only held 45.21% of rights of PEGAVISION CORPORATION (PEGAVISION), with the remaining 54.79% shares belonging to different shareholders having no intention of exercising their votes collectively, and also, due to the fact that the Group's participation dominated the previous shareholders' meetings, resulting in the Group having a significant control over PEGAVISION, therefore, PEGAVISION has been included in the consolidated financial statements of the Group.
- Note 9 : On August 26, 2020, CASETEK HOLDINGS LIMITED reduced its capital by repurchasing treasury stocks, resulting in the Group's shareholding ratio in CASETEK to increase from 59.41% to 60.02%.
- Note 10 : Subsidiary established by the Group in the second quarter of 2020.
- Note 11 : Subsidiary established by the Group in the third quarter of 2020.
- Note 12 : Based on the consideration of the Group's reorganization, the shares of PEGAVISION (SHANGHAI) LIMITED, originally held by Pegavision Holdings Corporation, was transferred to Pegavision Corporation. All related registration procedures had been completed on May 13, 2020.
- Note 13 : Based on the consideration of the Group's reorganization, delisting application of PEGAVISION HOLDINGS CORPORATION had been completed on September 2, 2020.
- Note 14 : It was written off in the second quarter of 2020.

(vii) Subsidiaries excluded from consolidation : None.

(d) Foreign currency

(i) Foreign currency transaction

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

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

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

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Foreign operations

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

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

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

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

An asset is classified as current when :

- (i) It is expected to be realized the asset, or intended to be sold or consumed, during the normal operating cycle ;
- (ii) It is held primarily for the purpose of trading ;
- (iii) It is expected to be realized within twelve months after the reporting period ; or
- (iv) The asset is cash and cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when :

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

All other liabilities are classified as non-current.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(f) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are assets that are readily convertible to known amounts of cash, and are subject to an insignificant risk of changes in their fair value.

Time deposits are accounted under cash and cash equivalents if they are accord with the definition aforementioned, and are held for the purpose of meeting short-term cash commitment rather than for investment or other purpose.

(g) Financial assets

Accounts receivable and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is an accounts receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A accounts receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

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

1) Financial assets measured at amortized cost

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

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

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Fair value through other comprehensive income (FVOCI)

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

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

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

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

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

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

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

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. Accounts receivable that the Group intends to sell immediately or in the near term are measured at FVTPL; however, they are included in the ‘accounts receivable’ line item. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

4) Business model assessment

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

- a) the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets ;
- b) how the performance of the portfolio is evaluated and reported to the Group's management ;
- c) the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed ;
- d) the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

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

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

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

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

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

- a) contingent events that would change the amount or timing of cash flows ;
- b) terms that may adjust the contractual coupon rate, including variable rate features ;
- c) prepayment and extension features ; and

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- d) terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features)

6) Impairment of financial assets

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

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

- a) debt securities that are determined to have low credit risk at the reporting date ;
and
- b) other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivable and contract assets are always measured at an amount equal to lifetime ECL.

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

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

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

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

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

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

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

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

7) Derecognition of financial assets

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

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Equity instrument

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

3) Treasury shares

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

4) Financial liabilities

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

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

5) Derecognition of financial liabilities

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

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

6) Offsetting of financial assets and liabilities

Financial assets and liabilities are presented on a net basis when the Group has the legally enforceable rights to offset, and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

7) Financial guarantee contract

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder of a loss it incurs because a specified debtor fails to pay on due date in accordance with the original or modified terms of a debt instrument.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of: (a) the amount of the loss allowance determined in accordance with IFRS 9; and (b) the amount recognized initially less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies set out below.

(h) Inventories

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

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

(i) Non-current assets held for sale

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

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on a *pro rata* basis, except that no loss is allocated to assets not within the scope of IAS 36 – *Impairment of Assets*. Such assets will continue to be measured in accordance with the Group's accounting policies.

Impairment losses on assets initially classified as held for sale and any subsequent gains or losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of the cumulative impairment loss that has been recognized.

Once classified as held for sale are to be depreciated or amortized, they are no longer depreciated or amortized.

(j) Investment in associates

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

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

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

(k) Investment property

Investment property is a property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at cost less accumulated depreciation and accumulated impairment loss.

Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

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

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

Depreciation is provided over the estimated economic lives using the straight-line method. Land has an unlimited useful life and therefore is not depreciated. The estimated useful lives for the current and comparative years of significant items of investment properties are as follows :

Buildings	20 years
-----------	----------

When the use of an investment property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

(l) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Subsequent cost

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

(iii) Depreciation

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

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

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows :

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

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

(iv) Reclassification to investment property

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

(m) Leased

(i) Identifying a lease

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

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of the use; and
- 3) The Group has the right to direct the use of the asset if either :
 - The Group has the right to direct the use of the asset when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- In rare cases where the decision about how and for what purpose the asset is used is predetermined.
 - the Group has the right to operate the asset and the providers do not have the right to vary; or
 - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

(ii) As a lessee

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

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

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

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

- 1) fixed payments, including in-substance fixed payments;
- 2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- 3) amounts expected to be payable under a residual value guarantee; and
- 4) payments or penalties for purchase or termination options that are reasonably certain to be exercised.

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

- 1) there is a change in future lease payments arising from the change in an index or rate; or
- 2) there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- 3) there is a change in the Group's estimate of purchase options; or
- 4) there is a change of its assessment on whether it will exercise an extension or termination option; or
- 5) there is any lease modifications in lease subject, scope of the lease or other terms.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

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

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

- 1) the rent concessions occurring as a direct consequence of the COVID-19 pandemic;
- 2) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- 3) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- 4) there is no substantive change to other terms and conditions of the lease.

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

(iii) As a lessor

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

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

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(n) Intangible assets

(i) Recognition and measurement

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

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

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

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

(ii) Subsequent expenditure

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

(iii) Amortization

Depreciable amount of intangible asset is calculated based on the cost of an asset less its residual values.

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

The estimated useful life of intangible assets for the current and comparative periods is as follows :

Computer software cost	1-10 years
------------------------	------------

Intangible assets in development	1-10 years
----------------------------------	------------

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

(o) Impairment – non-financial assets

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

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

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

(p) Revenue from contracts with customers

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

(i) Sale of goods

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

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

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Rendering of services

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

(iii) Financial components

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

(q) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iii) Short-term employee benefits

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

(r) Share-based payment

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

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

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

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

(s) Income taxes

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

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

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

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

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

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

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

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

- (t) Business combination

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

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

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

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

(u) Government grants and government assistance

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

Government assistance in the form of a guarantee from the government for loans from financial institutions is considered part of the unit of account in determining the fair value of the loan.

The Group is using market interest rate to calculate the fair value of the loan, and recognizes the difference between the amount received and the fair value as deferred revenues. The deferred revenues will then be amortized as other income on a systematic basis.

(v) Earnings per share

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(w) Operating segments

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

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

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

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

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

- Judgment regarding control of subsidiaries

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

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

- Valuation of inventories

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash on hand	\$ 11,630	10,354
Cash in banks	69,014,570	36,563,302
Time deposits	53,578,392	104,823,503
Cash equivalents	<u>3,392,122</u>	<u>4,398,754</u>
	<u>\$ 125,996,714</u>	<u>145,795,913</u>

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

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

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

	December 31, 2020	December 31, 2019
Current mandatorily measured at fair value through profit or loss :		
Non-derivative financial assets		
Shares of stock of listed companies	\$ 1,635,802	875,720
Shares of stock of unlisted companies	7,704	16,500
Beneficiary certificates	2,770,944	2,437,370
Shares of stock of overseas listed companies	9,437,126	3,471,939
Convertible bonds	93,738	-
Non-current mandatorily measured at fair value through profit or loss :		
Non-derivative financial assets		
Shares of stock of listed companies	218,750	225,050
Beneficiary certificates	328,865	259,706
Shares of stock of overseas unlisted companies	<u>63,669</u>	<u>71,510</u>
Total	<u>\$ 14,556,598</u>	<u>7,357,795</u>

(i) Please refer to Note 6(aa) for re-measurement at fair value recognized in profit or loss.

(ii) Please refer to Note 6(ac) for credit risk and market risk.

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Financial assets at fair value through other comprehensive income

	December 31, 2020	December 31, 2019
Equity instruments at fair value through other comprehensive income :		
Shares of stock of listed companies	\$ 533,196	586,407
Shares of stock of unlisted companies	149,143	150,000
Shares of stock of overseas listed companies	250,064	-
Shares of stock of overseas unlisted companies	69,808	121,751
Total	\$ 1,002,211	858,158

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

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

For the years ended December 31, 2020 and 2019, respectively, the Group has recognized dividend \$11,373 and \$16,571 from equity instruments designated at fair value through other comprehensive income. And the Group has recognized dividends for those equity instruments that have been disposed during 2020 and 2019 for \$120 and \$3,348, respectively. Dividends are recognized as other income— non-operating income and expenses. Please refer to Note 6(aa).

For the years ended December 31, 2020 and 2019, the Group had sold its shares as a result of investment strategic. The shares sold had fair values of \$176,983 and \$38,950, respectively, and the Group realized cumulative losses of \$3,680 and \$3,436, respectively, which were included in other comprehensive income. The cumulative losses were converted to retained earnings.

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

(ii) Please refer to Note 6(ac) for credit risk and market risk.

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

(d) Notes and accounts receivable, net

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

	December 31, 2020	December 31, 2019
Notes receivables from operating activities	\$ 6,612	20,232
Accounts receivable-measured at amortized cost	224,136,586	200,499,571
Accounts receivable-fair value through other comprehensive income	-	7,495,000
Less : Allowance for impairment	179,507	1,676,398
	\$ 223,963,691	206,338,405

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group assesses its portion of accounts receivable held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and therefore such assets are recognized as accounts receivable were measured at fair value through other comprehensive income.

(ii) Credit loss

The Group applies the simplified approach to provide for the loss allowance used for expected credit losses, which permit the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes and accounts receivable have been grouped based on shared credit risk characteristics and the days past due, as well as forward looking information, including overall economic environment and related industrial information.

The loss allowance provision was determined as follows :

	December 31, 2020		
	Gross carrying amount	Expected loss rate	Loss allowance provision
Current	\$ 222,246,416	0%~1%	(44,106)
Overdue 0 to 30 days	1,430,474	1%~30%	(26,774)
Overdue 31 to 120 days	381,118	0%~100%	(32,382)
Overdue 121 to 365 days	22,460	50%~100%	(13,515)
Over 365 days past due	62,730	100%	(62,730)
	\$ 224,143,198		(179,507)
	December 31, 2019		
	Gross carrying amount	Expected loss rate	Loss allowance provision
Current	\$ 203,528,826	0%~2%	(33,125)
Overdue 0 to 30 days	2,656,159	0%~30%	(46,356)
Overdue 31 to 120 days	204,686	2%~100%	(27,881)
Overdue 121 to 365 days	73,112	4%~100%	(17,016)
Over 365 days past due	1,552,020	100%	(1,552,020)
	\$ 208,014,803		(1,676,398)

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	For the years ended December 31	
	2020	2019
Balance on January 1	\$ 1,676,398	1,780,928
Impairment losses recognized	19,979	24,933
Amounts written off	(1,502,577)	(84,550)
Impairment loss reversed	(10,965)	(42,173)
Foreign exchange gains	(3,328)	(2,740)
Balance on December 31	<u>\$ 179,507</u>	<u>1,676,398</u>

The aforesaid financial assets were not pledged as collateral.

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

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

As of December 31, 2020 and 2019, the relevant information on accounts receivable factored by the Company, but unsettled, was as follows :

December 31, 2020							
Purchaser	Amount Derecognized	Factoring Line (thousands)	Amount Advanced (thousands)		Collateral	Range of Interest Rate	Significant Factoring Terms
			Unpaid	Paid			
ANZ (Note 2)	\$ -	USD 830,000	USD 830,000	USD -	None	0.52%~ 0.58%	The accounts receivable factoring is without recourse but the seller still bears the risks except for eligible obligor's insolvency.

December 31, 2019							
Purchaser	Amount Derecognized	Factoring Line (thousands)	Amount Advanced (thousands)		Collateral	Range of Interest Rate	Significant Factoring Terms
			Unpaid	Paid			
ANZ (Note 1)	\$ 7,495,000	USD 1,200,000	USD 950,000	USD 250,000	None	2.03%~ 2.93%	The accounts receivable factoring is without recourse but the seller still bears the risks except for eligible obligor's insolvency.

Note 1 : In October, 2017, the Company signed a one year joint accounts receivable factoring agreement with ANZ Bank and six other banks where each bank will factor on pro-rata basis.

Note 2 : Mizuho Bank had withdrawn from the joint accounts receivable factoring agreement in February, 2020, resulting in the factoring line decreased to USD\$830,000.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019, the Company recognized a fee and interest on bank advance payment of \$2,686 and \$68,962, respectively, from the factoring of accounts receivable, which was accounted under finance costs in the statement of comprehensive income.

As of December 31, 2020 and 2019, KINSUS INTERCONNECT TECHNOLOGY CORP. sold its accounts receivable without recourse as follows :

December 31, 2020							
Purchaser	Amount Derecognized	Factoring Line (thousands)	Amount Advanced (thousands)		Collateral	Range of Interest Rate	Significant Factoring Terms
			Unpaid	Paid			
Mega International Commercial Bank	\$ <u>480,175</u>	USD <u>30,000</u>	USD <u>13,170</u>	USD <u>16,830</u>	None	0.42%~ 0.51%	The accounts receivable factoring is without recourse

December 31, 2019							
Purchaser	Amount Derecognized	Factoring Line (thousands)	Amount Advanced (thousands)		Collateral	Range of Interest Rate	Significant Factoring Terms
			Unpaid	Paid			
Mega International Commercial Bank	\$ <u>286,663</u>	USD <u>30,000</u>	USD <u>29,500</u>	USD <u>500</u>	None	2.17%	The accounts receivable factoring is without recourse

As of December 31, 2020 and 2019, KINSUS reclassified the derecognized accounts receivable to other receivables.

For the year ended December 31, 2020, CASETEK CAYMAN and its subsidiaries entered into a factoring agreement with a financial institution to sell its accounts receivable. According to the agreement, CASETEK CAYMAN and its subsidiaries will provide the bank a guarantee for all the accounts receivable that cannot be recovered in a specific period, and they should also retain either all or substantially all of the risks and rewards of those accounts receivable, which did not meet the definition of financial assets. In addition, the accounts receivable of RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD to MEGA MERIT LIMITED were factored to the financial institution, wherein the transactions were eliminated in the consolidated financial statements. At reporting date, the related financial liabilities and the total carrying amount of accounts receivable transferred, which were not derecognized but was eliminated, were as follows :

December 31, 2020					
Purchaser	Amount Transferred	Factored Line	Advanced Amount (listed as short- term loan)	Range of interest rate	Collateral
City bank (CHINA)	\$ 1,077,681 (USD37,818 thousand)	1,139,860 (USD40,000 thousand)	1,071,468 (USD37,600 thousand)	0.74%	Accounts receivable

(e) Other receivables

	December 31, 2020	December 31, 2019
Other receivables	\$ 2,034,360	1,489,704
Less : Allowance for impairment	18,871	17,002
	<u>\$ 2,015,489</u>	<u>1,472,702</u>

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(f) Inventories

	December 31, 2020	December 31, 2019
Merchandise	\$ 2,186,008	1,285,078
Finished goods	85,446,020	61,552,810
Work in process	40,765,271	18,134,156
Raw materials	43,681,070	31,614,069
Subtotal	172,078,369	112,586,113
Less: Allowance for inventory market decline and obsolescence	6,935,976	6,522,623
Total	<u>\$ 165,142,393</u>	<u>106,063,490</u>

The components of cost of goods sold were as follows :

	For the years ended December 31 2020	2019
Cost of goods sold	\$ 1,331,274,562	1,297,793,554
Provision on (reversal of) inventory market price decline	413,353	(1,553,805)
Loss on disposal of inventory	14,436,039	20,100,080
Unallocated manufacturing overhead	3,569,326	4,833,891
Loss on physical inventory	35,377	8,248
	<u>\$ 1,349,728,657</u>	<u>1,321,181,968</u>

For the year ended December 31, 2020, the Group recognized an inventory valuation loss, accounted for as cost of goods sold, due to the decreasing value from the carrying amount to the net realized value. For the year ended December 31, 2019, the Group recognized a gain from the reversal of allowance for inventory valuation loss due to the destocking of inventories. Such gain was deducted from cost of goods sold.

As of December 31, 2020 and 2019, the aforesaid inventories were not pledged as collateral.

(g) Non-current assets held for sale

In June 2020, the land use rights and plants of CASETEK CAYMAN and its subsidiaries did not meet the definition of non-current assets held-for-sale due to the change on disposal plan. The land use rights and plants were reclassified to right-of-use assets and property, plant and equipment. Please refer to Notes 6(j) and (k) for details.

(h) Investments accounted for using the equity method

- (i) The Group's financial information for investments in individually insignificant associates accounted for using the equity method at reporting date was as follows. This financial information is included in the consolidated financial statements.

	December 31, 2020	December 31, 2019
Individually insignificant associates	<u>\$ 351,450</u>	<u>256,093</u>

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	For the years ended December 31	
	2020	2019
The Group's share of profit of the associates		
Profit for the period	\$ 119,759	60,281
Other comprehensive profit (loss)	190	(232)
Total comprehensive income profit	<u><u>\$ 119,949</u></u>	<u><u>60,049</u></u>

(ii) As of December 31, 2020 and 2019, the aforesaid investments accounted for using equity method were not pledged as collateral.

(iii) Please refer to Note 6(aa) for gain or loss arising from the disposal of investments.

(i) Subsidiaries that have material non-controlling interest

Subsidiaries that have material non-controlling interest were as follows :

Subsidiaries	Main operation place/Country of registration	Equity ownership of non-controlling interest	
		December 31, 2020	December 31, 2019
KINSUS and its subsidiaries	Taiwan	61.43 %	61.44 %
ASROCK and its subsidiaries	Taiwan	44.08 %	44.08 %
CASETEK CAYMAN	Taiwan/Cayman	39.98 %	40.59 %

The following information of the aforementioned subsidiaries have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. Included in this information is the fair value adjustment made during the acquisition and relevant difference in accounting principles between the Company and its subsidiaries as at acquisition date. Intra-group transactions were not eliminated in this information.

(i) Information regarding KINSUS and its subsidiaries

	December 31, 2020	December 31, 2019
Current assets	\$ 21,663,991	19,340,507
Non-current assets	21,119,961	22,362,838
Current liabilities	(10,730,750)	(10,841,218)
Non-current liabilities	(2,863,643)	(2,024,427)
Net assets	<u><u>\$ 29,189,559</u></u>	<u><u>28,837,700</u></u>
Non-controlling interest	<u><u>\$ 18,296,937</u></u>	<u><u>17,957,674</u></u>

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

		For the years ended December 31	
		2020	2019
Operating revenue	\$	27,098,474	22,327,410
Net income (loss) for the period	\$	929,443	(1,947,268)
Other comprehensive loss		(22,831)	(108,071)
Comprehensive income (loss)	\$	906,612	(2,055,339)
Net income (loss) attribute to non-controlling interest	\$	719,937	(1,008,028)
Comprehensive income (loss) attribute to non-controlling interest	\$	722,243	(1,061,623)
Cash flows from operating activities	\$	5,358,469	3,101,036
Cash flows used in investing activities		(2,909,501)	(3,730,887)
Cash flows (used in) from financing activities		(1,525,522)	1,285,819
Effect of movement in exchange rate		29,383	(12,534)
Net increase in cash and cash equivalents	\$	952,829	643,434
Dividend paid to non-controlling interests	\$	372,936	456,162
 (ii) Information regarding ASROCK and its subsidiaries			
		December 31, 2020	December 31, 2019
Current assets	\$	11,109,489	9,706,137
Non-current assets		606,322	560,035
Current liabilities		(4,325,667)	(3,747,151)
Non-current liabilities		(81,708)	(64,554)
Net assets	\$	7,308,436	6,454,467
Non-controlling interest	\$	3,449,287	3,030,844
		 For the years ended December 31	
		2020	2019
Operating revenue	\$	17,911,584	13,415,090
Net income for the period	\$	1,508,583	650,059
Other comprehensive loss		(199,212)	(95,416)
Comprehensive income	\$	1,309,371	554,643
Net income attribute to non-controlling interest	\$	746,131	316,228
Comprehensive income attribute to non-controlling interest	\$	661,314	274,850
Cash flows from operating activities	\$	1,352,024	1,346,368
Cash flows from (used in) investing activities		73,471	(393,164)
Cash flows used in financing activities		(515,592)	(504,698)
Effect of movement in exchange rate		(182,907)	(87,137)
Net increase decrease in cash and cash equivalents	\$	726,996	361,369
Dividend paid to non-controlling interests	\$	212,721	212,900

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Information regarding CASETEK CAYMAN

	December 31, 2020	December 31, 2019
Current assets	\$ 65,391,986	26,620,964
Non-current assets	27,598,569	25,082,697
Current liabilities	(54,615,386)	(14,543,892)
Non-current liabilities	(7,203,965)	(6,559,372)
Net assets	\$ 31,171,204	30,600,397
Non-controlling interest	\$ 12,259,489	12,385,305
	For the years ended December 31	
	2020	2019
Operating revenue	\$ 75,597,875	32,635,437
Net income (loss) for the period	\$ 1,265,617	(630,830)
Other comprehensive income (loss)	195,229	(1,165,360)
Comprehensive income (loss)	\$ 1,460,846	(1,796,190)
Net income (loss) attribute to non-controlling interest	\$ 507,354	(262,020)
Comprehensive income (loss) attribute to non-controlling interest	\$ 585,913	(734,957)
Cash flows from operating activities	\$ 155,967	6,132,176
Cash flows used in investing activities	(5,797,834)	(2,710,473)
Cash flows from (used in) financing activities	16,249,075	(1,633,046)
Effect of movement in exchange rate	(578,711)	(341,316)
Net increase in cash and cash equivalents	\$ 10,028,497	1,447,341
Dividend paid to non-controlling interests	\$ 168,074	170,631

(j) Property, plant and equipment

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

	Land	Buildings	Machinery equipment	Instrument equipment	Other facilities	Construction in progress	Total
Cost or deemed cost:							
Balance on January 1, 2020	\$ 7,754,662	55,296,414	67,162,106	1,396,155	34,116,157	3,246,801	168,972,295
Additions	773,090	1,308,789	6,231,947	159,568	4,359,010	5,537,323	18,369,727
Disposals and obsolescence	-	(403,110)	(3,226,286)	(212,099)	(2,205,923)	-	(6,047,418)
Reclassifications	-	3,028,447	2,042,381	4,147	2,399,454	(5,001,743)	2,472,686
Effect of movement in exchange rate	(9,091)	(1,245,507)	(44,980)	(37,157)	(670,340)	(45,718)	(2,052,793)
Balance on December 31, 2020	\$ 8,518,661	57,985,033	72,165,168	1,310,614	37,998,358	3,736,663	181,714,497
Balance on January 1, 2019	\$ 6,384,886	48,479,698	71,612,529	1,444,578	32,195,791	10,391,635	170,509,117
Additions	-	288,044	1,024,348	215,622	2,956,023	3,882,746	8,366,783
Disposals and obsolescence	-	(224,669)	(6,764,567)	(243,254)	(3,024,315)	-	(10,256,805)
Reclassifications	1,369,663	7,994,067	2,931,578	3,466	2,669,275	(10,811,356)	4,156,693
Effect of movement in exchange rate	113	(1,240,726)	(1,641,782)	(24,257)	(680,617)	(216,224)	(3,803,493)
Balance on December 31, 2019	\$ 7,754,662	55,296,414	67,162,106	1,396,155	34,116,157	3,246,801	168,972,295

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Land</u>	<u>Buildings</u>	<u>Machinery equipment</u>	<u>Instrument equipment</u>	<u>Other facilities</u>	<u>Construction in progress</u>	<u>Total</u>
Depreciation and impairment loss :							
Balance on January 1, 2020	\$ -	19,467,445	46,288,167	1,118,844	21,849,079	-	88,723,535
Depreciation for the year	-	3,099,617	7,445,224	145,904	5,484,604	-	16,175,349
Impairment loss	-	-	142,275	4,013	11,985	-	158,273
Reclassifications	-	53,777	(44,449)	-	(149,615)	-	(140,287)
Disposals and obsolescence	-	(380,992)	(2,563,205)	(210,121)	(1,917,830)	-	(5,072,148)
Effect of movement in exchange rate	-	(598,889)	(279,315)	(37,105)	(600,190)	-	(1,515,499)
Balance on December 31, 2020	<u>\$ -</u>	<u>21,640,958</u>	<u>50,988,697</u>	<u>1,021,535</u>	<u>24,678,033</u>	<u>-</u>	<u>98,329,223</u>
Balance on January 1, 2019	\$ -	17,315,572	45,237,334	1,257,084	19,093,365	-	82,903,355
Depreciation for the year	-	2,857,707	8,024,083	127,425	5,732,271	-	16,741,486
Impairment loss	-	1	12,970	-	2,308	-	15,279
Reclassifications	-	21,590	(89,005)	-	73,559	-	6,144
Disposals and obsolescence	-	(219,641)	(5,703,973)	(241,819)	(2,516,997)	-	(8,682,430)
Effect of movement in exchange rate	-	(507,784)	(1,193,242)	(23,846)	(535,427)	-	(2,260,299)
Balance on December 31, 2019	<u>\$ -</u>	<u>19,467,445</u>	<u>46,288,167</u>	<u>1,118,844</u>	<u>21,849,079</u>	<u>-</u>	<u>88,723,535</u>
Carrying amounts :							
Balance on December 31, 2020	<u>\$ 8,518,661</u>	<u>36,344,075</u>	<u>21,176,471</u>	<u>289,079</u>	<u>13,320,325</u>	<u>3,736,663</u>	<u>83,385,274</u>
Balance on January 1, 2019	<u>\$ 6,384,886</u>	<u>31,164,126</u>	<u>26,375,195</u>	<u>187,494</u>	<u>13,102,426</u>	<u>10,391,635</u>	<u>87,605,762</u>
Balance on December 31, 2019	<u>\$ 7,754,662</u>	<u>35,828,969</u>	<u>20,873,939</u>	<u>277,311</u>	<u>12,267,078</u>	<u>3,246,801</u>	<u>80,248,760</u>

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

	For the years ended December 31	
	2020	2019
Impairment loss	<u>\$ 158,273</u>	<u>15,279</u>

In October 2020, a fire broke out in Fuyang Technology Corp. (Fuyang), resulting in Fuyang to recognize an impairment loss of \$139,254 for the year ended December 31, 2020 due to some assets having carrying amounts which were higher than the recoverable amounts. The Group's impairment loss was recognized under other income and losses in the consolidated statement of comprehensive income. The recoverable amount of individual asset was estimated based on its value-in-use.

- (ii) KINSUS INTERCONNECT TECHNOLOGY CORP. and its subsidiaries completed a series of farmland purchases covering a total land area of 36,115.24 square meters in the name of KINSUS' s chairman instead of KINSUS, due to the restriction imposed by the local government.
- (iii) Based on the evaluation of the overall performance of machinery equipment and the consideration of future economic benefits, CASETEK CAYMAN and its subsidiaries had retired some of their dedicated equipment, resulting in loss on disposal of related assets amounting to \$353,082, recognized under other income and losses in the consolidated statement of comprehensive income. Please refer to Note 6(aa) for related information.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (iv) In June 2020, the plants of CASETEK CAYMAN and its subsidiaries did not meet the definition of non-current assets held-for-sale, therefore, they were reclassified to property, plant, and equipment. Please refer to Notes 6(g) for details.
- (v) Please refer to Note 6(aa) for gain and loss on the disposal of property, plant and equipment.
- (vi) Please refer to Note 8 for the details of property, plant and equipment pledged as collateral.
- (k) Right-of-use assets

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

	Land	Buildings	Machinery equipment	Transportation equipment	Total
Cost:					
Balance on January 1, 2020	\$ 4,186,259	3,837,947	17,793	2,918	8,044,917
Additions	825,198	2,129,911	-	1,779	2,956,888
Reductions	(3,194)	(991,305)	-	(423)	(994,922)
Reclassification	44,565	-	-	-	44,565
Effect of changes in foreign exchange rates	(114,682)	(115,149)	-	(5)	(229,836)
Balance on December 31, 2020	<u>\$ 4,938,146</u>	<u>4,861,404</u>	<u>17,793</u>	<u>4,269</u>	<u>9,821,612</u>
Balance on January 1, 2019	\$ -	-	-	-	-
Effects of retrospective application	4,540,409	2,925,838	17,793	1,331	7,485,371
Additions	12,882	1,400,286	-	1,587	1,414,755
Reductions	(272,842)	(436,910)	-	-	(709,752)
Effect of changes in foreign exchange rates	(94,190)	(51,267)	-	-	(145,457)
Balance on December 31, 2019	<u>\$ 4,186,259</u>	<u>3,837,947</u>	<u>17,793</u>	<u>2,918</u>	<u>8,044,917</u>
Accumulated depreciation:					
Balance on January 1, 2020	\$ 788,316	1,360,026	6,888	1,085	2,156,315
Depreciation for the year	101,512	1,834,105	6,888	1,779	1,944,284
Reclassification	10,043	-	-	-	10,043
Reductions	(3,194)	(757,358)	-	(422)	(760,974)
Effect of changes in foreign exchange rate	(25,537)	(84,316)	-	(8)	(109,861)
Balance on December 31, 2020	<u>\$ 871,140</u>	<u>2,352,457</u>	<u>13,776</u>	<u>2,434</u>	<u>3,239,807</u>
Balance on January 1, 2019	\$ -	-	-	-	-
Effects of retrospective application	778,162	-	-	-	778,162
Depreciation for the year	33,701	1,503,443	6,888	1,093	1,545,125
Reductions	-	(107,848)	-	-	(107,848)
Effect of changes in foreign exchange rates	(23,547)	(35,569)	-	(8)	(59,124)
Balance on December 31, 2019	<u>\$ 788,316</u>	<u>1,360,026</u>	<u>6,888</u>	<u>1,085</u>	<u>2,156,315</u>
Carrying amounts:					
Balance on December 31, 2020	<u>\$ 4,067,006</u>	<u>2,508,947</u>	<u>4,017</u>	<u>1,835</u>	<u>6,581,805</u>
Balance on December 31, 2019	<u>\$ 3,397,943</u>	<u>2,477,921</u>	<u>10,905</u>	<u>1,833</u>	<u>5,888,602</u>

In June 2020, the land use rights of CASETEK CAYMAN and its subsidiaries did not meet the definition of non-current assets held-for-sale, therefore, they were reclassified to right-of-use assets. Please refer to Notes 6(g) for details.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(l) Investment property

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

	<u>Buildings</u>
Cost or deemed cost:	
Balance on January 1, 2020	\$ 61,013
Effect of movement in exchange rate	<u>(3,019)</u>
Balance on December 31, 2020	<u>\$ 57,994</u>
Balance on January 1, 2019	\$ 62,509
Effect of movement in exchange rate	<u>(1,496)</u>
Balance on December 31, 2019	<u>\$ 61,013</u>
Depreciation and impairment loss :	
Balance on January 1, 2020	\$ 16,517
Depreciation for the year	3,013
Effect of movement in exchange rate	<u>(952)</u>
Balance on December 31, 2020	<u>\$ 18,578</u>
Balance on January 1, 2019	\$ 13,797
Depreciation for the year	3,051
Effect of movement in exchange rate	<u>(331)</u>
Balance on December 31, 2019	<u>\$ 16,517</u>
Carrying amounts :	
Balance on December 31, 2020	<u>\$ 39,416</u>
Balance on January 1, 2019	<u>\$ 48,712</u>
Balance on December 31, 2019	<u>\$ 44,496</u>

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

	<u>For the years ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Rental income	\$ <u>-</u>	<u>-</u>
Direct operating expenses arising from investment property that generate rental income	<u>\$ 3,013</u>	<u>3,051</u>

- (ii) As of December 31, 2020 and 2019, the fair value of investment property of the Group were \$79,461 and \$83,623, respectively. The fair value of investment property was based on the market price evaluation of the buildings located in the area.
- (iii) As of December 31, 2020 and 2019, the aforesaid investment properties were not pledged as collateral.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(m) Intangible assets

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

	<u>Goodwill</u>	<u>Others</u>	<u>Total</u>
Costs:			
Balance on January 1, 2020	\$ 1,720,354	1,433,887	3,154,241
Additions	-	282,931	282,931
Disposals	-	(321,511)	(321,511)
Reclassifications	-	1,182	1,182
Effect of changes in foreign exchange rate	(51,811)	(16,318)	(68,129)
Balance on December 31, 2020	<u>\$ 1,668,543</u>	<u>1,380,171</u>	<u>3,048,714</u>
Balance on January 1, 2019	\$ 1,746,024	1,488,815	3,234,839
Additions	-	115,322	115,322
Disposals	-	(159,115)	(159,115)
Reclassifications	-	11,566	11,566
Effect of changes in foreign exchange rate	(25,670)	(22,701)	(48,371)
Balance on December 31, 2019	<u>\$ 1,720,354</u>	<u>1,433,887</u>	<u>3,154,241</u>
Amortization and impairment loss:			
Balance on January 1, 2020	\$ 671,792	1,184,558	1,856,350
Amortization for the year	-	198,069	198,069
Disposals	-	(321,511)	(321,511)
Imparment loss	993,014	658	993,672
Effect of changes in foreign exchange rate	(37,430)	(27,411)	(64,841)
Balance on December 31, 2020	<u>\$ 1,627,376</u>	<u>1,034,363</u>	<u>2,661,739</u>
Balance on January 1, 2019	\$ 671,792	1,087,175	1,758,967
Amortization for the year	-	277,737	277,737
Disposals	-	(159,115)	(159,115)
Effect of changes in foreign exchange rate	-	(21,239)	(21,239)
Balance on December 31, 2019	<u>\$ 671,792</u>	<u>1,184,558</u>	<u>1,856,350</u>
Carrying amounts:			
Balance on December 31, 2020	<u>\$ 41,167</u>	<u>345,808</u>	<u>386,975</u>
Balance on January 1, 2019	<u>\$ 1,074,232</u>	<u>401,640</u>	<u>1,475,872</u>
Balance on December 31, 2019	<u>\$ 1,048,562</u>	<u>249,329</u>	<u>1,297,891</u>

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Amortization recognized

For the years ended December 31, 2020 and 2019, the amortization of intangible assets had been recognized in accounts of the consolidated statement of comprehensive income as follows :

	For the years ended December 31	
	2020	2019
Operating cost	\$ 84,828	145,699
Operating expenses	113,241	132,038
	\$ 198,069	277,737

(ii) Goodwill impairment

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

	December 31, 2020	December 31, 2019
Mechanics	\$ -	1,005,331
Consumer electronic	39,646	41,709
Others	1,521	1,522
	\$ 41,167	1,048,562

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

The recoverable amount of goodwill deriving from the mechanics CGU was based on its value-in-use. Since the goodwill deriving from the mechanics CGU has a recoverable amount lower than the carrying amount, the Group had recognized an impairment loss of \$993,014 for the year ended December 31, 2020. There was no such situation for the year ended December 31, 2019. The recognized impairment loss had lowered the carrying amount of the respective CGU's allocated goodwill, and had been accounted for as other income and losses in the consolidated statement of comprehensive income. For more details, please refer to Note 6(aa).

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

	December 31, 2020	December 31, 2019
Discount rate (before tax)	12.97 %	13.38 %

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

- 2) The recoverable amount of the customer electronic cash-generating unit was based on value in use. Key assumptions used in calculating the recoverable amount were as follows:
- a) Cash flow estimation was based on past experience, actual operating results and a five-year operating plan.
 - b) Projected revenue and gross profit ratio were extrapolated from management's forecast based on past operating results and future marketing development trends.
 - c) Pre-tax discount rate used in calculating the value in use was determined from weighted average cost of capital (WACC) of the Group.
- (iii) For the year ended December 31, 2020, the Group had recognized an impairment loss of \$658 regarding the part of intangible assets other than goodwill with recoverable amounts being lower than the carrying amounts. Please refer to Notes 6(aa) for the impairment loss recognized under other income and losses in the consolidated statement of comprehensive income. For the year ended December 31, 2019, the Group had not noted any indication of potential impairment loss based on its impairment evaluation.
- (iv) As of December 31, 2020 and 2019, the intangible assets were not pledged as collateral.
- (n) Other financial assets and other assets

Other financial assets and other assets were as follows :

	December 31, 2020	December 31, 2019
Other financial assets-current	\$ 40,943,545	3,564,920
Other financial assets-non-current	3,763,709	481,158
Other current assets	10,123,718	5,674,300
Other non-current assets	60,744	50,065
	\$ 54,891,716	9,770,443

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

(o) Short-term loans

	December 31, 2020	December 31, 2019
Unsecured bank loans	\$ 104,171,421	64,808,786
Accounts receivable factoring	1,071,468	-
Total	\$ 105,242,889	64,808,786
Interest rate	0.30%~4.25%	0.60%~4.70%

(i) For the year ended December 31, 2020, CASETEK CAYMAN and its subsidiaries entered accounts receivable factoring agreements with financial institutions. Please refer to Note 6(d) for more disclosures about the carrying amounts of transferred receivables and related financial liabilities that had not been derecognized but had been eliminated on the reporting date.

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

(p) Long-term loans

	December 31, 2020	December 31, 2019
Unsecured bank loans	\$ 17,004,672	9,192,450
Secured bank loans	9,786	-
	17,014,458	9,192,450
Less: current portion	(5,954,625)	(2,657,496)
Total	\$ 11,059,833	6,534,954
Interest rate	0.35%~3.35%	0.60%~3.97%

(i) Borrowing and repayment

In consideration of the operating situation and the terms of the loan agreement, the Group repaid the long-term loans of \$3,498,130 and \$7,427,637 for the years ended December 31, 2020 and 2019, respectively. In addition, the Group proceeded from long-term loans of \$11,711,607 and \$4,928,900 for the years ended December 31, 2020 and 2019, respectively. Please refer to Note 6(aa) for interest expenses.

(ii) Collateral for bank loans

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Government low-interest loan

For the year ended December 31, 2020, the Group obtained government low-interest loans. The loans were measured at its fair value by applying the market interest rate. The deferred differences between the amounts paid and the fair value were classified as other current liabilities and other noncurrent liabilities, respectively.

(iv) Loan covenants

On January 3, 2018 and January 30, 2015, CASETEK CAYMAN signed a USD360,000 and USD300,000 worth of credit facility in the form of credit loan with multiple banks, respectively. According to the credit loan facility agreements, during the loan repayment periods, CASETEK CAYMAN must comply with certain financial covenants, such as current ratio, debt ratio, interest coverage ratio and tangible net assets, based on its audited annual consolidated financial statements (December 31).

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

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

CASETEK CAYMAN was in compliance with the above financial covenants as of December 31, 2020 and 2019.

(q) Bonds payable

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

	December 31, 2020	December 31, 2019
Ordinary corporate bonds issued	\$ 25,500,000	23,500,000
Unamortized discount on bonds payable	(21,818)	(19,661)
Bonds payable, end of the year	25,478,182	23,480,339
Less: current portion	(1,000,000)	(3,000,000)
	<u>\$ 24,478,182</u>	<u>20,480,339</u>

	For the years ended December 31 2020	2019
Interest expense	<u>\$ 217,205</u>	<u>190,068</u>

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

Item	1st unsecured ordinary bonds issued in 2017
1.Issuing amount	The Bonds are issued at \$7,000,000, which comprise Tranche A, Tranche B and Tranche C. The issuing amounts of Tranche A, Tranche B and Tranche C are \$3,000,000, \$2,000,000 and \$2,000,000, respectively.
2.Par value	Each unit is valued at \$1,000.
3.Offering price	The Bonds are issued by par value at the issuance date.
4.Issuance period	Each of Tranche A, Tranche B and Tranche C has 3-year term, 5-year term and 7-year term, respectively. The issuance period of Tranche A commences from July 13, 2017 and matures on July 13, 2020. The issuance period of Tranche B commences from July 13, 2017 and matures on July 13, 2022. The issuance period of Tranche C commences from July 13, 2017 and matures on July 13, 2024.
5.Coupon rate	Tranche A, B and C bear annual coupon rates of 0.91%, 1.06% and 1.20%, respectively.
6.Repayment	Tranche A, Tranche B and Tranche C are repayable on maturity.
7.Interest payment	Interests are payable annually at coupon rate from the issuance date. The payment of each bond is rounded to the nearest dollar. If the repayment date and interest payment date are bank closing days, principal and interest shall be paid without extra interest on the next business day. If bondholders receive principal and interest past due the repayment date and interest payment date, there will no calculation of extra interest.
8.Guarantee	The Bonds are unsecured ordinary corporate bonds.
Item	2nd unsecured ordinary bonds issued in 2017
1.Issuing amount	The Bonds are issued at \$8,000,000, which comprise Tranche A, Tranche B and Tranche C. The issuing amounts of Tranche A, Tranche B and Tranche C are \$1,000,000, \$4,500,000 and \$2,500,000, respectively.
2.Par value	Each unit is valued at \$1,000.
3.Offering price	The Bonds are issued by par value at the issuance date.
4.Issuance period	Each of Tranche A, Tranche B and Tranche C has 3-year term, 5-year term and 7-year term, respectively. The issuance period of Tranche A commences from January 10, 2018 and matures on January 10, 2021. The issuance period of Tranche B commences from January 10, 2018 and matures on January 10, 2023. The issuance period of Tranche C commences from January 10, 2018 and matures on January 10, 2025.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

On March 26, 2020, the Board of Directors approved to issue unsecured ordinary corporate bonds with the total maximum amount of 10 billion, which have been approved and declared effective by the Taipei Exchange (TPEx) on October 12, 2020, the offering information and main rights, were as follows :

Item	1st unsecured ordinary bonds issued in 2020
1.Issuing amount	The Bonds are issued at \$5,000,000.
2.Par value	Each unit is valued at \$1,000.
3.Offering price	The Bonds are issued by par value at the issuance date.
4.Issuance period	The Bonds has 5-year term. The issuance period of The Bonds commences from October 21, 2020 and matures on October 21, 2025.
5.Coupon rate	The Bonds bears annual coupon rates of 0.65% .
6.Repayment	The Bonds are repayable on maturity.
7.Interest payment	Interests are payable annually at coupon rate from the issuance date. The payment of each bond is rounded to the nearest dollar. If the repayment date and interest payment date are bank closing days, principal and interest shall be paid without extra interest on the next business day. If bondholders receive principal and interest past due the repayment date and interest payment date, there will no calculation of extra interest.
8.Guarantee	The Bonds are unsecured ordinary corporate bonds.
Item	2nd unsecured ordinary bonds issued in 2020
1.Issuing amount	The Bonds are issued at \$3,500,000, which comprise Tranche A, and Tranche. The issuing amounts of Tranche A, and Tranche B are \$2,200,000 and \$1,300,000, respectively.
2.Par value	Each unit is valued at \$1,000.
3.Offering price	The Bonds are issued by par value at the issuance date.
4.Issuance period	Each of Tranche A and Tranche B has 5-year term and 7-year term, respectively. The issuance period of Tranche A commences from January 8, 2021 and matures on January 8, 2026. The issuance period of Tranche B commences from January 8, 2021 and matures on January 8, 2028.
5.Coupon rate	Tranche A, and B bear annual coupon rates of 0.43% and 0.58%, respectively.
6.Repayment	Tranche A, and Tranche B are repayable on maturity.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

<u>Item</u>	<u>2nd unsecured ordinary bonds issued in 2020</u>
7. Interest payment	Interests are payable annually at coupon rate from the issuance date. The payment of each bond is rounded to the nearest dollar. If the repayment date and interest payment date are bank closing days, principal and interest shall be paid without extra interest on the next business day. If bondholders receive principal and interest past due the repayment date and interest payment date, there will no calculation of extra interest.
8. Guarantee	The Bonds are unsecured ordinary corporate bonds.

(r) Lease liabilities

The Group's lease liabilities were as follows :

	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Current	\$ <u>1,547,060</u>	<u>1,195,039</u>
Non-current	\$ <u>1,044,631</u>	<u>1,294,702</u>

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

The amounts recognized in profit or loss were as follows :

	<u>For the years ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Interest on lease liabilities	\$ <u>119,968</u>	<u>110,179</u>
Variable lease payments not included in the measurement of lease liabilities	\$ <u>16,598</u>	<u>15,034</u>
Income from sub-leasing right-of-use assets	\$ <u>847</u>	<u>834</u>
Expenses relating to short-term leases	\$ <u>369,443</u>	<u>481,796</u>
Expenses relating to leases of low-value, excluding short-term leases of low-value assets	\$ <u>8,237</u>	<u>1,232</u>
Covid-19 - related rent concessions	\$ <u>21,765</u>	<u>-</u>

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

	<u>For the years ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Total cash outflow for leases	\$ <u>2,286,394</u>	<u>2,131,198</u>

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

(s) Employee benefits

(i) Defined benefit plans

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

	December 31, 2020	December 31, 2019
Present value of defined benefit obligations	\$ 297,143	265,807
Fair value of plan assets	(183,237)	(170,414)
Net defined benefit liabilities	\$ 113,906	95,393
	December 31, 2020	December 31, 2019
Short-term employee benefits liabilities	\$ 328,118	277,395
Cash-settled share-based payment liability	201,972	96,667
Total employee benefit liabilities	\$ 530,090	374,062

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

1) Composition of plan assets

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

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

2) Movements in present value of the defined benefit obligations

The movements in the present value of the defined benefit obligations for the years ended December 31, 2020 and 2019 were as follows:

	For the years ended December 31	
	2020	2019
Defined benefit obligation, January 1	\$ 265,807	243,843
Current service costs and interest	5,074	5,303
Re-measurements of the net defined benefit liability		
— Actuarial gains arose from changes in demographic assumptions	2,885	2,841
— Actuarial gains arose from changes in financial assumption	23,007	18,227
— Experience adjustments	(32)	(4,407)
Past service costs	402	-
Defined benefit obligation, December 31	\$ 297,143	265,807

3) Movements in the fair value of plan assets

The movements in the fair value of the defined benefit plan assets for the years ended December 31, 2020 and 2019 were as follows:

	For the years ended December 31	
	2020	2019
Fair value of plan assets, January 1	\$ 170,414	157,499
Interests revenue	1,481	1,953
Re-measurements of the net defined benefit liability		
— Experience adjustments	5,488	5,141
Contributions made	5,854	5,821
Fair value of plan assets, December 31	\$ 183,237	170,414

4) Expenses recognized in profit or loss

The Group's pension expenses recognized in profit or loss for the years ended December 31, 2020 and 2019 were as follows:

	For the years ended December 31	
	2020	2019
Current service cost	\$ 2,788	2,277
Net interest on net defined benefit liability	805	1,073
Past service costs	402	-
	\$ 3,995	3,350

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	For the years ended December 31	
	2020	2019
Operating costs	\$ 151	219
Operating expenses	3,844	3,131
	\$ 3,995	3,350

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

The Group's net defined benefit liability recognized in other comprehensive income for the years ended December 31, 2020 and 2019 were as follows:

	For the years ended December 31	
	2020	2019
Cumulative amount, January 1	\$ 90,267	78,747
Recognized during the year	20,372	11,520
Cumulative amount, December 31	\$ 110,639	90,267

- 6) Actuarial assumptions

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

	December 31, 2020	December 31, 2019
Discount rate	0.31%~0.63%	0.73%~1.34%
Future salary increase rate	2.00%~3.00%	2.00%~3.00%

Based on the actuarial report, the Group is expected to make a contribution payment of \$5,854 to the defined benefit plans for the one year period after the reporting date.

The weighted-average duration of the defined benefit plans is between 5 and 30 years.

- 7) Sensitivity Analysis

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2020 and 2019, the changes in the principal actuarial assumptions will impact on the present value of defined benefit obligation as follows:

	Impact on the present value of defined benefit obligation	
	Increase by 0.50%	Decrease by 0.50%
December 31, 2020		
Discount rate	(24,376)	27,094
Future salary increase rate	26,184	(23,843)
December 31, 2019		
Discount rate	(22,905)	25,548
Future salary increase rate	24,517	(22,246)

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

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

(ii) Defined contribution plans

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

The costs of the pension contributions to the Labor Insurance Bureau for the years ended December 31, 2020 and 2019 were amounted to \$4,341,191 and \$5,364,424, respectively.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(t) Income tax

- (i) The components of income tax expense for the years ended December 31, 2020 and 2019 were as follows :

	For the years ended December 31	
	2020	2019
Current income tax expense		
Current period incurred	6,064,459	6,444,793
Prior years income tax adjustment	(119,943)	(137,427)
Surtax on undistributed earnings	126,902	175,452
Deferred tax expense		
The origination of temporary differences	952,313	700,979
Income tax expense	\$ 7,023,731	7,183,797

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

	For the years ended December 31	
	2020	2019
Items that will not be reclassified subsequently to profit or loss		
Re-measurements of the net defined benefit plans	\$ (1,455)	(538)
Items that will be reclassified subsequently to profit or loss :		
Exchange differences on translation of foreign financial statements	\$ 5,409	2,671

- (iii) Income tax on pre-tax financial income reconciled with income tax expense for the years ended December 31, 2020 and 2019 was as follows:

	For the years ended December 31	
	2020	2019
Profit before income tax	\$ 29,443,283	25,467,905
Income tax on pre-tax financial income calculated at the domestic rates applicable to profits in the country concerned	9,936,039	7,989,442
Permanent differences	(1,204,536)	(569,778)
Changes in unrecognized temporary differences	(1,857,769)	(1,272,433)
Overseas dividends received	346,631	271,044
Prior years income tax adjustment	(119,943)	(137,427)
Surtax on undistributed earnings	126,902	175,452
Others	(203,593)	727,497
Income tax expense	\$ 7,023,731	7,183,797

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

As of December 31, 2020 and 2019, the temporary differences associated with investments in subsidiaries were not recognized as deferred income tax liabilities as the Group has the ability to control the reversal of these temporary differences which are not expected to reverse in the foreseeable future. The related amounts were as follows:

	December 31, 2020	December 31, 2019
The aggregate temporary differences associated with investments in subsidiaries	\$ 73,931,936	61,665,954
Unrecognized deferred tax liabilities	\$ 14,786,387	12,333,191

2) Unrecognized deferred tax assets

	December 31, 2020	December 31, 2019
Deductible temporary differences	\$ 2,481,657	1,344,471
Tax losses	2,150,354	2,692,113
	\$ 4,632,011	4,036,584

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

As of December 31, 2020, the Group had not recognized the prior years' loss carry-forwards as deferred tax assets, and the expiry years thereof were as follows:

Company Name	Year of occurrence	Unused balance	Expiry year
KINSUS and its subsidiaries	2012、2019	\$ 1,621,995	2022、2029
CASETEK CAYMAN and its subsidiaries	2016~2020	6,465,354	2021~2025
AZUREWAVE and its subsidiaries	2013~2020	788,948	2023~2030
AMA PRECISION	2011~2020	106,344	2021~2030
		\$ 8,982,641	

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Recognized deferred tax assets and liabilities

The movements in deferred tax assets and liabilities for the years ended December 31, 2020 and 2019 were as follows:

	Gain on foreign investments	Others	Total
Deferred tax liabilities:			
Balance on January 1, 2020	\$ 1,336,370	591,871	1,928,241
Recognized in (profit) loss	157,380	1,062,347	1,219,727
Recognized in other comprehensive income	5,409	-	5,409
Exchange differences on translation	37,181	(64,262)	(27,081)
Balance on December 31, 2020	<u>\$ 1,536,340</u>	<u>1,589,956</u>	<u>3,126,296</u>
Balance on January 1, 2019	\$ 1,399,745	138,507	1,538,252
Recognized in (profit) loss	(12,423)	470,499	458,076
Recognized in other comprehensive income	2,755	-	2,755
Exchange differences on translation	(53,707)	(17,135)	(70,842)
Balance on December 31, 2019	<u>\$ 1,336,370</u>	<u>591,871</u>	<u>1,928,241</u>

	Provision for Contingent Service Cost	Gain on valuation of inventory	Unrealized expenses	Others	Total
Deferred tax assets:					
Balance on January 1, 2020	\$ 134,292	749,321	2,129,725	292,275	3,305,613
Recognized in profit (loss)	10,650	348,658	(222,051)	130,157	267,414
Recognized in other comprehensive income	-	-	-	1,455	1,455
Exchange differences on translation	-	(33,329)	(12,472)	(2,188)	(47,989)
Balance on December 31, 2020	<u>\$ 144,942</u>	<u>1,064,650</u>	<u>1,895,202</u>	<u>421,699</u>	<u>3,526,493</u>
Balance on January 1, 2019	\$ 121,800	1,097,392	2,009,494	398,995	3,627,681
Recognized in profit (loss)	12,492	(334,172)	179,413	(100,636)	(242,903)
Recognized in other comprehensive income	-	-	-	622	622
Exchange differences on translation	-	(13,899)	(59,182)	(6,706)	(79,787)
Balance on December 31, 2019	<u>\$ 134,292</u>	<u>749,321</u>	<u>2,129,725</u>	<u>292,275</u>	<u>3,305,613</u>

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Status of approval of income tax

- 1) The Company's income tax returns through 2017 have been assessed and approved by the Tax Authority.
- 2) The tax returns of the Group's subsidiaries approved by the Tax Authority were as follows :

<u>Years of Approval</u>	<u>Company Name</u>
2017	KINSUS INTERCONNECT TECHNOLOGY CORP., KINSUS INVESTMENT and ASROCK INCORPORATION.
2018	PEGA INTERNATIONAL LIMITED, AMA, AZUREWAVE, AZURE LIGHTING TECHNOLOGIES, INC., EZWAVE TECHNOLOGIES, INC., ASROCK RACK, INC., ASROCK INDUSTRIAL COMPUTER CORPORATION, LUMENS OPTICS, FUYANG TECHNOLOGY CORPORATION, ASUS INVESTMENT, ASUSTEK INVESTMENT, ASUSPOWER INVESTMENT, STARLINK ELECTRONICS CORPORATION, HUA YUAN INVESTMENT LTD, AS FLY TRAVEL SERVICE LTD, RI KUAN METAL CORPORATION and PEGAVISION (Income tax returns through 2017 haven't been approved)

(u) Capital and other equity

(i) Ordinary shares

Reconciliation of shares outstanding for 2020 and 2019 was as follows:

	Ordinary Shares	
	For the years ended December 31	
(In thousands of shares)	2020	2019
Beginning balance on January 1	2,611,092	2,612,377
Issuance of restricted shares of stock	52,411	-
Retirement of restricted shares of stock	(629)	(1,285)
Ending balance on December 31	2,662,874	2,611,092

For the year ended December 31, 2020, the Company issued 52,411 thousand restricted shares of stock, at par value of \$10, amounting to \$524,110. The registration procedures had been completed, and all share proceeds from outstanding capital have been collected. For the related information, please refer to Note 6(v).

For the years ended December 31, 2020 and 2019, the Company had retired 629 and 1,285 thousand shares, respectively, of restricted stock to employees. The authorized capital of the Company consisted of both 3,000,000 thousand shares, with par value of \$10 per share, and its outstanding capital were consisted of 2,662,874 and 2,611,092 thousand common shares of stock, as of December 31, 2020 and 2019, respectively. All share proceeds from outstanding capital have been collected.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

As of December 31, 2020 and 2019, the restricted Company shares of stock issued to employees have expired, of which 0 and 300 thousand shares, respectively, have not been retired.

(ii) Global depositary receipts

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

The Company may issue new GDRs with no more than 60,819,020 of the Company's common shares and deliver them to ASUSTeK GDR holders pursuant to the "Guidelines for Offering and Issuing by Issuer of Overseas Securities". As of December 31, 2020 and 2019, the Company has listed, in total, 709 and 790 thousand units of GDRs, respectively, on the Euro MTF market of the Luxembourg Stock Exchange. As each unit of these GDRs represents 5 common shares of the Company, the Company has listed Company shares totaling 3,544 and 3,949 thousand shares of stock, respectively. Major terms and conditions for GDRs were as follows :

1) Voting Rights

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

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

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

(iii) Capital surplus

The components of the capital surplus were as follows :

	December 31, 2020	December 31, 2019
From issuance of share capital	\$ 66,397,897	65,571,841
From conversion of convertible bonds	11,073,663	11,073,663
From treasury stock transactions	47,865	23,614
Difference between consideration and carrying amount of subsidiaries acquired or disposed	2,432,574	2,432,387
Changes in ownership interest in subsidiaries	1,441,117	1,215,540
Employee stock options	1,304	1,304
Restricted stock to employees	1,204,010	323,835
Other	409,917	409,917
	<u>\$ 83,008,347</u>	<u>81,052,101</u>

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

(iv) Retained earnings

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

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

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

1) Legal reserve

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

2) Special reserve

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, apportion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Earnings distribution

On June 19, 2020, and June 21, 2019, the Company's shareholder's meeting resolved to appropriate the 2019 and 2018 earnings. These earnings were appropriated or distributed as follows :

	For the years ended December 31			
	2019		2018	
Common stock dividends per share (dollars)				
— Cash	\$ 4.50		3.50	
(v) Other equity (net of tax)				
	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Deferred compensation arising from issuance of restricted stock	Total
Balance on January 1, 2020	\$ (10,982,396)	(303,654)	(8,287)	(11,294,337)
Exchange differences on foreign operation	(4,826,686)	-	-	(4,826,686)
Exchange differences on associates accounted for using the equity method	190	-	-	190
Unrealized gain from financial assets measured at fair value through other comprehensive income	-	92,665	-	92,665
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	153,680	-	153,680
Deferred compensation cost arising from issuance of restricted stock	-	-	(1,138,372)	(1,138,372)
Balance on December 31, 2020	\$ (15,808,892)	(57,309)	(1,146,659)	(17,012,860)
Balance on January 1, 2019	\$ (7,482,556)	(386,322)	(524,686)	(8,393,564)
Exchange differences on foreign operation	(3,493,889)	-	-	(3,493,889)
Losses reclassified to profit or loss on disposal of foreign operation	(5,719)	-	-	(5,719)
Exchange differences on associates accounted for using the equity method	(232)	-	-	(232)
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	79,232	-	79,232
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	3,436	-	3,436
Deferred compensation cost arising from issuance of restricted stock	-	-	516,399	516,399
Balance on December 31, 2019	\$ (10,982,396)	(303,654)	(8,287)	(11,294,337)

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	For the years ended December 31	
	2020	2019
Balance on January 1	\$ 35,580,451	36,417,945
Income (loss) attributable to non-controlling interests	2,211,954	(1,033,633)
Other comprehensive income attributable to non-controlling interests		
Exchange differences on foreign operation	(61,502)	(591,472)
Remeasurements of defined benefit plans	(8,022)	(3,815)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	(187)	-
Changes in ownership interest in subsidiaries	(151,814)	(504,846)
Changes in non-controlling interests	(1,224,939)	1,296,272
Balance on December 31	<u>\$ 36,345,941</u>	<u>35,580,451</u>

(v) Share-based payment

Information on share-based payment transactions as of December 31, 2020 and 2019 were as follows:

	Equity-settled share-based payment	
	Restricted stock to employee	
	Issued in 2020	Issued in 2016
Thousand units granted	60,000	40,000
Contractual life	4 years	3 years
Vesting period	Note B	Note A
Actual turnover rate of employees	1.32%	8.65% and 3.10%
Estimated future turnover rate for each of the three years of employees	6.84%, 12.64%, 19.13% and 26.11%	-

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

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

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

(i) Determining the fair value of equity instruments granted

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

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

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

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

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Restricted stock to employee

For the years ended December 31, 2020 and 2019, 329 and 1,088 thousand shares of the restricted shares of stock issued to employees have expired, which were converted to capital surplus of \$3,076 and \$10,880, respectively. As of December 31, 2020 and 2019, the Company has deferred compensation cost arising from issuance of restricted stock of \$1,146,659 and \$8,287, respectively.

For the years ended December 31, 2020 and 2019, the Company reversed and recognized salary cost of \$51,730 and \$6,548 from the distribution of cash dividends to estimated non-vesting restricted shares of stock distributed to employees from prior period earnings. Such salary costs were debited/credited to retained earnings, respectively.

(iii) Expenses recognized in profit or loss

The Company incurred expenses of share-based arrangements for the years ended December 31, 2020 and 2019 as follows :

	For the years ended December 31	
	2020	2019
Expenses resulting from the issuance of restricted employee stock	\$ 649,807	300,495

(w) Subsidiary's share-based payments

(i) Restricted stock to employee of AZUREWAVE

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

Employees with restricted stock awards are entitled to purchase shares at the price of NT\$10 per share provided that these employees continue to work for AZURE WAVE for the following three years. 20%, 40% and 40% of the restricted shares of stock is vested in year 1, 2 and 3, respectively. The restricted stock is kept by a trust, which is appointed by AZURE WAVE, before it is vested. These shares of stock shall not be sold, pledged, transferred, gifted, or by any other means of disposed to third parties during the custody period. These shares of stock are entitled to the same right as the holders of common stock once issued, except for those shares kept by a trust or shares that do not meet the vesting condition. If the shares remain unvested after the vesting period, AZURE WAVE will repurchase all the unvested shares at the issue price, and cancel the shares thereafter. As of December 31, 2018, AZURE WAVE retired 336 thousand shares of the restricted stock due to the turnover of its employees. Out of the above 336 thousand shares, 308 thousand shares had been cancelled in the same year; and the remaining 28 thousand shares were cancelled for the three months ended March

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

31, 2019. For the year ended December 31, 2019, AZUREWAVE also retired 162 thousand shares of restricted employee stock due to the resignation of its employees. Out of the above 162 thousand shares, 60 thousand shares had been cancelled during the year, the remaining 102 thousand shares, which have the record date of capital decrease on December 27, 2019 and had yet to be cancelled as of December 31, 2019, were temporarily recognized as capital shares – pending cancellation and had been completely cancelled for the three months ended March 31, 2020.

For the year ended December 31, 2020, AZUREWAVE retired and cancelled 54 thousand shares of restricted employee stock due to the resignation of its employees, with the record date of capital decrease on March 25, 2020. The cancellation had been completed as of December 31, 2020.

For the years ended December 31, 2020 and 2019, AZUREWAVE recognized share-based compensation cost of \$1,160 and \$2,291, respectively. As of December 31, 2020, and 2019, AZUREWAVE has deferred compensation cost resulting from the issuance of restricted stock of \$0 and \$345, respectively.

(ii) Restricted stock to employee of ASROCK

On June 7, 2017, the shareholders of ASROCK approved a resolution passed during their meeting to award 6,000 thousand new restricted shares of stock to those full-time employees who meet certain requirement of ASROCK. The restricted shares of stock totaling 5,750 thousand shares have been registered with and approved by the Securities and Futures Bureau of the Financial Supervisory Commission, R.O.C. On September 22, 2017, 5,704 thousand shares were actually issued for such award with fair value of NT\$68.8 each at grant date.

Employees with restricted stock awards are entitled to purchase shares at the price of NT\$10 per share provided that these employees continue to work for ASROCK for the following three years. 40%, 30% and 30% of the restricted shares of stock is vested in year 1, 2 and 3, respectively. The restricted stock is kept by a trust, which is appointed by ASROCK, before it is vested. These shares of stock shall not be sold, pledged, transferred, gifted or by any other means of disposal to third parties during the custody period. These shares of stock are entitled to the same right as holders of common shares once issued, except for those shares kept by a trust or shares that do not meet the vesting condition.

The aforesaid information of restricted stock to employees was as follows:

Vesting period	Restricted stock to employee			
	Year 1	Year 2	Year 3	Total
Original vested shares (In thousands units)	2,282	1,711	1,711	5,704
Estimated employee turnover rate	- %	3.89 %	2.14 %	
Vested shares after considering employee turnover rate (In thousands units)	2,282	1,645	1,674	5,601
Fair value	NT\$58.80	58.80	58.80	
Service costs	\$ 134,158	96,705	98,465	329,328

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The issuance of new restricted shares of stock by ASROCK should not be transferred within the vesting period of 3 years, while retaining the voting and dividend distribution rights. If an employee, with restricted stock awards, has resigned during the vesting period, the employee needs to return the restricted shares of stock and dividend received.

1) **ASROCK RACK INCORPORATION**

On February 27, 2019, the Board of Directors of ASROCK RACK INCORPORATION approved to award 1,490 thousand new restricted shares of stock to those fulltime employees who met certain requirement of ASROCK RACK INCORPORATION. On March 4, 2019, 1,490 thousand shares were actually issued for such award with fair value of \$5.53 (dollars) per share at the granted date.

Employees with restricted stock awards who keep working for ASROCK RACK INCORPORATION for three years, 50% of the restricted shares of stock are vested in year 3, which started at the granted date. During the service, employees cannot violate the law, code of conduct, code of business ethics conduct, etc. Employees with restricted stock awards who keep working for ASROCK RACK INCORPORATION for four years, residual 50% of the restricted shares of stock is vested in year 4, which started at the granted date. Meanwhile, during the service, employees cannot violate the law, code of conduct, code of business ethics conduct etc. The restricted stock is kept by a trust, which is appointed by ASROCK RACK INCORPORATION, before it is vested. These shares of stock shall not be sold, pledged, transferred, gifted or by any other means of disposal to third parties during the custody period. These shares of stock are entitled to the same right as holders of common shares once issued, except for those shares kept by a trust or shares that do not meet the vesting condition.

The aforesaid information of restricted stock to employee was follows :

Vesting period	Restricted stock to employee				
	year 1	years 2	years 3	years 4	Total
Original vested shares (In thousands units)	-	-	745	745	1,490
Estimated employee turnover rate	-	-	36.08 %	43.53 %	
Vested shares after considering employee turnover rate (In thousands units)	-	-	476	421	897
Fair value	-	-	5.53	5.53	
Service costs	\$ 1,474	1,461	1,449	575	4,959

On May 29, 2020, the Board of Directors of ASROCK approved a resolution passed during their meeting to award 1,500 thousand employee stock option. Each option certificate can purchase one ordinary share, delivered by issuing new shares. The option certificates are awarded to those employees who meet certain requirement of ASROCK and ASROCK RACK INCORPORATION. Duration is 18 months. One year after the issuance, the certificate owners can exercise a specific proportion of the option certificates. The exercise price of the option is \$22 (dollars) per share. After the issuance of the options, even if ASROCK RACK INCORPORATION has changed the total amount of the common shares, the price would not be changed.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

<u>Grant date</u>	<u>Total shares issued (In thousands of shares)</u>	<u>Exercise price per share</u>
May 29, 2020	1,500	NT\$ 22

For the year ended December 31, 2020, the assumptions and pricing model adopted in this share-based payments were as follows :

	<u>For the year ended December 31 2020</u>
Expected volatility rate	30.95%
Risk-free interest rate	0.2763%
Expected duration of option	1.5 years
Weighted average stock price	NT\$11.72
Pricing model	Binomial options pricing model

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

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

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

As of December 31, 2020, related information about outstanding options on the share-based payments was as follows :

	<u>Exercise price</u>	<u>Weighted average residual duration</u>
December 31, 2020		
Outstanding option	\$ 22	0.91 year

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) ASROCK INDUSTRIAL COMPUTER CORPORATION

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

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

Grant date	Total shares issued (In thousands of shares)	Exercise price per share
January 15, 2019	1,500	NT\$ 10

For the year ended December 31, 2019, the assumptions and pricing model adopted in this share-based payments were as follows :

	For the year ended December 31 2019
Expected volatility rate	31.74%
Risk-free interest rate	0.5741%
Expected duration of option	2.5 years
Weighted average stock price	NT\$8.10
Pricing model	Binomial options pricing model

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	For the years ended December 31			
	2020		2019	
	Outstanding number of options	Weighted average exercise price	Outstanding number of options	Weighted average exercise price
Outstanding as of January 1 (In thousand units)	1,500	\$ 10	-	\$ -
Granted during the period	-	-	1,500	10
Forfeited during the period	(65)	-	-	-
Exercising during the period	(685)	-	-	-
Outstanding as of December 31 (In thousand units)	<u>750</u>	10	<u>1,500</u>	10
Exercisable as of December 31 (In thousand units)	<u>-</u>		<u>-</u>	
Weighted average fair value of the options granted	<u>\$ -</u>		<u>\$ 0.81</u>	

As of December 31, 2020 and 2019, related information about outstanding options on the share-based payments was as follows :

	<u>Exercise price</u>	<u>Weighted average residual duration</u>
December 31, 2020		
Outstanding option	\$ 10	0.54 years
December 31, 2019		
Outstanding option	\$ 10	1.125 years

ASRock Industrial Computer Corporation increased its capital by 20,000 thousand shares, at a par value of \$10 per share, with the record date of the capital increase by cash on October 1, 2019, based on the resolution approved by its board of directors on July 24, 2019 and completed the registration on October 29, 2019.

In accordance with the Company Act, ASRock Industrial Computer Corporation retained 10% of the aforesaid shares for its employees to purchase using the fair value method, adopting the Black Scholes model to calculate the fair value of the stock option at grant date as follows :

	<u>For the year ended December 31, 2019</u>
Stock price at grant date	NT\$17.24
Exercise price	NT\$10.00
Expected price volatility	26.96%
Risk-free interest rate	0.3874%
Expected life of the option	0.0795 years
Weighted average stock price	NT\$12.28

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	For the years ended December 31	
	2020	2019
Expense resulting from equity-settled share-based payment	\$ 24,440	76,519

(iii) Employee stock option of FUYANG TECHNOLOGY CORPORATION

As of December 31, 2020 and 2019, FUYANG TECHNOLOGY CORPORATION had the following share-based payment transaction:

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

- 1) Determining the fair value of equity instruments granted

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

	For the year ended December 31 2020
	Employee stock option issued in 2017
<u>Valuation model</u>	
Fair value at grant date	NT\$ 1.54
Stock price at grant date	NT\$ 8.05
Exercise price	NT\$ 10.00
<u>Assumptions</u>	
Dividend yield	-
Expected price volatility	32.81 %
Expected life of the option	4 years
Risk-free interest rate	0.73 %

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

2) Employee stock options

Information on employee stock options was as follows :

	For the years ended December 31			
	2020		2019	
	Weighted- average exercise price	Units of stock option (In thousand units)	Weighted- average exercise price	Units of stock option (In thousand units)
Outstanding as of January 1	\$ 8.05	8	8.05	8
Exercised during the year	-	-	-	-
Outstanding as of December 31		<u>8</u>		<u>8</u>
Exercisable as of December 31		<u>-</u>		<u>-</u>

3) The expenses resulting from share-based payment transactions for the years ended December 31, 2020 and 2019, were as follows :

	For the years ended December 31	
	2020	2019
Expenses resulting from employee stock option	\$ <u>691</u>	<u>2,585</u>

(iv) Compensated restricted stock to employee of KINSUS

- 1) May 29, 2018, the shareholders meeting approved to issue 5,500 thousand shares of restricted employee stock for certain qualified employee, with the approval from the Securities and Futures Bureau. On July 30, 2018, the board of KINSUS approved to issue 4,947 thousand shares of restricted stock, with the record date for the capital increase on August 28, 2018. However, only 4,841 thousand shares were actually issued, with a fair value of \$49.1 per share at the granted date.
- 2) On February 28, 2019, the board of KINSUS approved to issue 659 thousand shares of restricted stock, with the record date for the capital increase on March 18, 2019. However, only 599 thousand shares were actually issued, with a fair value of \$43.45 (dollars) per share at the granted date.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

The restricted obligation before vested was as follows :

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

On August 28, 2018, KINSUS issued 4,841 shares of new employee restricted stock, and incurred 184,530 to capital surplus, of restricted stock of KINSUS. As of December 31, 2020, 541 thousand shares of employee restricted stock have expired, resulting in the capital surplus of KINSUS to increase by \$5,405. Subsequently, the deferred compensation cost of KINSUS arising from the issuance of its employee restricted stock amounted to \$2,535.

On March 18, 2019, KINSUS issued a total of 599 thousand shares of employee restricted stock, resulting in its capital surplus - restricted employee stock to increase by \$19,396. As of December 31, 2020, 51 thousand shares of employee restricted stock have expired, resulting in the capital surplus of KINSUS to increase by \$507. On December 31, 2020, KINSUS has the deferred compensation cost arising from the issuance of its employee restricted stock amounting to \$302.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- 3) The expense resulting from the share-based payment transactions was as follows :

	For the years ended December 31	
	2020	2019
Expense resulting from equity-settled share-based payment	<u><u>\$ 19,915</u></u>	<u><u>80,477</u></u>

- 4) KINSUS did not made any cancellations or amendments to share-based payment transactions for the years ended December 31, 2020 and 2019.

- (x) Earnings per share

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

	For the years ended December 31	
	2020	2019
Basic earnings per share		
Profit attributable to ordinary shareholders	<u><u>\$ 20,207,598</u></u>	<u><u>19,317,741</u></u>
Weighted-average number of ordinary shares	<u><u>2,614,021</u></u>	<u><u>2,611,330</u></u>
	<u><u>\$ 7.73</u></u>	<u><u>7.40</u></u>
Diluted earnings per share		
Profit attributable to ordinary shareholders (diluted)	<u><u>\$ 20,207,598</u></u>	<u><u>19,317,741</u></u>
Weighted-average number of ordinary shares	<u><u>2,614,021</u></u>	<u><u>2,611,330</u></u>
Effect of potentially dilutive ordinary shares		
Employee stock bonus	<u><u>31,279</u></u>	<u><u>27,226</u></u>
Weighted-average number of ordinary shares (diluted)	<u><u>2,645,300</u></u>	<u><u>2,638,556</u></u>
	<u><u>\$ 7.64</u></u>	<u><u>7.32</u></u>

- (y) Revenue from contracts with customers

- (i) Disaggregation of revenue

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	For the year ended December 31, 2019		
	DMS	Strategic Investment Group	Total
Primary geographical markets :			
Europe	\$ 547,976,653	5,625,336	553,601,989
U.S.A.	446,067,161	25,487,085	471,554,246
Taiwan	124,934,818	7,100,364	132,035,182
China	37,090,465	34,050,918	71,141,383
Japan	64,116,533	1,806,028	65,922,561
Other countries	69,274,557	2,757,408	72,031,965
	\$ 1,289,460,187	76,827,139	1,366,287,326

(ii) Contract balances

	December 31, 2020	December 31, 2019	January 1, 2019
Notes receivable	\$ 6,612	20,232	45,327
Accounts receivable	224,136,586	207,994,571	200,619,185
Less: Allowance for impairment	179,507	1,676,398	1,780,928
Total	\$ 223,963,691	206,338,405	198,883,584
Contract liabilities	\$ 1,354,471	1,942,418	1,363,197

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

The amounts of revenue recognized for the years ended December 31, 2020 and 2019 that were included in the contract liability balance at the beginning of the period were \$1,275,946 and \$693,073, respectively.

The major change in the balance of contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received. There were no other significant changes for the years ended December 31, 2020 and 2019.

(z) Remuneration of employees and directors

Based on the amended Company's Articles of Incorporation, remuneration of employees and directors are appropriated at the rate of at least 7% and no more than 0.7% of profit before tax, respectively. Prior years' accumulated deficit is first offset before any appropriation of profit. Employees of subsidiaries may also be entitled to the employee remuneration of the Company, which can be settled in the form of cash or stock.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019, remuneration of employees of \$1,633,000 and \$1,639,000, respectively, and remuneration of directors of \$162,000 and \$163,000, respectively, were estimated on the basis of the Company's net profit before tax, excluding the remuneration of employees and directors of each period, multiplied by the percentage of remuneration of employees and directors as specified in the Company's Articles of Incorporation. Such amounts were recognized as operating cost or operating expense for the years ended December 31, 2020 and 2019. Management is expecting that the differences, if any, between the actual distributed amounts and estimated amounts will be treated as changes in accounting estimates and charged to profit or loss. The number of shares to be distributed were calculated based on the closing price of the Company's ordinary shares, one day prior to Board of Directors meeting. There was no difference between the amounts approved in Board of Directors meeting and recognized for the years ended December 31, 2020 and 2019.

(aa) Non-operating income and expenses

(i) Interest income

The components of interest income were as follows:

	For the years ended December 31	
	2020	2019
Interest income from bank deposits	<u>\$ 2,921,350</u>	<u>3,599,944</u>

(ii) Other income

The components of other income were as follows:

	For the years ended December 31	
	2020	2019
Subsidy income	2,995,497	2,779,484
Dividend income	53,005	46,910
Rental income	895,910	887,908
Technical service income	530,005	569,067
Other income	708,524	292,255
	<u>\$ 5,182,941</u>	<u>4,575,624</u>

(iii) Other gains and losses

The components of other gain and losses were as follows:

	For the years ended December 31	
	2020	2019
Expected credit reversal gain	\$ -	41,186
Losses on disposals of property, plant and equipment	(358,641)	(8,710)
Gains on disposals of investments	-	5,892
Foreign exchange gains (losses)	1,265,538	(482,765)
Gains on lease modifications	9,468	2,522
Impairment loss on non-financial assets	(1,185,640)	(15,279)
Net gains on financial assets measured at fair value through profit or loss	4,285,651	4,046,018
	<u>\$ 4,016,376</u>	<u>3,588,864</u>

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Finance costs

The components of finance costs were as follows:

	For the years ended December 31	
	2020	2019
Interest expenses	1,761,453	3,189,505
Financial expense-bank fees and factoring fees, etc.	14,647	17,037
	\$ 1,776,100	3,206,542

(ab) Reclassification adjustments of components of other comprehensive income

	For the years ended December 31	
	2020	2019
Cumulative adjustment		
Cumulative foreign exchange difference from current period	\$ (4,888,188)	(4,085,361)
Share of other associates accounted for using equity method	190	(232)
Reclassification to profit or loss on the disposal of other associates accounted for using equity method	-	(5,719)
Net change in fair value recognized in other comprehensive income	\$ (4,887,998)	(4,091,312)

(ac) Financial instruments

(i) Credit risk

1) Credit risk exposure

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

2) Concentration of credit risk

As of December 31, 2020 and 2019, the accounts receivable from the Group's top three customers were amounted to \$169,485,057 and \$151,554,738, respectively, representing 76% and 73% of accounts receivable, respectively, which exposes the Group to credit risk.

3) Accounts receivable of credit risk

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

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

All of these financial assets are considered to be low risk, and thus the impairment provision recognized during the period was limited to 12 months expected losses. (Please refer to Note 4(g) for the Group determines whether credit risk is to be low risk).

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The loss allowance provision for the years ended December 31, 2020 and 2019 was determined as follows :

	Other receivables
Balance on January 1, 2020	\$ 17,002
Impairment loss recognized	2,211
Reversal of impairment loss	(519)
Effect of changes in foreign exchange rate	177
Balance on December 31, 2020	<u><u>\$ 18,871</u></u>
Balance on January 1, 2019	\$ 14,374
Impairment loss recognized	3,337
Reversal of impairment loss	(9)
Effect of changes in foreign exchange rate	(700)
Balance on December 31, 2019	<u><u>\$ 17,002</u></u>

(ii) Liquidity risk

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

	Carrying amount	Contractual cash flows	Within 1 year	1-2 years	More than 2 years
December 31, 2020					
Non-derivative financial liabilities					
Secured bank loans	\$ 9,786	9,786	-	208	9,578
Unsecured bank loans	121,263,893	121,263,893	110,126,046	640,878	10,496,969
Accounts receivable factoring	1,071,468	1,071,468	1,071,468	-	-
Unsecured ordinary corporate bonds	25,500,000	25,500,000	1,000,000	2,000,000	22,500,000
Non-interest bearing liabilities	303,065,891	303,065,891	302,290,820	775,071	-
Lease liabilities	2,591,691	2,591,691	1,547,060	555,101	489,530
	<u><u>\$ 453,502,729</u></u>	<u><u>453,502,729</u></u>	<u><u>416,035,394</u></u>	<u><u>3,971,258</u></u>	<u><u>33,496,077</u></u>
December 31, 2019					
Non-derivative financial liabilities					
Unsecured bank loans	\$ 74,001,236	74,001,236	67,466,282	857,421	5,677,533
Unsecured ordinary corporate bonds	23,500,000	23,500,000	3,000,000	1,000,000	19,500,000
Non-interest bearing liabilities	249,747,416	249,747,416	248,854,746	892,670	-
Lease liabilities	2,489,741	2,489,741	1,195,039	914,164	380,538
	<u><u>\$ 349,738,393</u></u>	<u><u>349,738,393</u></u>	<u><u>320,516,067</u></u>	<u><u>3,664,255</u></u>	<u><u>25,558,071</u></u>

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Market risk

1) Currency risk

The Group's significant exposures to foreign currency risk were as follows :

(Unit: Foreign currency / NTD in Thousands)

	December 31, 2020			December 31, 2019		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 15,542,896	28.4965	442,918,136	18,131,819	29.980	543,591,934
USD:CNY	1,413,710	6.5249	40,285,818	433,187	6.9762	12,987,041
CNY:USD	2,900,784	0.1533	12,668,729	2,178,975	0.1433	9,364,077
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	16,003,254	28.497	456,036,728	17,505,328	29.980	524,809,733
USD:CNY	1,500,657	6.5249	42,763,505	368,450	6.9762	11,046,212
CNY:USD	3,005,781	0.1533	13,127,288	2,243,752	0.1433	9,642,454

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable and other receivables, loans, accounts and other payables that are denominated in foreign currency. A 1% of appreciation or depreciation of each major foreign currency against the Group's functional currency as of December 31, 2020 and 2019 would have increased (decreased) the before-tax net income for the years ended December 31, 2020 and 2019 by \$153,153 and \$208,816, respectively. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for both periods.

3) Foreign exchange gains or losses on monetary item

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years ended December 31, 2020 and 2019, foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$1,265,538 and (\$482,765), respectively.

(iv) Interest rate analysis

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

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

If the interest rate increases / decreases by 1%, the Group's net income will decrease /increase by \$262,606 and \$267,850 for the years ended December 31, 2020 and 2019, respectively, assuming all other variable factors remaining constant. This is mainly due to the Group's variable rate borrowing and cash advances for accounts receivable factoring.

(v) Other market price risk

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

	For the years ended December 31			
	2020		2019	
	Comprehensive Income (Loss) (net of tax)	Net Income (Loss) (net of tax)	Comprehensive Income (Loss) (net of tax)	Net Income (Loss) (net of tax)
Equity price on reporting date				
Increase 3%	\$ <u>30,066</u>	<u>340,892</u>	<u>25,745</u>	<u>139,822</u>
Decrease 3%	\$ <u>(30,066)</u>	<u>(340,892)</u>	<u>(25,745)</u>	<u>(139,822)</u>

(vi) Fair value of financial instruments

1) Categories of financial instruments and fair value hierarchy

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

	December 31, 2020				
	Book Value	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Financial assets mandatorily measured at fair value through profit or loss	\$ <u>14,556,598</u>	<u>14,156,360</u>	<u>-</u>	<u>400,238</u>	<u>14,556,598</u>
Financial assets at fair value through other comprehensive income					
Stock of listed companies	\$ 533,196	533,196	-	-	533,196
Stock of unlisted companies	149,143	-	-	149,143	149,143
Stock of overseas listed companies	250,064	250,064	-	-	250,064
Stock of overseas unlisted companies	<u>69,808</u>	<u>-</u>	<u>-</u>	<u>69,808</u>	<u>69,808</u>
Subtotal	\$ <u>1,002,211</u>	<u>783,260</u>	<u>-</u>	<u>218,951</u>	<u>1,002,211</u>

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

December 31, 2020					
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at amortized cost					
Cash and cash equivalents	\$ 125,996,714	-	-	-	-
Notes and accounts receivable	223,963,691	-	-	-	-
Other receivables	2,015,489	-	-	-	-
Other financial assets	44,707,254	-	-	-	-
Subtotal	<u>\$ 396,683,148</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities at amortized cost					
Bank loans	\$ 122,257,347	-	-	-	-
Non-interest bearing liabilities	303,065,891	-	-	-	-
Lease liabilities	2,591,691	-	-	-	-
Unsecured ordinary corporate bonds	25,478,182	-	-	-	-
Subtotal	<u>\$ 453,393,111</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
December 31, 2019					
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Financial assets mandatorily measured at fair value through profit or loss	<u>\$ 7,357,795</u>	<u>7,010,079</u>	<u>-</u>	<u>347,716</u>	<u>7,357,795</u>
Financial assets at fair value through other comprehensive income					
Accounts receivables — fair value through other comprehensive income	\$ 7,495,000	7,495,000	-	-	7,495,000
Stock of listed companies	586,407	586,407	-	-	586,407
Stock of unlisted companies	150,000	-	-	150,000	150,000
Stock of overseas unlisted companies	121,751	-	-	121,751	121,751
Subtotal	<u>\$ 8,353,158</u>	<u>8,081,407</u>	<u>-</u>	<u>271,751</u>	<u>8,353,158</u>
Financial assets at amortized cost					
Cash and cash equivalents	\$ 145,795,913	-	-	-	-
Notes and accounts receivable	198,843,405	-	-	-	-
Other receivables	1,472,702	-	-	-	-
Other financial assets	4,046,078	-	-	-	-
Subtotal	<u>\$ 350,158,098</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities at amortized cost					
Bank loans	\$ 74,001,236	-	-	-	-
Non-interest bearing liabilities	249,747,416	-	-	-	-
Lease liabilities	2,489,741	-	-	-	-
Unsecured ordinary corporate bonds	23,480,339	-	-	-	-
Subtotal	<u>\$ 349,718,732</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

The assumptions and methods used in valuing financial instruments that are not measured at fair value are as follows :

a) Financial assets and liabilities measured at amortized cost

Fair value measurement for financial assets and liabilities is based on the latest quoted price and agreed-upon price if these prices are available in active market. When market value is unavailable, fair value of financial assets and liabilities are evaluated based on the discounted cash flow of the financial assets and liabilities.

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

a) Non-derivative financial instruments

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

If quoted price of a financial instrument can be obtained in time and often from exchanges, brokers, underwriters, industrial union, pricing institute, or authorities and such price can reflect those actual trading and frequently happen in the market, then the financial instrument is considered to have quoted price in active market. If a financial instrument does not accord with the definition aforementioned, then it is considered to be without quoted price in active market. In general, market with low trading volume or high bid-ask spreads is an indication of non-active market.

Measurements of fair value of financial instruments without active market are based on valuation technique or quoted price from competitor. Fair value measured by valuation technique can be extrapolated from similar financial instruments, discounted cash flow method or other valuation technique which include model calculating with observable market data at the balance sheet date.

b) Derivative financial instruments

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

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

4) Transfers between Level 1 and Level 2

There have been no transfers from each level for the years ended December 31, 2020 and 2019.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

5) Reconciliation of Level 3 fair values

	<u>At fair value through profit or loss</u>	<u>Fair value through other comprehensive income</u>	
	<u>Non-derivative mandatorily measured at fair value through profit or loss</u>	<u>Unquoted equity instruments</u>	<u>Total</u>
Opening balance, January 1, 2020	\$ 347,716	271,751	619,467
Total gains and losses recognized:			
In profit or loss	(41,982)	-	(41,982)
In other comprehensive income	-	(13,665)	(13,665)
Purchased	94,504	-	94,504
Disposal	-	(39,135)	(39,135)
Ending Balance, December 31, 2020	<u>\$ 400,238</u>	<u>218,951</u>	<u>619,189</u>
Opening balance, January 1, 2019	\$ 202,971	282,075	485,046
Total gains and losses recognized:			
In profit or loss	(43,371)	-	(43,371)
In other comprehensive income	-	(10,324)	(10,324)
Purchased	188,116	-	188,116
Ending Balance, December 31, 2019	<u>\$ 347,716</u>	<u>271,751</u>	<u>619,467</u>

For the years ended December 31, 2020 and 2019, total gains and losses that were included in “other gains and losses” and “unrealized gains and losses from financial assets at fair value through other comprehensive income” were as follows:

	<u>For the years ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Total gains and losses recognized:		
In profit or loss, and presented in “other gains and losses”	<u>\$ (41,982)</u>	<u>(43,371)</u>
In other comprehensive income, and presented in “unrealized gains and losses from financial assets at fair value through other comprehensive income”	<u>\$ (13,665)</u>	<u>(10,323)</u>

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

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

Quantified information of significant unobservable inputs were as follows :

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through profit or loss-equity investments without an active market	Market Approach	<ul style="list-style-type: none"> ·The multiplier of price-to-book ratio (As of December 31, 2020 and 2019, were 1.2~2.3 and 1.0~2.6, respectively.) ·Market illiquidity discount (As of December 31, 2020 and 2019, were 20%) 	The estimated fair value would increase (decrease) if: <ul style="list-style-type: none"> ·the multiplier were higher (lower) ·the market illiquidity discount were lower (higher).
Financial assets at fair value through other comprehensive income-equity investments without an active market	Market Approach	<ul style="list-style-type: none"> ·The multiplier of price-to-book ratio (As of December 31, 2020 and 2019, were 1.4~1.5 and 1.9~6.2, respectively.) ·Market illiquidity discount (As of December 31, 2020 and 2019, were 20%) 	The estimated fair value would increase (decrease) if: <ul style="list-style-type: none"> ·the multiplier were higher (lower) ·the market illiquidity discount were lower (higher).
Financial assets at fair value through profit or loss-private fund	Net Asset Value Method	·Net Asset Value	Not applicable

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

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

		Fluctuation in inputs	Profit or loss		Other comprehensive income	
Inputs			Favorable	Unfavorable	Favorable	Unfavorable
December 31, 2020						
Financial assets at fair value through profit or loss						
Equity investments without an active market	Multiplier of price-to- book ratio	1%	714	(714)	-	-
Equity investments without an active market	Market illiquidity discount	1%	714	(714)	-	-
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	Multiplier of price-to- book ratio	1%	-	-	2,190	(2,190)
Equity investments without an active market	Market illiquidity discount	1%	-	-	2,190	(2,190)

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

		Fluctuation in inputs	Profit or loss		Other comprehensive income	
	Inputs		Favorable	Unfavorable	Favorable	Unfavorable
December 31, 2019						
Financial assets at fair value through profit or loss						
Equity investments without an active market	Multiplier of price-to- book ratio	1%	880	(880)	-	-
Equity investments without an active market	Market illiquidity discount	1%	880	(880)	-	-
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	Multiplier of price-to- book ratio	1%	-	-	2,718	(2,718)
Equity investments without an active market	Market illiquidity discount	1%	-	-	2,718	(2,718)

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

(vii) Offsetting of financial assets and financial liabilities

The Group has financial assets and liabilities which are subject to the guidance concerning financial instrument transactions under paragraph 42 of IAS 32 as endorsed by the Financial Supervisory Commission. These financial assets and liabilities are presented on a net basis in balance sheet.

The following table presents the recognized financial instruments that are subject to offsetting agreement or contract and have legally enforceable right to set off :

December 31, 2020						
Financial assets subject to offsetting agreement or contract and have legally enforceable right to set off.						
	Gross Assets	Gross Liabilities Offset	Net amounts presented	Amounts not offset (d)		
	(a)	(b)	(c)=(a)-(b)	Financial Instruments (Note)	Cash collected as pledge	Net amounts (e)=(c)-(d)
Accounts Receivable and Payable	\$ 16,781,165	12,410,025	4,371,140	-	-	4,371,140
Other financial asset and short-term loan	\$ 14,247,483	14,247,483	-	-	-	-

December 31, 2020						
Financial liabilities subject to offsetting agreement or contract and have legally enforceable right to set off.						
	Gross Liabilities	Gross Assets Offset	Net amounts presented	Amounts not offset (d)		
	(a)	(b)	(c)=(a)-(b)	Financial Instruments (Note)	Cash collected as pledge	Net amounts (e)=(c)-(d)
Accounts Receivable and Payable	\$ 12,410,025	12,410,025	-	-	-	-
Other financial asset and short-term loan	\$ 14,247,483	14,247,483	-	-	-	-

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

December 31, 2019						
Financial assets subject to offsetting agreement or contract and have legally enforceable right to set off.						
	Gross Assets (a)	Gross Liabilities Offset (b)	Net amounts presented (c)=(a)-(b)	Amounts not offset (d)		
				Financial Instruments (Note)	Cash collected as pledge	Net amounts (e)=(c)-(d)
Accounts Receivable and Payable	\$ <u>23,050,581</u>	<u>15,787,701</u>	<u>7,262,880</u>	<u>-</u>	<u>-</u>	<u>7,262,880</u>

December 31, 2019						
Financial liabilities subject to offsetting agreement or contract and have legally enforceable right to set off.						
	Gross Liabilities (a)	Gross Assets Offset (b)	Net amounts presented (c)=(a)-(b)	Amounts not offset (d)		
				Financial Instruments (Note)	Cash collected as pledge	Net amounts (e)=(c)-(d)
Accounts Receivable and Payable	\$ <u>15,787,701</u>	<u>15,787,701</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

(ad) Financial risk management

(i) Overview

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

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

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

(ii) Structure of risk management

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has deputized managements of core business departments for developing and monitoring the Group's risk management policies. Management reports regularly to the Board of Directors on its activities.

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

(iii) Credit risk

Credit risk means the potential loss of the Group if the counterparty involved in that transaction defaults. The primary potential credit risk is from financial instruments like cash, equity securities, and accounts receivable. Also, the Group deposits cash in different financial institutions. The Group manages credit risk exposure related to each financial institution and believes that there is no significant concentration of credit risk on cash and equity securities.

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

1) Accounts receivable and other receivables

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

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

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

2) Investment

The credit risk exposure in the bank deposits, fixed income investments and other financial instruments are measured and monitored by the Group's finance department. As the Group deals with the banks and other external parties with good credit standing and financial institutions, corporate organization and government agencies which are graded above investment level, management believes that the Group does not have compliance issues and no significant credit risk.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Guarantee

The Group's policies were prepared in accordance with Guidelines for Lending of Capital, Endorsements and Guarantees by Public Companies. Please refer to Note 9 and 13(a) Table 2 for details of endorsements and guarantees provided by the Group as of December 31, 2020 and 2019.

(iv) Liquidity risk

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

The capital and working funds of the Group are sufficient to meet its entire contractual obligations and non-hedging forward exchange contracts; therefore, management is not expecting any significant issue on liquidity risk.

(v) Market risk

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

1) Currency risk

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

The Group's foreign currency denominated purchases and sales are denominated mainly in US dollars. This exposes the Group to the current and future foreign exchange fluctuation risk that arises from cash flows of foreign currency assets and liabilities. However, the risks may be regarded as insignificant, because foreign currency losses from sales are subsequently offset by the foreign currency gain from purchases. In addition, the Group conducts foreign exchange activities on spot market in order to manage its foreign exchange risks.

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

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Interest rate risk

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

3) Price floating risk on equity instruments

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

(ae) Capital management

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

For the year ended December 31, 2020, the Group had used the debt-to-equity ratio, interest bearing liability-to-equity ratio and other financial ratio to maintain an optimal capital structure and raise returns on equity.

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

	December 31, 2020	December 31, 2019
Total liabilities	\$ 485,406,087	377,274,280
Less: cash and cash equivalents	<u>125,996,714</u>	<u>145,795,913</u>
Net debt	<u>\$ 359,409,373</u>	<u>231,478,367</u>
Total capital (Note)	<u>\$ 558,349,895</u>	<u>424,723,880</u>
Debt to equity ratio	<u>64.37%</u>	<u>54.50%</u>

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

Management believes that there were no significant changes in the Group's approach to capital management for the years ended December 31, 2020 and 2019.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(af) Financing activities not affecting current cash flow

For the years ended December 31, 2020 and 2019, reconciliation of liabilities arising from financing activities was as follows :

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

	January 1, 2019	Cash flows	Non-cash changes		December 31, 2019
			Foreign exchange movement	Other	
Long-term loans	\$ 11,900,203	(2,498,737)	(209,016)	-	9,192,450
Short-term loans	86,927,246	(22,118,460)	-	-	64,808,786
Bonds payable	14,986,762	8,490,500	-	3,077	23,480,339
Lease liabilities	2,945,584	(1,522,957)	(16,506)	1,083,620	2,489,741
Non-controlling interests	36,417,945	2,061,226	(591,472)	(2,307,248)	35,580,451
Total liabilities from financing activities	<u>\$153,177,740</u>	<u>(15,588,428)</u>	<u>(816,994)</u>	<u>(1,220,551)</u>	<u>135,551,767</u>

(7) Related-party transactions:

Key management personnel compensation :

	For the years ended December 31	
	2020	2019
Short-term employee benefits	\$ 437,873	316,229
Post-employment benefits	3,997	4,541
Share-based payments	153,645	61,495
	<u>\$ 595,515</u>	<u>382,265</u>

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(8) Pledged assets:

As of December 31, 2020 and 2019, book value of pledged assets were as follows :

<u>Asset</u>	<u>Purpose of pledge</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts receivable (Note)	Accounts receivable factoring (listed as short-term loans)	\$ 1,077,681	-
Other financial asset-restricted deposit	Post-release duty deposits, customs duty, lease deposits, short-term loans, travel agency guarantee, etc.	111,289	203,219
Other financial asset-restricted deposit	Litigation pledge and provisional attachment guarantee	61,669	10,998
Property, plant and equipment	Bank loans	61,249	1,383,038
Other financial asset-guarantee deposits	Customs duty guarantee, rental deposits, and deposits for performance guarantee	191,147	42,985
		<u>\$ 1,503,035</u>	<u>1,640,240</u>

(9) Commitments and contingencies:

(a) Significant commitments and contingencies were as follows :

(i) Unused standby letters of credit

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
EUR	\$ -	29
JPY	7,000,234	1,029,071
USD	7,594	3,376

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
NTD	<u>\$ 16,391</u>	<u>34,263</u>

(iii) As of December 31, 2020, and 2019, the significant contracts for purchase of properties by the Group amounted to \$13,197,985 and \$15,002,411, of which \$5,314,270 and \$2,215,402, respectively, were unpaid.

(iv) As of December 31, 2020, and 2019, the Group provided endorsement guarantee for bank loans, including Group entities, amounting to \$341,958 and \$1,259,160, respectively.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (v) As of December 31, 2020, and 2019, the Group issued a tariff guarantee of \$1,804,655 and \$1,764,424, respectively, to the bank for the purpose of importing goods.
- (b) Significant contingent liability :
- (i) In May 2017, QUALCOMM INCORPORATED filed a lawsuit against the Group for royalty payment under the license agreement in the U.S. District Court for the Southern District of California. In July 2017, the Group counterclaimed and the lawsuit has still been in cognizance. In April 2019, the Group has already compromised and both parties have revoked the lawsuit. It is not expected to have a material effect on the Group's operation.
 - (ii) AIG Specialty Insurance Company filed a lawsuit against the Group, demanding for compensation for a batch of defect products that were received from the Group. A lawyer has been appointed to protect the Group's rights and interests. This case is still in progress as of the release date of the consolidated financial statements; therefore, no reasonable estimation can be made concerning this matter.
 - (iii) Pursuant to a resolution made in the Casetek Cayman (Casetek)' s Extraordinary General Meeting on September 30, 2020, Casetek will complete a triangular merger with Pegatron Corporation and its 100% owned subsidiary, Pegasus Ace Limited, and Casetek will then go private and be delisting from the Taiwan Stock Exchange (TWSE). The date of merger is set on January 15, 2021. According to the merger agreement, except for any written request made by disagreeing shareholders regarding the consideration and the shares to be bought back, the tender offer the Group to buy non-controlling shareholders out would be \$87.5 (dollars) per share, \$14,274,713 in total payables.

(10) Losses due to major disasters: None.

(11) Subsequent Events:

On 29 January, 2021, the Group has approved a board resolution to authorize its indirect wholly-owned subsidiary, Ri Kai Computer Accessory Co., Ltd. (Ri Kai) to raise its capital, and to authorize another indirect wholly-owned subsidiary, Rih Li International Ltd. (Rih Li) to waive its pre-emptive right toward the capital increase of Ri Kai. Rih Li' s shareholding ratio in Ri Kai will decrease from 100% to 48.17% and Rih Li will lose control of Ri Kai.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(12) Other:

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

By function By item	For the years ended December 31					
	2020			2019		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Employee benefit						
Salary	\$ 55,097,165	16,514,093	71,611,258	50,726,332	14,442,619	65,168,951
Health and labor insurance	4,197,204	918,595	5,115,799	4,385,633	952,320	5,337,953
Pension	3,634,385	710,801	4,345,186	4,530,485	837,289	5,367,774
Others	2,938,788	972,797	3,911,585	1,407,397	999,542	2,406,939
Depreciation	16,304,363	1,815,270	18,119,633	16,455,096	1,831,515	18,286,611
Amortization	84,828	113,241	198,069	145,699	132,038	277,737

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

	For the years ended December 31	
	2020	2019
	\$ 3,013	3,051
Depreciation in investment property		

(13) Other disclosures:

(a) Information on significant transactions:

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

No.	Item	Table
1	Loans to other parties	Table 1
2	Guarantees and endorsements for other parties	Table 2
3	Securities held as of December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures)	Table 3
4	Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock	Table 4
5	Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock	Table 5
6	Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock	None
7	Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock	Table 6
8	Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock	Table 7
9	Trading in derivative instruments	None
10	Business relationships and significant intercompany transactions	Table 10

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Information on investees:

Please refer to Table 8 for the information on investees for the year ended December 31, 2020.

(c) Information on investment in mainland China:

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

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
ASUSTek Company Inc.		448,506,484	17.18 %

(14) Segment information:

(a) General Information

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

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

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

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

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Please refer to Note 6(y) for the information on revenue for the years ended December 31, 2020 and 2019. The Group's operating segment information and reconciliation were as follows :

2020				
	DMS	Strategic Investment Group	Adjustment and eliminations	Total
Revenue :				
Revenue from external customers	\$ 1,267,842,416	131,490,490	-	1,399,332,906
Intersegment revenues	<u>348,757</u>	<u>2,192,502</u>	<u>(2,541,259)</u>	<u>-</u>
Total revenue	<u>\$ 1,268,191,173</u>	<u>133,682,992</u>	<u>(2,541,259)</u>	<u>1,399,332,906</u>
Share of profit (loss) of associates and joint ventures accounted for using equity method	<u>\$ 1,968,126</u>	<u>1,395,991</u>	<u>(3,244,358)</u>	<u>119,759</u>
Other significant non-monetary items:				
Goodwill	<u>\$ -</u>	<u>41,167</u>	<u>-</u>	<u>41,167</u>
Reportable segment profit or loss	<u>\$ 25,181,868</u>	<u>7,505,773</u>	<u>(3,244,358)</u>	<u>29,443,283</u>
Assets:				
Investments accounted for using equity method	<u>\$ 41,697,501</u>	<u>124,814,885</u>	<u>(166,160,936)</u>	<u>351,450</u>
Reportable segment assets	<u>\$ 571,735,476</u>	<u>278,782,743</u>	<u>(166,171,610)</u>	<u>684,346,609</u>
Reportable segment liabilities	<u>\$ 408,938,082</u>	<u>76,478,680</u>	<u>(10,675)</u>	<u>485,406,087</u>

2019				
	DMS	Strategic Investment Group	Adjustment and eliminations	Total
Revenue :				
Revenue from external customers	\$ 1,289,230,818	77,056,508	-	1,366,287,326
Intersegment revenues (losses)	<u>520,876</u>	<u>4,459,189</u>	<u>(4,980,065)</u>	<u>-</u>
Total revenue (loss)	<u>\$ 1,289,751,694</u>	<u>81,515,697</u>	<u>(4,980,065)</u>	<u>1,366,287,326</u>
Share of (loss) profit of associates and joint ventures accounted for using equity method	<u>\$ (808,944)</u>	<u>(984,482)</u>	<u>1,853,707</u>	<u>60,281</u>
Other significant non-monetary items:				
Goodwill	<u>\$ -</u>	<u>1,048,562</u>	<u>-</u>	<u>1,048,562</u>
Reportable segment profit or loss	<u>\$ 25,169,232</u>	<u>(1,555,034)</u>	<u>1,853,707</u>	<u>25,467,905</u>
Assets:				
Investments accounted for using equity method	<u>\$ 41,647,782</u>	<u>115,094,952</u>	<u>(156,486,641)</u>	<u>256,093</u>
Reportable segment assets	<u>\$ 492,727,088</u>	<u>234,288,174</u>	<u>(156,495,469)</u>	<u>570,519,793</u>
Reportable segment liabilities	<u>\$ 335,062,026</u>	<u>42,221,082</u>	<u>(8,828)</u>	<u>377,274,280</u>

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Geographic information

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

<u>Region</u>	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Taiwan	\$ 29,403,708	28,290,509
China	61,150,280	59,643,098
Others	<u>2,725,420</u>	<u>1,297,409</u>
Total	<u>\$ 93,279,408</u>	<u>89,231,016</u>

Non-current assets include property, plant and equipment, right-of-use assets, investment property, intangible assets and other non-current assets, excluding financial instruments, deferred tax assets, pension fund assets, and rights arising from an insurance contract (non-current).

(d) Major Customer

Major customers from DMS in 2020 and 2019 were as follows:

<u>Customer</u>	<u>For the years ended December 31</u>	
	<u>2020</u>	<u>2019</u>
A	\$ 853,146,423	828,174,033
B	164,480,895	106,817,483
C	<u>88,371,083</u>	<u>61,543,760</u>
	<u>\$ 1,105,998,401</u>	<u>996,535,276</u>

Notes to the Consolidated Financial Statements

Table 1 : Loans to other parties
December 31, 2020

Expressed in thousands of NTD															
No.	Creditor	Borrower	General ledger Account (Note 2)	Is a related party	Maximum outstanding balance during the year ended December 31, 2020	Balance at December 31, 2020	Actual amount drawn down	Interest rate	Nature of loan (Note 3)	Amount of transactions with the (Note 4)	Reason for short-term financing (Note 5)	Collateral		Limit on loans granted to a single party (Note 6)	Ceiling on total loans granted (Note 6)
												Item	Value		
1	MAINTeK COMPUTER (SUZHOU) CO., LTD.	COTEK ELECTRONICS (SUZHOU) CO., LTD.	Other Receivables	Y	1,424,825	1,424,825	1,424,825	2.59%	2	-	Fund accommodation	-	-	14,159,763	28,319,526
1	MAINTeK COMPUTER (SUZHOU) CO., LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	Other Receivables	Y	2,849,650	2,849,650	2,849,650	0.92%	2	-	Fund accommodation	-	-	11,327,810	28,319,526
2	ASUSPOWER CORPORATION	PEGATRON CORPORATION	Other Receivables	Y	5,414,335	5,414,335	5,414,335	0.00%	2	-	Fund accommodation	-	-	7,378,157	14,756,314
2	ASUSPOWER CORPORATION	PEGATRON SERVICE AUSTRALIA PTY. LTD.	Other Receivables	Y	219,637	-	-	0.00%	2	-	Fund accommodation	-	-	7,378,157	14,756,314
2	ASUSPOWER CORPORATION	ASUS INVESTMENT CO., LTD.	Other Receivables	Y	427,448	-	-	0.00%	2	-	Fund accommodation	-	-	7,378,157	14,756,314
3	STARLINK ELECTRONICS CORPORATION	ASUSPOWER INVESTMENT CO., LTD.	Other Receivables	Y	150,000	-	-	0.67%	2	-	Fund accommodation	-	-	190,983	190,983
4	CASETEK HOLDINGS LIMITED	PEGATRON CORPORATION	Other Receivables	Y	270,717	270,717	270,717	0.00%	2	-	Fund accommodation	-	-	6,244,207	6,244,207
5	KAEDAR TRADING LTD.	PEGATRON CORPORATION	Other Receivables	Y	512,937	-	-	0.00%	2	-	Fund accommodation	-	-	585,355	585,355
5	KAEDAR TRADING LTD.	PEGATRON VIETNAM COMPANY LIMITED	Other Receivables	Y	512,937	512,937	512,937	1.00%	2	-	Fund accommodation	-	-	585,355	585,355
6	Unihin Holding Ltd.	PEGATRON CORPORATION	Other Receivables	Y	826,399	-	-	0.00%	2	-	Fund accommodation	-	-	6,254,103	6,254,103
7	PROTEK (SHANGHAI) LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	Other Receivables	Y	4,274,475	4,274,475	4,274,475	0.92%	2	-	Fund accommodation	-	-	5,466,839	10,933,677
8	Azwave Holding (Sumo) Inc.	AGALE CORPORATION (SHANGHAI)	Other Receivables	Y	28,497	28,497	-	0.00%	2	-	Cash flow adequacy	-	-	677,543	677,543
9	CASETEK HOLDINGS LIMITED(CAYMAN)	CASETEK SINGAPORE PTE. LTD.	Short-Term Accounts Receivable	Y	4,986,888	4,986,888	4,758,916	1.00%	2	-	Business operation	-	-	12,468,482	12,468,482
10	RIH LI International Limited	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	Long-Term Accounts Receivable	Y	9,973,775	9,973,775	9,973,775	1.00%	2	-	Business operation	-	-	36,792,362	36,792,362
11	RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	Long-Term Accounts Receivable	Y	5,459,188	5,459,188	5,459,188	1.00%	2	-	Business operation	-	-	8,502,453	8,502,453
11	RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	R-MING (SHANGHAI) CO., LTD.	Short-Term Accounts Receivable	Y	1,091,838	-	-	1.00%	2	-	Business operation	-	-	8,502,453	8,502,453
11	RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	R-PRO PRECISION MODEL (SHANGHAI) CO., LTD.	Long-Term Accounts Receivable	Y	131,021	131,021	131,021	1.00%	2	-	Business operation	-	-	8,502,453	8,502,453
12	RI-PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	R-PRO PRECISION MODEL (SHANGHAI) CO., LTD.	Short-Term Accounts Receivable	Y	218,368	-	-	1.00%	2	-	Business operation	-	-	5,365,642	5,365,642
12	RI-PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	SHENG-RUI ELECTRONIC TECHNOLOGY (SHANGHAI) LIMITED	Short-Term Accounts Receivable	Y	262,041	262,041	262,041	1.00%	2	-	Business operation	-	-	5,365,642	5,365,642
12	RI-PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	Long-Term Accounts Receivable	Y	3,493,880	2,620,410	2,620,410	1.00%	2	-	Business operation	-	-	5,365,642	5,365,642
13	KAI HE COMPUTER ACCESSORY (SUZHOU) CO., LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	Long-Term Accounts Receivable	Y	349,388	349,388	349,388	1.00%	2	-	Business operation	-	-	487,742	487,742
14	R-MING (SHANGHAI) CO., LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	Long-Term Accounts Receivable	Y	655,103	305,715	305,715	1.00%	2	-	Business operation	-	-	10,267,030	10,267,030
15	RI-KAI COMPUTER ACCESSORY CO., LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	Short-Term Accounts Receivable	Y	1,746,940	1,746,940	1,746,940	1.00%	2	-	Business operation	-	-	7,274,652	7,274,652

Note 1 : The number column is organized as follows:

(1) Number 0 represents the issuer.

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

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

Note 3 : Reference for the Nature of loan column

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

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

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

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

Note 6 : Calculation for the ceiling on total loans granted.

Notes to the Consolidated Financial Statements

Ceiling on total loans granted

According to our MAINTeK COMPUTER (SUZHOU) CO., LTD.) policy for loans granted, the ceiling on total loans granted to all parties is 100% of our MAINTeK COMPUTER (SUZHOU) CO., LTD.) net assets.

While granting loans to the Company, Taiwan subsidiaries and subsidiaries which are not wholly-owned by the Company are as follows: ceiling on total loans granted to which is 40% of MAINTeK COMPUTER (SUZHOU) CO., LTD.'s net assets.

According to our ASUSPOWER CORPORATION) policy for loans granted, the ceiling on total loans granted to all parties is 60% of our ASUSPOWER CORPORATION) net assets.

While granting loans to the Company and foreign subsidiaries which are not wholly-owned by the Company are as follows: ceiling on total loans granted to all parties is 100% of our STARLINK ELECTRONICS CORPORATION) net assets.

According to our STARLINK ELECTRONICS CORPORATION) policy for loans granted, the ceiling on total loans granted to all parties is 40% of our STARLINK ELECTRONICS CORPORATION) net assets.

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

According to our CASETEK HOLDINGS LIMITED) policy for loans granted, the ceiling on total loans granted to all parties is 30% of our CASETEK HOLDINGS LIMITED) net assets.

While granting loans to the Company and foreign subsidiaries which are not wholly-owned by the Company are as follows: ceiling on total loans granted to which is 100% of our KAEDAR TRADING LIMITED) net assets.

According to our UNIHAN HOLDING LIMITED) policy for loans granted, the ceiling on total loans granted to all parties is 30% of our UNIHAN HOLDING LIMITED) net assets.

While granting loans to the Company and foreign subsidiaries which are not wholly-owned by the Company are as follows: ceiling on total loans granted to which is 100% of our UNIHAN HOLDING LIMITED) net assets.

According to our PROTEK (SHANGHAI) LTD.) policy for loans granted, the ceiling on total loans granted to all parties is 30% of our PROTEK (SHANGHAI) LTD.) net assets.

While granting loans to the Company and foreign subsidiaries which are not wholly-owned by the Company are as follows: ceiling on total loans granted to which is 40% of our net assets.

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

According to our CASETEK HOLDINGS LIMITED(CAYMAN) policy for loans granted, the ceiling on total loans granted to all parties is 40% of our CASETEK HOLDINGS LIMITED(CAYMAN) net assets.

When there is a short-term financing need, the ceiling on total loans granted to which is 100% of our RIH LI International Limited) net assets, the ceiling on total loans granted to all other parties is 40% of our RIH LI International Limited) net assets.

According to our RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.) policy for loans granted, except for foreign subsidiaries whose voting shares are directly or indirectly wholly-owned by the Company and CASETEK HOLDINGS LIMITED(CAYMAN), when there is a short-term financing need, the ceiling on total loans granted to which is 100% of our RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.) net assets.

According to our RI-PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.) policy for loans granted, except for foreign subsidiaries whose voting shares are directly or indirectly wholly-owned by the Company and CASETEK HOLDINGS LIMITED(CAYMAN), when there is a short-term financing need, the ceiling on total loans granted to which is 100% of our RI-PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.) net assets.

According to our KAI HE COMPUTER ACCESSORY (SUZHOU) CO., LTD.) policy for loans granted, except for foreign subsidiaries whose voting shares are directly or indirectly wholly-owned by the Company and CASETEK HOLDINGS LIMITED(CAYMAN), when there is a short-term financing need, the ceiling on total loans granted to which is 100% of our KAI HE COMPUTER ACCESSORY (SUZHOU) CO., LTD.) net assets.

According to our RI-MING (SHANGHAI) CO., LTD.) policy for loans granted, except for foreign subsidiaries whose voting shares are directly or indirectly wholly-owned by the Company and CASETEK HOLDINGS LIMITED(CAYMAN), when there is a short-term financing need, the amount of loans permitted to single borrower shall not exceed 100% of the net assets of RI-MING (SHANGHAI) CO., LTD.

According to our RI KAI COMPUTER ACCESSORY CO., LTD.) policy for loans granted, except for foreign subsidiaries whose voting shares are directly or indirectly wholly-owned by the Company and CASETEK HOLDINGS LIMITED(CAYMAN), when there is a short-term financing need, the amount of loans permitted to single borrower shall not exceed 100% of the net assets of RI KAI COMPUTER ACCESSORY CO., LTD.

Ceiling on total loans granted to single party

According to our MAINTeK COMPUTER (SUZHOU) CO., LTD.) policy for loans granted, the ceiling on total loans granted to single party is 50% of our MAINTeK COMPUTER (SUZHOU) CO., LTD.) net assets.

While granting loans to the Company, Taiwan subsidiaries and subsidiaries which are not wholly-owned by the Company are as follows: ceiling on total loans granted to which is 40% of MAINTeK COMPUTER (SUZHOU) CO., LTD.'s net assets.

According to our ASUSPOWER CORPORATION) policy for loans granted, the ceiling on total loans granted to which is 100% of our ASUSPOWER CORPORATION) net assets.

While granting loans to the Company and foreign subsidiaries which are not wholly-owned by the Company are as follows: ceiling on total loans granted to which is 100% of our STARLINK ELECTRONICS CORPORATION) net assets.

According to our STARLINK ELECTRONICS CORPORATION) policy for loans granted, the ceiling on total loans granted to which is 40% of our STARLINK ELECTRONICS CORPORATION) net assets.

According to our CASETEK HOLDINGS LIMITED) policy for loans granted, the ceiling on total loans granted to which is 15% of our CASETEK HOLDINGS LIMITED) net assets.

While granting loans to the Company and foreign subsidiaries which are not wholly-owned by the Company are as follows: ceiling on total loans granted to which is 100% of our CASETEK HOLDINGS LIMITED's net assets.

According to our KAEDAR TRADING LIMITED) policy for loans granted, the ceiling on total loans granted to which is 15% of our KAEDAR TRADING LIMITED) net assets.

While granting loans to the Company and foreign subsidiaries which are not wholly-owned by the Company are as follows: ceiling on total loans granted to which is 100% of our UNIHAN HOLDING LIMITED) net assets.

According to our UNIHAN HOLDING LIMITED) policy for loans granted, the ceiling on total loans granted to which is 15% of our UNIHAN HOLDING LIMITED) net assets.

While granting loans to the Company and foreign subsidiaries which are not wholly-owned by the Company are as follows: ceiling on total loans granted to which is 100% of our UNIHAN HOLDING LIMITED's net assets.

According to our PROTEK (SHANGHAI) LTD.) policy for loans granted, the ceiling on total loans granted to which is 15% of our PROTEK (SHANGHAI) LTD.) net assets.

While granting loans to the Company and foreign subsidiaries which are not wholly-owned by the Company are as follows: ceiling on total loans granted to which is 100% of our PROTEK (SHANGHAI) LTD.'s net assets.

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

According to our CASETEK HOLDINGS LIMITED(CAYMAN) policy for loans granted, the ceiling on total loans granted to which is 40% of our CASETEK HOLDINGS LIMITED(CAYMAN) net assets.

According to our RIH LI International Limited) policy for loans granted, except for foreign subsidiaries whose voting shares are directly or indirectly wholly-owned by the Company and CASETEK HOLDINGS LIMITED(CAYMAN), when there is a short-term financing need, the ceiling on total loans granted to which is 100% of our RIH LI International Limited) net assets.

According to our RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.) policy for loans granted, except for foreign subsidiaries whose voting shares are directly or indirectly wholly-owned by the Company and CASETEK HOLDINGS LIMITED(CAYMAN), when there is a short-term financing need, the ceiling on total loans granted to which is 100% of our RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.) net assets.

According to our RI-PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.) policy for loans granted, except for foreign subsidiaries whose voting shares are directly or indirectly wholly-owned by the Company and CASETEK HOLDINGS LIMITED(CAYMAN), when there is a short-term financing need, the ceiling on total loans granted to which is 100% of our RI-PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.) net assets.

According to our KAI HE COMPUTER ACCESSORY (SUZHOU) CO., LTD.) policy for loans granted, except for foreign subsidiaries whose voting shares are directly or indirectly wholly-owned by the Company and CASETEK HOLDINGS LIMITED(CAYMAN), when there is a short-term financing need, the ceiling on total loans granted to which is 100% of our KAI HE COMPUTER ACCESSORY (SUZHOU) CO., LTD.) net assets.

According to the policy for loans of RI-MING (SHANGHAI) CO., LTD., except for foreign subsidiaries whose voting shares are directly or indirectly wholly-owned by the Company and CASETEK HOLDINGS LIMITED(CAYMAN), when there is a short-term financing need, the amount of loans permitted to single borrower shall not exceed 100% of the net assets of the Company.

According to the policy for loans of RI KAI COMPUTER ACCESSORY CO., LTD., except for foreign subsidiaries whose voting shares are directly or indirectly wholly-owned by the Company and CASETEK HOLDINGS LIMITED(CAYMAN), when there is a short-term financing need, the amount of loans permitted to single borrower shall not exceed 100% of the net assets of the Company.

Note 7 : If the amounts were based on foreign currencies, please refer to the spot exchange rate on the financial statement date. (exchange rate on December 31, 2020 was USD/NTD: 28.4965 ; CNY/NTD: 4.36735 ; AUD/NTD: 21.96368)

Notes to the Consolidated Financial Statements

Table 2 Guarantees and endorsements for other parties
December 31, 2020

No.	Endorser / Guarantor	Party being endorsed / guaranteed	Relationship	Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of December 31, 2020	Outstanding endorsement/ guarantee amount at December 31, 2020	Actual amount drawn down	Amount of endorsements / guarantees secured with collateral	accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary	Expressed in thousands of NTD
(Note 1)			(Note 2)	(Note 3)		(Note 4)	(Note 5)			(Note 3)		
0	PEGATRON CORPORATION	PIOTEK COMPUTER (SUZHOU) CO., LTD.	(6)	32,518,916	418,899	-	-	-	0.00%	81,297,290	Y	N
1	KINSUS INTERCONNECT TECHNOLOGY CORP.	PIOTEK COMPUTER (SUZHOU) CO., LTD.	(6)	5,133,930	435,996	-	-	-	0.00%	12,834,826	Y	N
2	AZURE WAVE TECHNOLOGIES, INC.	AZURE LIGHTING TECHNOLOGIES, INC.	(2)	915,991	484,441	341,958	-	-	18.67%	915,991	Y	N

Note 1 : The number column is organized as follow:

(1) Number 0 represents the issuer.

(2) Subsidiaries are numbered in order from number 1.

Note 2 : Relationship with the endorser / guarantor:

(1) Having business relationship.

(2) The endorser / guarantor parent company directly and indirectly holds more than 50% of voting shares of the endorsed / guaranteed subsidiary.

(3) The endorser / guarantor subsidiary which directly and indirectly be held more than 50% voting shares by the endorsed / guaranteed parent company.

(4) The endorser / guarantor company and the endorsed / guaranteed party both be held more than 90% by the parent company.

(5) Company that is mutually protected under contractual requirements based on the needs of the contractor.

(6) Company that is endorsed by its shareholders in accordance with its shareholding ratio because of the joint investment relationship.

(7) Performance guarantees for pre-sale contracts under the Consumer Protection Act.

Note 3 : Ceiling on total endorsements / guarantees

According to PEGATRON CORPORATION's policy of endorsements and guarantees, the total endorsements and guarantees of the Company to others should not exceed 50% of the Company's net assets.

According to KINSUS INTERCONNECT TECHNOLOGY CORP.'s policy of endorsements and guarantees, the total endorsements and guarantees of the Company to others should not exceed 50% of the Company's net assets.

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

Ceiling on endorsements/ guarantees provided for a single party

According to PEGATRON CORPORATION's policy of endorsements and guarantees, the total endorsements and guarantees of the Company to others should not exceed 20% of the Company's net assets.

According to KINSUS INTERCONNECT TECHNOLOGY CORP.'s policy of endorsements and guarantees, the total endorsements and guarantees of the Company to others should not exceed 20% of the Company's net assets.

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

Note 4 : If the amounts were based on foreign currencies, please refer to the spot exchange rate on the financial statement date. (exchange rate on December 31, 2020 is USD/NTD: 28.4965)

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

Notes to the Consolidated Financial Statements

Table 3 Securities held as of December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures)
December 31, 2020

Marketable securities (Note 1)			As of December 31, 2020				Expressed in thousands of NTD	
Securities held by	Category	Item	Relationship (Note 2)	General ledger account		As of December 31, 2020		Footnote
						Number of shares	Ownership	
PEGATRON CORPORATION	Stock	ABILITY ENTERPRISE CO., LTD.	-	financial asset measured at fair value through other comprehensive income-Non current	33,135,300	497,030	11.74%	Maximum Ownership 11.74%
"	Stock	Fubon Financial Holding Co., Ltd. Preferred Shares B	-	financial asset measured at fair value through profit or loss-Non current	3,500,000	218,750	0.53%	0.53%
"	Fund	China Renewable Energy Fund, LP(CREF)	-	financial asset measured at fair value through profit or loss-Non current	-	328,865	13.46%	13.46%
"	Stock	TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY	-	financial asset measured at fair value through profit or loss-Current	430,000	227,900	0.00%	0.00%
"	Stock	DELTA ELECTRONICS, INC.	-	financial asset measured at fair value through profit or loss-Current	260,000	68,380	0.01%	0.01%
"	Stock	MEDIATEK INC.	-	financial asset measured at fair value through profit or loss-Current	130,000	97,110	0.01%	0.01%
"	Stock	Airtac International Group	-	financial asset measured at fair value through profit or loss-Current	55,000	49,500	0.03%	0.03%
PROTEK (SHANGHAI) LTD.	Stock	LUXSHARE ICT CO., LTD.	-	financial asset measured at fair value through profit or loss-Current	39,845,105	9,437,126	0.57%	0.57%
"	Bond	LUXSHARE ICT CO., LTD.(Convertible Bond)	-	financial asset measured at fair value through profit or loss-Current	170,816	93,738	-	- %
ASUSPOWER INVESTMENT CO., LTD.	Stock	SPORTON INTERNATIONAL INC.	-	financial asset measured at fair value through profit or loss-Current	259,300	69,492	0.28%	0.28%
"	Stock	WIN SEMICONDUCTORS CORP.	-	financial asset measured at fair value through profit or loss-Current	390,000	134,940	0.09%	0.09%
"	Stock	Topoint Technology Co., Ltd.	-	financial asset measured at fair value through other comprehensive income-Non current	1,111,891	30,744	0.78%	0.78%
"	Stock	ABILITY ENTERPRISE CO., LTD.	-	financial asset measured at fair value through other comprehensive income-Non current	6,495	97	0.00%	0.00%
"	Stock	ZOWIE Technology Corporation	-	financial asset measured at fair value through other comprehensive income-Non current	90,973	-	0.46%	0.46%
"	Stock	Syntrox CO., LTD.	-	financial asset measured at fair value through other comprehensive income-Non current	6,778	-	0.02%	0.02%
"	Stock	Valens Semiconductor Ltd.	-	financial asset measured at fair value through profit or loss-Non current	4,667,570	63,669	3.98%	4.03%
"	Stock	MedicusTek International Inc.	-	financial asset measured at fair value through profit or loss-Non current	1,136,363	-	1.61%	1.65%
ASUS INVESTMENT CO., LTD.	Stock	SPEED TECH CORPORATION	-	financial asset measured at fair value through profit or loss-Current	8,000,000	749,600	4.72%	4.72%
"	Stock	TAIWAN UNION TECHNOLOGY CORPORATION	-	financial asset measured at fair value through profit or loss-Current	277,000	33,517	0.10%	0.10%
"	Stock	Lightiel Technologies Inc.	-	financial asset measured at fair value through other comprehensive income-Non current	2,000,000	46,224	7.66%	7.66%

Notes to the Consolidated Financial Statements

Marketable securities (Note 1)				As of December 31, 2020					Expressed in thousands of NTD	
Securities held by	Category	Item	Relationship (Note 2)	General ledger account	Number of shares	Book value(Note 3)	Ownership	Fair value(Note 3)	Maximum Ownership	Footnote
ASUS INVESTMENT CO., LTD.	Stock	PT Sat Nusapersada Tbk	-	financial asset measured at fair value through other comprehensive income-Non current	531,434,100	250,065	10.00%	250,065	10.00%	
ASUSTEK INVESTMENT CO., LTD.	Stock	ACCTON TECHNOLOGY CORPORATION	-	financial asset measured at fair value through profit or loss-Current	30,000	9,480	0.01%	9,480	0.01%	
KINSUS INTERCONNECT TECHNOLOGY CORP.	Fund	Taishin Ta-Chong Money Market Fund	-	financial asset measured at fair value through profit or loss-Current	18,812,748	269,406	-	269,406	-	
"	Fund	FSITC Money Market	-	financial asset measured at fair value through profit or loss-Current	1,168,258	210,111	-	210,111	-	
"	Fund	Mega Diamond Money Market Fund	-	financial asset measured at fair value through profit or loss-Current	21,355,432	270,144	-	270,144	-	
"	Fund	Jih Sun Money Market	-	financial asset measured at fair value through profit or loss-Current	17,776,549	265,760	-	265,760	-	
KINSUS INVESTMENT CO., LTD.	Fund	Taishin Ta-Chong Money Market Fund	-	financial asset measured at fair value through profit or loss-Current	829,070	11,873	-	11,873	-	
"	Stock	Ethos Original Co., Ltd.	-	financial asset measured at fair value through other comprehensive income-Non current	5,000,000	50,000	7.49%	50,000	7.49%	
"	Stock	Li Chang Finery Inc.	-	financial asset measured at fair value through other comprehensive income-Non current	20,408	1,000	1.12%	1,000	1.12%	
PEGAVISION CORPORATION	Fund	Yuanta Wan Tai Money Market	-	financial asset measured at fair value through profit or loss-Current	33,387,514	509,333	-	509,333	-	
"	Fund	Yuanta De-Li Money Market Fund	-	financial asset measured at fair value through profit or loss-Current	3,493,908	57,436	-	57,436	-	
Lumens Digital Optics Inc. (Lumens Optics)	Fund	Fuh Hwa Money Market	-	financial asset measured at fair value through profit or loss-Current	73,096,336	1,063,113	-	1,063,113	-	
"	Fund	The RSIT Enhanced Money Market	-	financial asset measured at fair value through profit or loss-Current	9,435,278	113,768	-	113,768	-	
HUA-YUAN INVESTMENT LIMITED	Stock	Nuvoton Technology Corporation	-	financial asset measured at fair value through other comprehensive income-Non current	112,231	5,325	0.03%	5,325	0.06%	
"	Stock	Chicony Power Technology Co. Ltd.	-	financial asset measured at fair value through profit or loss-Current	611,644	43,182	0.16%	43,182	0.16%	
"	Stock	Ethos Original Co., Ltd.	-	financial asset measured at fair value through other comprehensive income-Non current	5,000,000	50,617	7.49%	50,617	7.49%	
"	Stock	Fusheng Precision CO., LTD.	-	financial asset measured at fair value through profit or loss-Current	800,000	138,800	0.61%	138,800	0.61%	
"	Stock	NEW SMART TECHNOLOGY CO., LTD.	-	financial asset measured at fair value through profit or loss-Current	500,000	7,704	4.05%	7,704	4.05%	
"	Stock	KING YUAN ELECTRONICS CO., LTD.	-	financial asset measured at fair value through profit or loss-Current	400,000	13,900	0.03%	13,900	0.03%	
RIH KUAN METAL CORPORATION	Stock	Ethos Original Co., Ltd.	-	financial asset measured at fair value through other comprehensive income-Non current	5,000,000	47,526	7.49%	47,526	7.49%	
RI KAI COMPUTER ACCESSORY CO., LTD.	Stock	JIANG SU KAI JIE CO., LTD.	-	financial asset measured at fair value through other comprehensive income-Non current	-	23,584	10.00%	23,584	10.00%	

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

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

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

Notes to the Consolidated Financial Statements

Table 4: Individual securities acquired or disposed of with accumulated amount exceeding the lower of TWD300 million or 20% of the capital stock December 31, 2020

Investor	Marketable securities			Relationship with the investor	Balance as at January 1, 2020			Addition			Disposal			Expressed in thousands of NTD	
	Category	Item	General ledger account	Counterparty	Number of shares	Amount		Number of shares	Amount		Number of shares	Amount	Book Value	Gain (loss) on disposal	Balance as of December 31, 2020
PEGAVISION CORPORATION	Fund	Yuanta Wan Tai Money Market	Financial asset measured at fair value through profit or loss- Current	-	11,778,166	179,017		112,658,656	1,717,000 (Note 4)	63 (Note 5)	91,049,308	1,387,298	1,386,747	551	33,387,514
															509,333
CASETEK HOLDINGS LIMITED(CAYMAN)	Stock	RIHLI International Limited	Equity investments under equity method	-	735,499,000	33,790,237		80,000,000	2,279,720 (Note 4)	1,696,576 (Note 3)	-	-	1,190,310 (Note 2)	-	815,499,000
															36,576,223
RIHLI International Limited	Capital	RI KAI COMPUTER ACCESSORY CO., LTD.	Equity investments under equity method	-	-	4,223,468		-	565,110 (Note 4)	2,021,402 (Note 2)	-	-	-	-	7,274,647
AZURE WAVE TECHNOLOGIES, INC.	Stock	Azwave Holding (Samoa) Inc.	Equity investments under equity method	-	50,177,000	1,176,074		10,000,000	302,430 (Note 4)	80,860 (Note 3)	-	-	80,860 (Note 3)	-	60,177,000
															1,693,858
PROTEK (SHANGHA) LTD.	Stock	LUXSHARE ICT CO., LTD.	Financial asset measured at fair value through profit or loss- Current	-	22,135,035	3,300,137		17,970,070	296,214 (Note 2)	2,501,470 (Note 4)	260,000	44,004	15,295	28,709	39,845,105
															9,437,126
PEGATRON CORPORATION	Stock	PEGATRON VIETNAM COMPANY LIMITED	Equity investments under equity method	-	-	-		-	3,650,814 (Note 5)	870,094 (Note 4)	-	-	5,817 (Note 2)	-	849,297
													14,980 (Note 3)		

Note 1 : If the securities is invested in foreign currency, the amount in the table has been transferred to NTD. (The exchange rate as of December 31, 2020: USD/NTD: 28.4965)

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

Note 3 : The amount is exchange gains or losses.

Note 4 : Which is investment added this year.

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

Notes to the Consolidated Financial Statements

Table 5: Acquisition of individual real estate with amount exceeding the lower of TWD300 million or 20% of the capital stock
December 31, 2020

If the counter-party is a related party, disclose the previous transfer information											Purpose of acquisition and current condition	Expressed in thousands of NTD	
Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	Owner	Relationship with the Company	Date of transfer	Amount			References for determining price
PEGATRON CORPORATION	Land and plants	109/3/27	1,300,000	Payment in full	DIUYA ENERGY SAVING TECHNOLOGY INC.	None	None	None	None	None	After bargaining, the price will be approved by the chairman of the board of directors to determine.	For business use	On the basis of the contract
	DIGITEK (CHONGQING) LTD.	Plants	109/12/11	644,152	Payment in full	Chongqing Bonded Port Development And Management Group Co.,ltd.	None	None	None	None	None	After bargaining, the price will be approved by the chairman of the board of directors to determine.	For production and business use
PEGATRON VIETNAM COMPANY LIMITED	Land use rights	109/12/31	652,767	Unpaid	HAI PHONG INDUSTRIAL PARK JOINT STOCK COMPANY (HIPPESC)	None	None	None	None	None	After bargaining, the price will be approved by the chairman of the board of directors to determine.	For business use	On the basis of the contract

Notes to the Consolidated Financial Statements

Table 6: Related-party transactions for purchases and sales with amounts exceeding the lower of NTD\$100 million or 20% of the capital stock December 31, 2020

Expressed in thousands of NTD											
Transaction				Differences in transaction terms compared to third party transactions				Notes/accounts receivable (payable)			
Relationship with the counterparty	Counterparty	Purchaser/seller	Purchases (sales)	Amount	Percentage of total	Credit term	Unit price	Credit term	Balance	total	
										notes/accounts receivable (payable)	Footnote
Note 2	ASAROCK TECHNOLOGY LIMITED	PEGATRON CORPORATION	Sale	(413,850)	(0.03%)	(Note 4)	-	Open Account 90 days	103,113	0.02%	
Note 2	PEGATRON Czech s.r.o.	PEGATRON CORPORATION	Sale	(1,394,133)	(0.11%)	(Note 4)	-	120 days on delivery	86,279	0.02%	
Note 2	AZURE WAVE TECHNOLOGIES, INC.	PEGATRON CORPORATION	Purchase	184,705	0.02%	Open Account 60 days	-	Open Account 60 days	(55,833)	(0.01%)	
Note 2	PEGAGLOBE (KUNSHAN) CO., LTD.	PEGATRON CORPORATION	Purchase	86,145,124	7.02%	(Note 4)	-	Open Account 60 days	(108,888,894)	(28.66%)	
Note 2	MAINTEK COMPUTER (SUZHOU) CO., LTD.	PEGATRON CORPORATION	Purchase	4,822,764	0.39%	(Note 4)	-	Open Account 60 days	-	- %	
Note 2	DIGITEK (CHONGQING) LTD.	PEGATRON CORPORATION	Purchase	8,231,450	0.67%	(Note 4)	-	Open Account 60 days	(12,594,314)	(3.31%)	
Note 2	PEGATRON TECHNOLOGY SERVICE INC.	PEGATRON CORPORATION	Sale	(189,429)	(0.02%)	90 days on delivery	-	90 days on delivery	52,725	0.01%	
Note 2	CASETEK COMPUTER (SUZHOU) CO., LTD.	PEGATRON CORPORATION	Purchase	292,746	0.02%	Open Account 60 days	-	Open Account 60 days	(65,345)	(0.02%)	
Note 2	COTEK ELECTRONICS (SUZHOU) CO., LTD.	PEGATRON CORPORATION	Purchase	5,488,874	0.45%	(Note 4)	-	Open Account 60 days	(2,571,161)	(0.68%)	
Note 2	POWTEK (SHANGHAI) LTD.	PEGATRON CORPORATION	Sale	(3,691,433)	(0.30%)	120 days on delivery	-	120 days on delivery	1,365,137	0.33%	
Note 2	PT. PEGATRON TECHNOLOGY INDONESIA	PEGATRON CORPORATION	Purchase	2,459,408	0.20%	(Note 4)	-	120 days on delivery	(4,992,591)	(2.18%)	
Note 2	FUYANG TECHNOLOGY CORPORATION	PEGATRON CORPORATION	Purchase	141,775	0.01%	Open Account 60 days	-	Open Account 60 days	(23,578)	(0.01%)	
Note 1	PEGATRON CORPORATION	PEGATRON TECHNOLOGY SERVICE INC.	Purchase	189,429	40.48%	90 days on delivery	-	90 days on delivery	(52,725)	(58.04%)	
Note 1	PEGATRON Czech s.r.o.	POWTEK (SHANGHAI) LTD.	Purchase	1,394,133	84.20%	120 days on delivery	-	120 days on delivery	(86,279)	(51.76%)	
Note 1	PEGAGLOBE (KUNSHAN) CO., LTD.	PROTEK (SHANGHAI) LTD.	Purchase	3,691,433	99.59%	120 days on delivery	-	120 days on delivery	(1,365,137)	(100.00%)	
Note 3	PEGAGLOBE (KUNSHAN) CO., LTD.	PEGAGLOBE (KUNSHAN) CO., LTD.	Sale	(79,673,475)	(15.35%)	Open Account 90 days	-	Open Account 90 days	20,929,812	36.83%	
Note 3	PEGAGLOBE (KUNSHAN) CO., LTD.	PROTEK (SHANGHAI) LTD.	Purchase	737,027	0.14%	Open Account 60 days	-	Open Account 60 days	(202,258)	(0.20%)	
Note 3	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	PROTEK (SHANGHAI) LTD.	Purchase	607,830	0.12%	Open Account 60 days	-	Open Account 60 days	(141,371)	(0.14%)	
Note 3	KAEDAR ELECTRONICS (KUNSHAN) CO., LTD.	PROTEK (SHANGHAI) LTD.	Purchase	152,732	0.03%	Open Account 60 days	-	Open Account 60 days	(54,954)	(0.06%)	
Note 3	COTEK ELECTRONICS (SUZHOU) CO., LTD.	PROTEK (SHANGHAI) LTD.	Purchase	213,643	0.04%	Open Account 60 days	-	Open Account 60 days	(169,368)	(0.17%)	
Note 1	PEGATRON CORPORATION	PEGAGLOBE (KUNSHAN) CO., LTD.	Sale	(86,145,124)	(24.04%)	Open Account 60 days	-	Open Account 60 days	108,888,894	98.38%	
Note 3	PROTEK (SHANGHAI) LTD.	PEGAGLOBE (KUNSHAN) CO., LTD.	Sale	(737,027)	(0.21%)	Open Account 60 days	-	Open Account 60 days	202,258	0.18%	
Note 3	PROTEK (SHANGHAI) LTD.	PEGAGLOBE (KUNSHAN) CO., LTD.	Purchase	79,673,475	22.81%	Open Account 90 days	-	Open Account 90 days	(20,929,812)	(17.33%)	
Note 3	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	PEGAGLOBE (KUNSHAN) CO., LTD.	Purchase	595,423	0.17%	Open Account 60 days	-	Open Account 60 days	(197,823)	(0.16%)	
Note 3	COTEK ELECTRONICS (SUZHOU) CO., LTD.	MAINTEK COMPUTER (SUZHOU) CO., LTD.	Purchase	422,007	0.15%	Open Account 60 days	-	Open Account 60 days	(124,635)	(0.18%)	
Note 3	COTEK ELECTRONICS (SUZHOU) CO., LTD.	MAINTEK COMPUTER (SUZHOU) CO., LTD.	Sale	(2,475,873)	(0.88%)	Open Account 60 days	-	Open Account 60 days	659,502	1.21%	
Note 3	CASETEK COMPUTER (SUZHOU) CO., LTD.	MAINTEK COMPUTER (SUZHOU) CO., LTD.	Purchase	3,178,470	1.13%	Open Account 60 days	-	Open Account 60 days	(588,010)	(0.84%)	
Note 1	PEGATRON CORPORATION	MAINTeK COMPUTER (SUZHOU) CO., LTD.	Sale	(4,822,764)	(1.71%)	Open Account 60 days	-	Open Account 60 days	-	- %	
Note 3	PIOTEK COMPUTER (SUZHOU) CO., LTD.	MAINTeK COMPUTER (SUZHOU) CO., LTD.	Purchase	170,362	0.06%	Open Account 60 days	-	Open Account 60 days	(17,810)	(0.03%)	
Note 3	MAINTEK COMPUTER (SUZHOU) CO., LTD.	COTEK ELECTRONICS (SUZHOU) CO., LTD.	Sale	(422,007)	(3.18%)	Open Account 60 days	-	Open Account 60 days	124,635	4.26%	
Note 3	MAINTEK COMPUTER (SUZHOU) CO., LTD.	MAINTeK COMPUTER (SUZHOU) CO., LTD.	Purchase	2,475,873	24.02%	Open Account 60 days	-	Open Account 60 days	(659,502)	(20.34%)	
Note 3	CASETEK COMPUTER (SUZHOU) CO., LTD.	COTEK ELECTRONICS (SUZHOU) CO., LTD.	Purchase	150,124	1.46%	Open Account 60 days	-	Open Account 60 days	(6,586)	(0.20%)	
Note 1	PEGATRON CORPORATION	COTEK ELECTRONICS (SUZHOU) CO., LTD.	Sale	(5,488,874)	(41.40%)	Open Account 60 days	-	Open Account 60 days	2,571,161	87.81%	
Note 3	PROTEK (SHANGHAI) LTD.	COTEK ELECTRONICS (SUZHOU) CO., LTD.	Sale	(213,643)	(1.61%)	Open Account 60 days	-	Open Account 60 days	169,368	5.78%	
Note 3	KAI-CHUAN ELECTRONICS (CHONGQING) CO., LTD.	DIGITEK (CHONGQING) LTD.	Purchase	533,496	81.43%	Open Account 60 days	-	Open Account 60 days	(133,324)	(0.85%)	
Note 1	PEGATRON CORPORATION	DIGITEK (CHONGQING) LTD.	Sale	(8,231,450)	(7.93%)	Open Account 60 days	-	Open Account 60 days	12,594,314	99.35%	

Notes to the Consolidated Financial Statements

Expressed in thousands of NTD

Transaction		Differences in transaction terms compared to third party transactions				Notes/accounts receivable (payable)	
Relationship with the counterparty	Purchases (sales)	Transaction		Unit price	Credit term	Balance	Footnote
		Amount	Percentage of total				
Purchaser/seller	Counterparty	Amount	Percentage of total	Unit price	Credit term	Balance	total notes/accounts receivable (payable) (0.29%)
DIGITEK (CHONGQING) LTD.	CASETEK COMPUTER (SUZHOU) CO., LTD.	232,392	0.24%	-	Open Account 60 days	(45,775)	
CASETEK COMPUTER (SUZHOU) CO., LTD.	MAINTeK COMPUTER (SUZHOU) CO., LTD.	(3,178,470)	(73.69%)	-	Open Account 60 days	588,010	73.69%
CASETEK COMPUTER (SUZHOU) CO., LTD.	PEGATRON CORPORATION	(292,746)	(6.79%)	-	Open Account 60 days	65,345	8.19%
CASETEK COMPUTER (SUZHOU) CO., LTD.	KAEDAR ELECTRONICS (KUNSHAN) CO., LTD.	270,017	9.93%	-	Open Account 60 days	(62,275)	(8.49%)
CASETEK COMPUTER (SUZHOU) CO., LTD.	DIGITEK (CHONGQING) LTD.	(232,392)	(5.39%)	-	Open Account 60 days	45,775	5.74%
CASETEK COMPUTER (SUZHOU) CO., LTD.	COTEK ELECTRONICS (SUZHOU) CO., LTD.	(150,124)	(3.48%)	-	Open Account 60 days	6,586	0.83%
CORE-TEK (SHANGHAI) LIMITED	PROTEK (SHANGHAI) LTD.	(207,873)	(100.00%)	-	Open Account 60 days	23,024	100.00%
KAEDAR ELECTRONICS (KUNSHAN) CO., LTD.	CASETEK COMPUTER (SUZHOU) CO., LTD.	(270,017)	(36.46%)	-	Open Account 60 days	62,275	26.68%
KAEDAR ELECTRONICS (KUNSHAN) CO., LTD.	PROTEK (SHANGHAI) LTD.	(152,732)	(20.62%)	-	Open Account 60 days	54,954	23.54%
KAI-CHUAN ELECTRONICS (CHONGQING) CO., LTD.	DIGITEK (CHONGQING) LTD.	(533,496)	(75.87%)	-	Open Account 60 days	133,324	55.30%
PT. PEGATRON TECHNOLOGY INDONESIA	PEGATRON CORPORATION	(2,459,408)	(10.17%)	-	120 days on delivery	4,992,591	100.00%
PIOTEK COMPUTER (SUZHOU) CO., LTD.	PIOTEK (HK) TRADING LIMITED	(158,961)	(8.29%)	-	Open Account 60 days	15,246	2.60%
PIOTEK COMPUTER (SUZHOU) CO., LTD.	MAINTeK COMPUTER (SUZHOU) CO., LTD.	(170,362)	(8.89%)	-	Open Account 60 days	17,810	3.04%
PIOTEK (HK) TRADING LIMITED	PIOTEK COMPUTER (SUZHOU) CO., LTD.	158,961	100.00%	Incomparable due to different product specification	No comparable non-related party	(15,246)	(100.00%)
KINSUS INTERCONNECT TECHNOLOGY CORP.	KINSUS INTERCONNECT TECHNOLOGY (SUZHOU) CORP	2,643,768	25.01%	Incomparable due to different product specification	Open Account 30-90 days	(240,327)	(13.85)%
KINSUS INTERCONNECT TECHNOLOGY (SUZHOU) CORP	KINSUS INTERCONNECT TECHNOLOGY CORP.	(2,643,768)	(81.82%)	Incomparable due to different product specification	Open Account 30 days	240,327	75.47%
PEGAVISION CORPORATION	Pegavision Japan Inc.	(1,596,570)	(41.61%)	Same as other clients	No comparable non-related party	354,934	42.24%
PEGAVISION CORPORATION	Gemvision Technology (Zhejiang) Limited.	(547,066)	(14.26%)	Same as other clients	Telex transfer-Open Account 90 days	219,266	26.09%
Pegavision Japan Inc.	PEGAVISION CORPORATION	1,596,570	100.00%	No other comparable vendors	Telex transfer-Open Account 90 days	(354,934)	(100.00%)
Gemvision Technology (Zhejiang) Limited.	PEGAVISION CORPORATION	547,066	100.00%	No other comparable vendors	No other comparable vendors	(219,266)	(100.00%)
MEGA MERIT LIMITED	RI-MING (SHANGHAI) CO., LTD.	3,270,900	25.56%	Same as other clients	Open Account 180 days	-	- %
MEGA MERIT LIMITED	RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	4,232,217	33.08%	No other comparable vendors	Open Account 90-120 days	-	- %
MEGA MERIT LIMITED	RI KAI COMPUTER ACCESSORY CO., LTD.	2,643,496	20.66%	No other comparable vendors	Open Account 60-90 days	-	- %
MEGA MERIT LIMITED	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	2,395,342	18.72%	-	Open Account 60-90 days	(609,483)	(95.78%)
MEGA MERIT LIMITED	RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	251,086	1.96%	-	Open Account 60-90 days	(26,359)	(4.14%)
MEGA MERIT LIMITED	CASETEK SINGAPORE PTE. LTD.	(645,616)	(4.90%)	-	Open Account 60-90 days	-	- %
CASETEK SINGAPORE PTE. LTD.	MEGA MERIT LIMITED	645,616	1.23%	-	Open Account 60-90 days	-	- %
CASETEK SINGAPORE PTE. LTD.	RI-MING (SHANGHAI) CO., LTD.	4,922,253	9.38%	-	Open Account 90-120 days	(1,604,125)	(7.76%)
CASETEK SINGAPORE PTE. LTD.	RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	5,193,120	9.89%	-	Open Account 60-90 days	(1,654,279)	(8.00%)

Notes to the Consolidated Financial Statements

Expressed in thousands of NTD

			Transaction			Differences in transaction terms compared to third party transactions				Notes/accounts receivable (payable)	
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Percentage of total		Credit term	Unit price	Credit term	Balance	total notes/accounts receivable (payable)	
				Amount							
CASETEK SINGAPORE PTE. LTD.	RI KAI COMPUTER ACCESSORY CO., LTD.	Note 3	Purchase	4,152,885	7.91%	Open Account 60-90 days	-	-	(1,405,989)	(6.80%)	
CASETEK SINGAPORE PTE. LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	Note 3	Purchase	3,987,972	7.60%	Open Account 30-90 days	-	-	(3,222,242)	(15.58%)	
RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	MEGA MERIT LIMITED	Note 3	Sale	(253,810)	(12.71%)	Open Account 60-90 days	-	-	26,359	23.07%	
RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	Note 3	Sale	(114,423)	(5.73%)	Open Account 30-60 days	-	-	5,101	4.46%	
SHENG-RUI ELECTRONIC TECHNOLOGY (SHANGHAI) LIMITED	RI-MING (SHANGHAI) CO., LTD.	Note 3	Sale	(715,976)	(33.20%)	Open Account 30-60 days	-	-	149,322	19.71%	
SHENG-RUI ELECTRONIC TECHNOLOGY (SHANGHAI) LIMITED	RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	Note 3	Sale	(1,330,884)	(61.71%)	Open Account 30-60 days	-	-	584,805	77.18%	
SHENG-RUI ELECTRONIC TECHNOLOGY (SHANGHAI) LIMITED	RI KAI COMPUTER ACCESSORY CO., LTD.	Note 3	Sale	(109,834)	(5.09%)	Open Account 30-60 days	-	-	23,453	3.09%	
RI-MING (SHANGHAI) CO., LTD.	RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	Note 3	Sale	(218,749)	(1.75%)	Open Account 30-60 days	-	-	34,794	1.06%	
RI-MING (SHANGHAI) CO., LTD.	RI KAI COMPUTER ACCESSORY CO., LTD.	Note 3	Sale	(290,974)	(2.33%)	Open Account 30-60 days	-	-	89,678	2.73%	
RI-MING (SHANGHAI) CO., LTD.	RIH KUAN METAL CORPORATION	Note 3	Sale	(3,261,276)	(26.07%)	Open Account 90-120 days	-	-	1,138,464	34.70%	
RI-MING (SHANGHAI) CO., LTD.	MEGA MERIT LIMITED	Note 3	Sale	(3,337,262)	(26.68%)	Open Account 90-120 days	-	-	-	-	
RI-MING (SHANGHAI) CO., LTD.	CASETEK SINGAPORE PTE. LTD.	Note 3	Sale	(4,856,572)	(38.82%)	Open Account 90-120 days	-	-	1,604,125	48.89%	
RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	RI-MING (SHANGHAI) CO., LTD.	Note 3	Purchase	214,929	4.89%	Open Account 30-60 days	-	-	(33,825)	(2.43%)	
RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	RI-MING (SHANGHAI) CO., LTD.	Note 3	Sale	(1,221,020)	(11.46%)	Open Account 30-60 days	-	-	134,959	7.51%	
RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	MEGA MERIT LIMITED	Note 3	Sale	(4,313,475)	(40.47%)	Open Account 60-90 days	-	-	-	-	
RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	CASETEK SINGAPORE PTE. LTD.	Note 3	Sale	(5,115,683)	(47.99%)	Open Account 60-90 days	-	-	1,654,279	92.01%	
RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	Note 3	Purchase	114,364	3.33%	Open Account 30-60 days	-	-	(5,101)	(0.25%)	
RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	PROTEK (SHANGHAI) LTD.	Note 3	Sale	(607,830)	(5.59%)	Open Account 60 days	-	-	141,371	2.46%	
RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	PEGAGLOBE (KUNSHAN) CO., LTD.	Note 3	Sale	(595,423)	(5.47%)	Open Account 60 days	-	-	197,823	3.44%	
RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	Note 3	Sale	(454,466)	(4.18%)	Open Account 30-60 days	-	-	13,251	0.23%	
RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	MEGA MERIT LIMITED	Note 3	Sale	(2,403,071)	(22.09%)	Open Account 60-90 days	-	-	609,483	10.61%	
RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	RIH KUAN METAL CORPORATION	Note 3	Sale	(1,501,334)	(13.80%)	Open Account 60-90 days	-	-	795,024	13.84%	
RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	CASETEK SINGAPORE PTE. LTD.	Note 3	Sale	(3,887,644)	(35.74%)	Open Account 30-90 days	-	-	3,222,242	56.09%	
RI KUAN METAL CORPORATION	RI-MING (SHANGHAI) CO., LTD.	Note 3	Purchase	3,254,465	34.95%	Open Account 90-120 days	-	-	(1,138,464)	(31.92%)	
RIH KUAN METAL CORPORATION	RI KAI COMPUTER ACCESSORY CO., LTD.	Note 3	Purchase	4,516,736	48.51%	Open Account 60-90 days	-	-	(1,624,471)	(45.55%)	
RIH KUAN METAL CORPORATION	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	Note 3	Purchase	1,525,261	16.38%	Open Account 60-90 days	-	-	(795,024)	(22.29%)	
RI KAI COMPUTER ACCESSORY CO., LTD.	MEGA MERIT LIMITED	Note 3	Sale	(2,697,243)	(23.85%)	Open Account 60-90 days	-	-	-	-	
RI KAI COMPUTER ACCESSORY CO., LTD.	CASETEK SINGAPORE PTE. LTD.	Note 3	Sale	(4,098,605)	(36.25%)	Open Account 60-90 days	-	-	1,405,989	45.91%	
RI KAI COMPUTER ACCESSORY CO., LTD.	RIH KUAN METAL CORPORATION	Note 3	Sale	(4,501,900)	(39.81%)	Open Account 60-90 days	-	-	1,624,471	53.05%	

Notes to the Consolidated Financial Statements

Expressed in thousands ofNTD

Transaction			Differences in transaction terms compared to third party transactions				Notes/accounts receivable (payable)	
Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total	Credit term	Unit price	Credit term	Balance	total notes/accounts receivable (payable)
	Purchase	391,339	29.53% (Note 4)	Open Account 60 days	-	-	(68,089)	(89.83%)
Note 2	Sale	(141,775)	(7.88%)	Open Account 60 days	-	-	23,578	7.62%
Note 3	Sale	(391,339)	(77.50%)	Open Account 60 days	-	-	68,089	45.20%
Note 1	Purchase	10,937,317	98.60%	Open Account 60 days	No other comparable vendors	No other comparable vendors	(2,365,594)	(100.00%)
Note 2	Sale	(4,066,728)	(32.33%)	Open Account 90 days	Same as other clients	Same as other clients	1,442,790	70.77%
Note 2	Sale	(3,388,098)	(26.94%)	Open Account 45 days	Same as other clients	Same as other clients	146,728	7.20%
Note 3	Purchase	358,050	58.91%	Open Account 60 days	No other comparable vendors	No other comparable vendors	(73,402)	(29.86%)
Note 3	Sale	(108,254)	(10.94%)	Open Account 60 days	Same as other clients	Same as other clients	10,984	16.67%
Note 3	Purchase	3,300,364	93.56%	Open Account 60 days	No other comparable vendors	No other comparable vendors	(530,362)	(94.06%)
Note 3	Sale	(121,530)	(2.83%)	Open Account 60 days	Same as other clients	Same as other clients	-	- %
Note 3	Sale	(100,963)	(2.35%)	Open Account 90 days	Same as other clients	Same as other clients	86,077	22.68%
Note 1	Purchase	413,850	2.80%	Open Account 90 days	No other comparable vendors	No other comparable vendors	(103,113)	(3.49%)
Note 1	Sale	(10,937,317)	(69.67%)	Open Account 60 days	Same as other clients	Same as other clients	2,365,594	79.15%
Note 1	Purchase	4,066,728	97.58%	Open Account 90 days	No other comparable vendors	No other comparable vendors	(1,442,790)	(94.37%)
Note 1	Purchase	3,388,098	96.90%	Open Account 45 days	No other comparable vendors	No other comparable vendors	(146,728)	(93.04%)
Note 1	Sale	(1,338,613)	(14.00%)	Open Account 30-60 days	-	No comparable non-related party	271,623	24.00%
Note 1	Sale	(184,705)	(3.00%)	Open Account 60 days	-	-	55,833	2.56%
Note 2	Purchase	1,338,613	26.00%	Open Account 30-60 days	-	shorter than non-related party	(266,206)	(16.00%)
Note 2	Sale	(363,014)	(35.00%)	Open Account 75 days	-	-	89,908	42.44%
Note 1	Purchase	363,014	92.00%	Open Account 75 days	-	-	(89,908)	(89.90%)

Note1 : Parent company

Note2 : Subsidiary measured by equity method.

Note3 : Affiliate

Note4 : To avoid counting the sales revenue twice, the Company has subtracted the repeated part of purchase and sales.

Notes to the Consolidated Financial Statements

Table 7: Receivables from related parties with amounts exceeding the lower of NTS100 million or 20% of capital stock
December 31, 2020

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2020	Turnover rate	Overdue Receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
PEGATRON CORPORATION	COTEK ELECTRONICS (SUZHOU) CO., LTD.	Subsidiary measured by equity method	1,719,652	3.22 Times	-	-	-	-
"	PROTEK (SHANGHAI) LTD.	Subsidiary measured by equity method	93,386,147	3.10 Times	-	-	-	-
"	POWTEK (SHANGHAI) LTD.	Subsidiary measured by equity method	1,365,137	4.86 Times	-	-	-	-
"	PEGAGLOBE (KUNSHAN) CO., LTD.	Subsidiary measured by equity method	94,709,929	3.77 Times	-	-	9,978,200	-
"	DIGITEK (CHONGQING) LTD.	Subsidiary measured by equity method	15,441,939	3.70 Times	-	-	2,093,197	-
"	ASIAROCK TECHNOLOGY LIMITED	Subsidiary measured by equity method	103,113	3.28 Times	-	-	-	-
"	PT. PEGATRON TECHNOLOGY INDONESIA	Subsidiary measured by equity method	6,824,592	2.83 Times	-	-	-	-
"	MAINTEK COMPUTER (SUZHOU) CO., LTD.	Subsidiary measured by equity method	14,762,096 (Note 2)	5.26 Times	-	-	-	-
ASUSPOWER CORPORATION	PEGATRON CORPORATION	Parent Company	5,414,335	N/A (Note 1)	-	-	-	-
CASETEK HOLDINGS LIMITED	PEGATRON CORPORATION	Parent Company	270,717	N/A (Note 1)	-	-	-	-
KAEDAR TRADING LTD.	PEGATRON VIETNAM COMPANY LIMITED	Affiliate	512,937	N/A (Note 1)	-	-	-	-
DIGITEK (CHONGQING) LTD.	PEGATRON CORPORATION	Parent Company	12,594,314	4.59 Times	-	-	2,892,396	-
COTEK ELECTRONICS (SUZHOU) CO., LTD.	PEGATRON CORPORATION	Parent Company	2,571,161	5.18 Times	-	-	534,035	-
"	MAINTEK COMPUTER (SUZHOU) CO., LTD.	Affiliate	124,635	4.61 Times	-	-	-	-
"	PROTEK (SHANGHAI) LTD.	Affiliate	169,368	2.51 Times	-	-	-	-
PEGAGLOBE (KUNSHAN) CO., LTD.	PEGATRON CORPORATION	Subsidiary measured by equity method	108,888,894	4.31 Times	-	-	13,462,769	-
"	PROTEK (SHANGHAI) LTD.	Affiliate	202,258	4.58 Times	-	-	-	-
PROTEK (SHANGHAI) LTD.	PEGATRON CORPORATION	Subsidiary measured by equity method	35,448,023	3.96 Times	-	-	17,196,951	-
"	PEGAGLOBE (KUNSHAN) CO., LTD.	Affiliate	20,929,812	3.84 Times	-	-	-	-
"	RI SHAN COMPUTER ACCESSORY (JIA SHAN)	Affiliate	4,274,475	N/A (Note 1)	-	-	-	-
MAINTEK COMPUTER (SUZHOU) CO., LTD.	COTEK ELECTRONICS (SUZHOU) CO., LTD.	Affiliate	659,502	7.42 Times	-	-	-	-
"	COTEK ELECTRONICS (SUZHOU) CO., LTD.	Affiliate	1,424,825	N/A (Note 1)	-	-	-	-
"	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	Affiliate	2,849,650	N/A (Note 1)	-	-	-	-
PPT. Pegatron Technology Indonesia	PEGATRON CORPORATION	Subsidiary measured by equity method	4,992,591	4.93 Times	-	-	1,752,789	-
CASETEK COMPUTER (SUZHOU) CO., LTD.	MAINTEK COMPUTER (SUZHOU) CO., LTD.	Affiliate	588,010	6.04 Times	-	-	-	-
KAI-CHUAN ELECTRONICS (CHONGQING) CO., LTD.	DIGITEK (CHONGQING) LTD.	Affiliate	133,324	2.35 Times	-	-	-	-
CASETEK HOLDINGS LIMITED(CAYMAN)	MEGA MERIT LIMITED	Parent Company	421,834	N/A (Note 1)	-	-	-	-
"	CASETEK SINGAPORE PTE. LTD.	Parent Company	4,758,916	N/A (Note 1)	-	-	-	-
RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	Affiliate	5,459,188	N/A (Note 1)	-	-	-	-
"	RI-PRO PRECISION MODEL (SHANGHAI) CO., LTD.	Affiliate	131,027	N/A (Note 1)	-	-	-	-
SHENG-RUI ELECTRONIC TECHNOLOGY (SHANGHAI) LIMITED	RI-MING (SHANGHAI) CO., LTD.	Affiliate	149,322	5.59 Times	-	-	-	-
"	RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	Affiliate	584,805	4.28 Times	-	-	-	-
RI-MING (SHANGHAI) CO., LTD.	RIH KUAN METAL CORPORATION	Affiliate	1,138,464	2.49 Times	-	-	189,473	-
"	CASETEK SINGAPORE PTE. LTD.	Affiliate	1,604,125	6.17 Times	-	-	441,582	-
"	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	Affiliate	305,710	N/A (Note 1)	-	-	-	-
RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	CASETEK SINGAPORE PTE. LTD.	Affiliate	1,654,279	6.31 Times	-	-	287,872	-

Notes to the Consolidated Financial Statements

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2020	Turnover rate	Overdue Receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	Affiliate	2,620,396	N/A (Note 1)	-	-	-	-
"	SHENG-RUI ELECTRONIC TECHNOLOGY (SHANGHAI) LIMITED	Affiliate	262,054	N/A (Note 1)	-	-	-	-
"	RI-MING (SHANGHAI) CO., LTD.	Affiliate	134,959	10.35 Times	-	-	-	-
RIH LI International Limited	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	Parent Company	9,973,775	N/A (Note 1)	-	-	-	-
"	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	Parent Company	245,526	N/A (Note 1)	-	-	-	-
RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	PEGAGLOBE (KUNSHAN) CO., LTD.	Affiliate	197,823	3.48 Times	-	-	64,431	-
"	MEGA MERIT LIMITED	Affiliate	609,483	5.85 Times	-	-	-	-
"	PROTEK (SHANGHAI) LTD.	Affiliate	141,371	4.30 Times	-	-	29,095	-
RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	CASETEK SINGAPORE PTE. LTD.	Affiliate	3,222,242	2.46 Times	-	-	134,219	-
RI KAI COMPUTER ACCESSORY CO., LTD.	RIH KUAN METAL CORPORATION	Affiliate	795,024	3.84 Times	-	-	-	-
"	CASETEK SINGAPORE PTE. LTD.	Affiliate	1,405,989	5.94 Times	-	-	287,786	-
"	RIH KUAN METAL CORPORATION	Affiliate	1,624,471	4.87 Times	-	-	415,251	-
"	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	Affiliate	1,746,949	N/A (Note 1)	-	-	-	-
KAI HE COMPUTER ACCESSORY (SUZHOU) CO., LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	Affiliate	349,396	N/A (Note 1)	-	-	-	-
ASROCK INCORPORATION	ASROCK AMERICA, INC.	Parent Company	1,442,790	3.25 Times	-	-	54,946	-
"	ASROCK EUROPE B.V.	Parent Company	146,728	19.92 Times	-	-	105,765	-
ASIAROCK TECHNOLOGY LIMITED	ASROCK INCORPORATION	Subsidiary measured by equity method	2,365,594	5.90 Times	-	-	-	-
"	ASRock Rack Incorporation	Affiliate	530,362	5.32 Times	-	-	210,783	-
KINSUS INTERCONNECT TECHNOLOGY PEGAVISION CORPORATION	KINSUS INTERCONNECT TECHNOLOGY CORP. Pegavision Japan Inc.	Subsidiary measured by equity method	240,327	10.04 Times	-	-	-	-
"	GEMVISION TECHNOLOGY (ZHEJIANG) LIMITED	Parent Company	354,934	6.36 Times	-	-	179,695	-
FUYANG TECHNOLOGY CORPORATION	FUYANG ELECTRONICS (SUZHOU) CO., LTD.	Parent Company	219,266	4.04 Times	-	-	-	-
AZUREWAVE TECHNOLOGIES (SHANGHAI) INC.	AZURE WAVE TECHNOLOGIES, INC.	Parent Company	281,641	1.59 Times	-	-	-	-
"	Subsidiary measured by equity method		271,623	7.79 Times	-	-	189,251	-

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

Note 2 : Offsetting of account receivables and payables.

Notes to the Consolidated Financial Statements

Table 8: Information on investees
December 31, 2020

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2020			Expressed in thousands of NT\$	
				Balance as at December 31, 2020	Balance as at December 31, 2019	Number of shares	Ownership	Book value	Net profit (loss) of the investee for the year ended December 31, 2020	Investment income (loss) recognised by the Company for the year ended December 31, 2020
PEGATRON CORPORATION	ASUSPOWER INVESTMENT CO., LTD.	Taipei	Investment holding	13,033,429	13,033,429	932,844,700	100.00%	15,815,279	987,784	987,784
	ASUS INVESTMENT CO., LTD.	Taipei	Investment holding	16,184,982	16,184,982	979,234,600	100.00%	16,462,641	944,586	944,586
	ASUSTEK INVESTMENT CO., LTD.	Taipei	Investment holding	14,593,543	14,593,543	951,278,300	100.00%	14,444,927	280,975	280,975
	Pegatron Holding Ltd.	Cayman Islands	Investment holding	33,462,716	33,462,716	961,906,463	100.00%	87,961,996	11,786,759	11,786,759
	PEGATRON USA, INC.	CA, USA	Repairing and marketing center in Northern America	16,085	16,085	50,000	100.00%	17,573	150	150
	PEGATRON HOLLAND HOLDING B.V.	Wijchen, NETHERLANDS	Investment holding	1,278,287	1,278,287	-	100.00%	2,871,157	(5,317)	(5,317)
	AMA PRECISION INC.	Taipei	Research and design of computer components	408,394	408,394	33,500,000	100.00%	431,765	(3,742)	(3,742)
	AZURE WAVE TECHNOLOGIES, INC.	New Taipei City	Manufacture of office machine, electrical components, computer and related products. Sale of precision instrument and photographic equipment.	525,750	525,750	35,750,000	23.76%	431,985	304,098	72,270
	Unihan Holding Ltd.	Cayman Islands	Investment holding	5,823,962	6,659,684	170,110,010	100.00%	6,256,129	643,195	644,136
	CASETEK HOLDINGS LIMITED(CAYMAN)	Cayman Islands	Investment holding	442,409	442,409	4,808,794	1.16%	396,426	1,265,617	14,596
ASUSPOWER INVESTMENT CO., LTD.	PEGATRON SERVICE AUSTRALIA PTY. LTD.	Australia	Investment holding	30,955	30,955	6,000,000	100.00%	187,831	43,798	43,798
	PT. PEGATRON TECHNOLOGY INDONESIA	Indonesia	Data storage and processing equipment, manufacturing wired and wireless communication equipment, and whole selling of computer equipment and electronic components.	1,249,369	1,249,369	39,999	100.00%	1,199,588	127,266	133,393
	PEGATRON VIETNAM COMPANY LIMITED	Vietnam	Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts	870,095	-	-	100.00%	849,297	(5,817)	(5,817)
	PEGATRON TECHNOLOGY HAI PHONG COMPANY LIMITED	Vietnam	Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts	178,755	-	-	100.00%	105,944	(67,582)	(67,582)
	PEGATRON TECHNOLOGY INDIA PRIVATE LIMITED	India	Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts	215,713	-	54,994,500	99.99%	211,238	(3,294)	(3,294)
	PEGASUS ACE LIMITED	Cayman Islands	Investment holding	3	-	100	100.00%	-	(3)	(3)
	STARLINK ELECTRONICS CORPORATION	New Taipei City	Manufacture of computer components and industrial plastics. Sale and manufacture of electronic materials.	135,144	135,144	15,000,000	50.00%	238,729	2,163	Not required to disclose
	KINSUS INTERCONNECT TECHNOLOGY CORP.	Taoyuan	Manufacture of computer components. Sale and manufacture of electronic materials. Enterprise management consulting.	727,473	727,473	55,556,221	12.32%	3,159,459	541,998	Not required to disclose
	ASROCK INCORPORATION	Taipei	Manufacture of data processing equipment, storage equipment and wireless communication equipment. Installation and sale of computer and electronic materials.	82,626	82,626	2,791,000	2.31%	159,655	1,362,573	Not required to disclose
	AZURE WAVE TECHNOLOGIES, INC.	New Taipei City	Manufacture of office machine, electrical components, computer and related products. Sale of precision instrument and photographic equipment.	154,000	154,000	7,000,000	4.65%	84,531	304,098	Not required to disclose
ASUSPOWER INVESTMENT CO., LTD.	Lumens Digital Optics Inc. (Lumens Optics)	Hsinchu	Development, manufacture and sale of projector and related product	508,932	508,932	10,043,490	50.22%	1,127,244	235,640	Not required to disclose
	PEGAVISION CORPORATION	Taoyuan	Manufacture of medical equipment	70,721	70,721	5,480,121	7.83%	359,787	709,511	Not required to disclose
	ASUSPOWER CORPORATION	Virgin Islands	Investment holding and commercial affairs	3,752,682	3,752,682	109,000,000	31.23%	7,680,662	770,247	Not required to disclose
	PEGATRON TECHNOLOGY SERVICE INC.	Kentucky, USA	Repairing and marketing center in Northern America	94,475	94,475	2,800	100.00%	1,150,383	61,366	Not required to disclose
	PEGATRON LOGISTIC SERVICE INC.	CA, USA	Transferring and marketing center in Northern America	30	30	1,000	100.00%	11,338	-	Not required to disclose
	Huawei Investment Co., Ltd.	Taipei	Investment holding	48,780	48,780	-	48.78%	349,983	267,708	Not required to disclose
	PEGA INTERNATIONAL LIMITED	Taipei	Design service and commercial affairs	31,885	31,885	-	100.00%	32,818	1,129	Not required to disclose
	PEGATRON JAPAN Inc.	Japan	Repairing and marketing center in Japan	27,287	27,287	-	100.00%	612,655	258,242	Not required to disclose
	PEGATRON Mexico, S.A. DE C.V.	Chihuahua, Mexico	Repairing and marketing center in Mexico	231,424	231,424	-	40.51%	120,521	(3,663)	Not required to disclose

Notes to the Consolidated Financial Statements

Initial investment amount				Shares held as at December 31, 2020				Expressed in thousands of NTD			
Investor	Investee	Location	Main business activities	Balance as at December 31,2020	Balance as at December 31,2019	Number of shares	Ownership	Book value	Net profit (loss) of the investee for the year ended December 31, 2020	Investment income (loss) recognised by the Company for the year ended December 31, 2020	Footnote
ASUSPOWER INVESTMENT CO., LTD.	PEGATRON SERVICE SINGAPORE PTE. LTD.	Singapore	Repairing and marketing center in Singapore	23,990	23,990	1,000,000	100.00%	410,766	46,867	Not required to disclose	
	PT. PEGATRON TECHNOLOGY INDONESIA	Indonesia	Data storage and processing equipment, manufacturing wired and wireless communication equipment, and whole selling of computer equipment and electronic components	31	31	1	0.00%	30	127,266	Not required to disclose	
ASUS INVESTMENT CO., LTD.	PEGATRON TECHNOLOGY INDIA PRIVATE LIMITED	India	Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts	22	-	5,500	0.01%	21	(3,294)	Not required to disclose	
	STARLINK ELECTRONICS CORPORATION	New Taipei City	Manufacture of computer components and industrial plastics. Sale and manufacture of electronic materials.	90,000	90,000	9,000,000	30.00%	143,237	2,163	Not required to disclose	
ASUSPOWER INVESTMENT CO., LTD.	KINSUS INTERCONNECT TECHNOLOGY CORP.	Taoyuan	Manufacture of computer components. Sale and manufacture of electronic materials. Enterprise management consulting.	938,098	938,098	60,128,417	13.34%	3,419,478	541,998	Not required to disclose	
ASROCK INCORPORATION	ASROCK INCORPORATION	Taipei	Manufacture of data storage, data processing equipment and communication equipment. Sale of computer equipment and electronic material.	155,718	155,718	57,217,754	47.43%	3,273,125	1,362,573	Not required to disclose	
Lumens Digital Optics Inc. (Lumens Optics)	Lumens Digital Optics Inc. (Lumens Optics)	Hsinchu	Development, manufacture and sale of projector and related product.	7,338	7,338	587,079	2.94%	65,892	235,640	Not required to disclose	
ASUSPOWER CORPORATION	ASUSPOWER CORPORATION	Virgin Islands	Investment holding and commercial affairs	3,488,741	3,488,741	103,000,000	29.51%	7,257,647	770,247	Not required to disclose	
ASFLY TRAVEL SERVICE LIMITED	ASFLY TRAVEL SERVICE LIMITED	Taipei	Travel industry	6,000	6,000	-	100.00%	3,210	(9,204)	Not required to disclose	
HUA-YUAN INVESTMENT LIMITED	HUA-YUAN INVESTMENT LIMITED	Taipei	Investment holding	500,000	500,000	-	100.00%	536,627	2,217	Not required to disclose	
PEGATRON Mexico, S.A. DE C.V.	PEGATRON Mexico, S.A. DE C.V.	Chihuahua, Mexico	Repairing and marketing center in Mexico	369,938	369,938	-	59.49%	176,989	(3,663)	Not required to disclose	
FUYANG TECHNOLOGY CORPORATION	FUYANG TECHNOLOGY CORPORATION	Hsinchu	Manufacture of wire, cable and electronic components. Sale of electronic material.	464,711	464,711	32,088,436	17.83%	149,421	(655,137)	Not required to disclose	
STARLINK ELECTRONICS CORPORATION	STARLINK ELECTRONICS CORPORATION	New Taipei City	Manufacture of computer components and industrial plastics. Sale and manufacture of electronic materials.	60,000	60,000	6,000,000	20.00%	95,492	2,163	Not required to disclose	
KINSUS INTERCONNECT TECHNOLOGY CORP.	KINSUS INTERCONNECT TECHNOLOGY CORP.	Taoyuan	Manufacture of computer components. Sale and manufacture of electronic materials. Enterprise management consulting.	794,252	794,252	58,233,091	12.92%	3,311,686	541,998	Not required to disclose	
ASROCK INCORPORATION	ASROCK INCORPORATION	Taipei	Manufacture of data processing equipment, storage equipment and wire communication equipment. Installation and sale of computer and electronic materials.	223,939	223,939	7,453,405	6.18%	426,370	1,362,573	Not required to disclose	
AZURE WAVE TECHNOLOGIES, INC.	AZURE WAVE TECHNOLOGIES, INC.	New Taipei City	Manufacture of office machine, electrical components, computer and related products. Sale of precision instrument and photographic equipment.	98,487	98,487	6,696,930	4.45%	80,895	304,098	Not required to disclose	
Lumens Digital Optics Inc. (Lumens Optics)	Lumens Digital Optics Inc. (Lumens Optics)	Hsinchu	Development, manufacture and sale of projector and related product.	5,117	5,117	409,427	2.05%	45,953	235,640	Not required to disclose	
PEGAVISION CORPORATION	PEGAVISION CORPORATION	Taoyuan	Manufacture of medical equipment	64,292	64,292	4,934,434	7.05%	323,961	709,511	Not required to disclose	
ASUSPOWER CORPORATION	ASUSPOWER CORPORATION	Virgin Islands	Investment holding and commercial affairs	4,652,885	4,652,885	137,000,000	39.26%	9,655,548	770,247	Not required to disclose	
FUYANG TECHNOLOGY CORPORATION	FUYANG TECHNOLOGY CORPORATION	Hsinchu	Manufacture of wire, cable and electronic components. Sale of electronic materials.	929,422	929,422	64,176,872	35.65%	298,757	(655,137)	Not required to disclose	
PEGATRON SERVICE SINGAPORE PTE. LTD. Pegatron Holding Ltd.	PEGATRON SERVICE KOREA LLC.	Korea	Repairing and marketing center in Korea	42,745	42,745	360,000	100.00%	219,945	17,510	Not required to disclose	
	MAGNIFICENT BRIGHTNESS LIMITED	Virgin Islands	Investment holding and commercial affairs	7,419,943	7,419,943	177,961,090	100.00%	28,132,754	2,686,586	Not required to disclose	
	PROTEK GLOBAL HOLDINGS LTD.	Virgin Islands	Investment holding and commercial affairs	8,531,810	8,531,810	308,100,000	100.00%	36,398,184	5,480,503	Not required to disclose	
	ASLINK PRECISION CO., LTD.	Cayman Islands	Investment holding and commercial affairs	5,562,708	5,562,708	199,711,968	100.00%	13,749,703	2,553,700	Not required to disclose	
	DIGITEK GLOBAL HOLDINGS LIMITED	Virgin Islands	Investment holding and commercial affairs	1,397,711	1,397,711	49,050,000	100.00%	6,207,123	1,029,556	Not required to disclose	
	COTEK HOLDINGS LIMITED	Virgin Islands	Investment holding and commercial affairs	1,966,686	1,966,686	81,275,000	100.00%	1,484,771	(33,576)	Not required to disclose	
	TOP QUARK LIMITED	HongKong	Investment holding	301,906	301,906	9,550,000	100.00%	156,965	(7,985)	Not required to disclose	
	POWTEK HOLDINGS LIMITED	Virgin Islands	Investment holding and commercial affairs	374,601	374,601	8,050,000	100.00%	1,136,162	178,545	Not required to disclose	
	PROTEK HOLDINGS LTD.(CAYMAN)	Cayman Islands	Investment holding	2,629,471	2,629,471	92,000,000	49.00%	318,251	(226,191)	Not required to disclose	

Notes to the Consolidated Financial Statements

Initial investment amount				Shares held as at December 31, 2020				Expressed in thousands of NT\$					
Investor		Investee		Main business activities		Balance as at December 31, 2020	Balance as at December 31, 2019	Number of shares	Ownership	Book value	Net profit (loss) of the investee for the year ended December 31, 2020	Investment income (loss) recognised by the Company for the year ended December 31, 2020	Footnote
Pegatron Holding Ltd. KINSUS INTERCONNECT TECHNOLOGY CORP.	GRAND UPRIGHT TECHNOLOGY LTD. KINSUS CORP. (USA)	CA, USA	Samoa	Investment holding and commercial affairs	37,793	37,793	5,000,000	100.00%	363,284	(1,236)	Not required to disclose	Note 1	
				Design substrate, analyze market strategy, development new customer and new technology.	14,248	14,248	5,000,000	100.00%	60,404	10,113	Not required to disclose		
				Investment holding	4,739,216	4,739,216	166,308,720	100.00%	2,082,682	203,085	Not required to disclose		
				Investment holding	1,600,000	1,600,000	160,000,000	100.00%	2,275,089	(19,969)	Not required to disclose		
				Manufacture of medical equipment	252,455	21,233,736	30,33%	1,394,060	(19,969)	Not required to disclose			
				Manufacture of wire, cable and electronic components. Sale of electronic material.	929,422	929,422	64,176,872	35.65%	298,789	(655,137)	Not required to disclose		
				Investment holding	2,051,748	2,051,748	72,000,000	100.00%	1,751,452	318,455	Not required to disclose		
				Investment holding	2,687,476	2,687,476	95,735,000	51.00%	331,243	(226,182)	Not required to disclose		
				Investment holding	3,984,973	3,984,973	139,840,790	100.00%	649,492	(226,182)	Not required to disclose		
				Commercial affairs	741	741	200,000	100.00%	71,840	(4,768)	Not required to disclose		
KINSUS HOLDING (SAMOA) LIMITED PIOTEX HOLDINGS LTD. (CAYMAN) PIOTEX HOLDING LIMITED PIOTEX (H.K.) TRADING LIMITED PEGAVISION CORPORATION	KINSUS HOLDING (SAMOA) LIMITED PIOTEX HOLDINGS LTD. (CAYMAN) PIOTEX HOLDING LIMITED PIOTEX (H.K.) TRADING LIMITED PEGAVISION CORPORATION	Cayman Islands Cayman Islands Virgin Islands HongKong Samoa	Investment holding	-	-	-	-	-	10,150	Not required to disclose	Note 2		
			Investment holding	40,000	40,000	4,000,000	100.00%	37,675	(2,328)	Not required to disclose			
			Sale of medical equipment	2,736	2,736	198	100.00%	45,842	19,805	Not required to disclose			
			Sale of medical equipment	17,098	17,098	6,000,000	100.00%	15,076	(2,101)	Not required to disclose			
			Investment holding and commercial affairs	1,357,292	1,357,292	44,000,000	100.00%	240,818	(320,793)	Not required to disclose			
			Manufacture and sale of computer related	291,278	291,066	19,479,035	62.05%	387,739	316,192	Not required to disclose			
			Investment holding	1,320,886	1,320,886	40,000,000	100.00%	3,563,486	106,141	Not required to disclose			
			Investment holding	71,559	71,559	2,100,000	100.00%	35,743	57,493	Not required to disclose			
			Investment holding	239,683	235,822	23,895,700	66.86%	344,649	76,944	Not required to disclose			
			International trade	551	551	150,000	100.00%	552	-	Not required to disclose			
ASIAROCK TECHNOLOGY LIMITED	Yabo Trading Co., Ltd. ASIAROCK EUROPE B.V. NETHERLANDS	HongKong Nijmegen, CA, USA Virgin Islands	Sale of data storage devices and electronic materials	5,528	5,528	200,000	100.00%	577,095	99,007	Not required to disclose	Note 3		
			Renting offices	56,993	56,993	2,000,000	100.00%	62,515	(1,035)	Not required to disclose			
			Installation of computer equipment and sale of computer related product.	28,497	28,497	4,000,000	27.59%	-	(22,375)	Not required to disclose			
			Investment holding	58,418	58,418	2,050,000	100.00%	35,700	57,493	Not required to disclose			
			Sale of data storage devices and electronic	56,993	56,993	2,000,000	100.00%	34,744	57,492	Not required to disclose			
			Purchase and sale on computer product and computer related product.	34,509	34,509	1,222,000	100.00%	58,798	36,365	Not required to disclose			
			Investment holding	7,124	7,124	250,000	100.00%	8,151	(9,481)	Not required to disclose			
			Investment holding	10,054,907	10,054,907	245,016,988	58.87%	18,515,289	1,265,617	Not required to disclose			
			Repairing service	18,523	18,523	-	100.00%	7,157	(1,279)	Not required to disclose			
			CASITEK HOLDINGS LIMITED	SLITEK HOLDINGS LIMITED KAEADAR HOLDINGS LIMITED KAEADAR TRADING LTD. AMA Holdings Limited EZWAVE HOLDING (Samoa) Inc. AZURE WAVE TECHNOLOGIES, INC.	Samoa Cayman Islands Brazil Virgin Islands Samoa HongKong Samoa Samoa Samoa New Taipei City New Taipei City CA, USA	Investment holding and commercial affairs	4,670,599	4,670,599	115,375,668	100.00%		6,244,207	637,768
Investment holding and commercial affairs	34,481	34,481				1,210,000	100.00%	2,691	(10,854)	Not required to disclose			
Investment holding and commercial affairs	712,413	712,413				25,000,000	100.00%	1,235,674	54,980	Not required to disclose			
Investment holding and commercial affairs	142,483	142,483				5,000,000	100.00%	585,355	47,942	Not required to disclose			
Investment holding	169,744	169,744				-	-	-	-	Not required to disclose			
Investment holding	1,888,113	1,585,683				60,177,000	100.00%	1,693,858	297,289	Not required to disclose			
Information product service industry	5,015	5,015				500,000	100.00%	(22,396)	(714)	Not required to disclose			
Sale of electronic materials	25,000	25,000				2,000,000	100.00%	32,115	2,259	Not required to disclose			
Market development	19,820	19,820				650,000	100.00%	1,802	1,096	Not required to disclose			
Investment holding	28,516,563	26,236,843				815,499,000	100.00%	36,576,223	300,201	Not required to disclose			
CASITEK HOLDINGS LIMITED(CAYMAN)	RIH KUAN METAL CORPORATION MEGA MERIT LIMITED CASITEK SINGAPORE PTE. LTD. RIEN USA, INC.	Taipei Samoa Singapore CA, USA	Sales of iron and aluminum products	287,291	287,291	30,000,000	100.00%	704,584	178,156	Not required to disclose	Note 5		
			Investing and trading	916,295	916,295	38,300,000	100.00%	483,855	20,098	Not required to disclose			
			Trading activities	28,497	28,497	1,000,000	100.00%	33,949	163,721	Not required to disclose			
			Trading activities	20,802	20,802	730,000	100.00%	899,671	958,047	Not required to disclose			
			Investing and trading	1,091,416	1,091,416	38,300,000	100.00%	483,855	20,098	Not required to disclose			
			Market Research	6,554	6,554	230,000	100.00%	7,907	307	Not required to disclose			
			Investing and trading	1,091,416	1,091,416	38,300,000	100.00%	483,855	20,098	Not required to disclose			
			Market Research	6,554	6,554	230,000	100.00%	7,907	307	Not required to disclose			
			Investing and trading	1,091,416	1,091,416	38,300,000	100.00%	483,855	20,098	Not required to disclose			
			Market Research	6,554	6,554	230,000	100.00%	7,907	307	Not required to disclose			

Notes to the Consolidated Financial Statements

Table 9: Information on investments in Mainland China
December 31, 2020

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

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of reinvestment from Taiwan as of January 1, 2020	Amount remitted from Taiwan to Mainland China / Amount remitted		Accumulated amount of reinvestment from Taiwan as of December 31, 2020	Net income of investee for the year ended December 31, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2020 (Note2, (2))	Book value of investments in Mainland China as of December 31, 2020	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2020
					Remitted to Mainland China	Remitted back to Taiwan						
MAINTREK COMPUTER (SUZHOU) CO., LTD. (Note 5)	Manufacture, develop and research and sale of power supplier, new electronic component, computer case, and computer system. Repair of laptop, motherboard and related product.	6,514,015 USD 228,590,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	5,038,181 USD 176,800,000	-	-	5,038,181 USD 176,800,000	2,686,628 USD 90,725,545	100%	2,686,628 USD 90,725,545	28,319,526 USD 993,789,609	-
PROTEK (SHANGHAI) LTD.	Develop and research, manufacture, assemble, repair, sale and design of satellite communication equipment, satellite navigation receive equipment and essential component. Sale of cellphone, medium and large sized computer, portable computer, printing machine and electrical component.	8,776,922 USD 308,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	8,776,922 USD 308,000,000	-	-	8,776,922 USD 308,000,000	5,450,561 USD 184,061,587	100%	5,450,561 USD 184,061,587	36,445,591 USD 1,278,949,715	-
PROTEK COMPUTER (SUZHOU) (Note 7)	Develop and research, manufacture and sale of new type of precision electrical component, circuit board and related product. The company also provides after sale service.	4,750,367 USD 166,700,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	1,295,060 USD 45,446,280	-	-	1,295,060 USD 45,446,280	(221,341) USD (7,474,540)	68.67%	(151,985) USD (5,132,438)	396,646 USD 13,919,117	-
COTEK ELECTRONICS	Develop, manufacture and sale of new electrical component, plugs and corresponding precision mold. The company also provides after sale service.	2,308,217 USD 81,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	1,966,259 USD 69,000,001	-	-	1,966,259 USD 69,000,001	(34,399) USD (1,161,632)	100%	(34,399) USD (1,161,632)	1,498,817 USD 52,596,535	-
RUNTOP (SHANGHAI) CO., LTD.	Manufacture and sale of computer components, digital automatic data processing machine, accessories of multimedia computer, power supplier, network switch and data machine.	199,476 USD 7,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	300,481 USD 10,544,482	-	-	300,481 USD 10,544,482	(7,879) USD (266,067)	100%	(7,879) USD (266,067)	156,915 USD 5,506,478	-
POWTEK (SHANGHAI) LTD.	Sale of computer motherboard, computer, laptop, service machine and computer related items. The company also provides after sale service.	227,972 USD 8,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	374,601 USD 13,145,510	-	-	374,601 USD 13,145,510	178,614 USD 6,031,683	100%	178,614 USD 6,031,683	1,135,794 USD 39,857,323	-
DIGITEK (CHONGQING) LTD.	Research and development, manufacture, sale of satellite communication equipment, satellite navigation receive equipment, cellphone, internet related equipment, computer, video decoding equipment, car-used electrical equipment and component. The company also provides export, proxy, repair services.	1,396,329 USD 49,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	1,396,329 USD 49,000,000	-	-	1,396,329 USD 49,000,000	1,029,582 USD 34,768,275	100%	1,029,582 USD 34,768,275	6,227,849 USD 218,547,874	-
PEGAGLOBE (KUNSHAN) CO., LTD.	Manufacture of satellite navigation receiving equipment, cellphone, core equipment, internet detection equipment, large and medium sized computer, easy to carry computers, high end service equipment, large volume light driver and their component.	5,528,321 USD 194,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	5,528,321 USD 194,000,000	-	-	5,528,321 USD 194,000,000	2,553,460 USD 86,228,547	100%	2,553,460 USD 86,228,547	13,752,917 USD 482,617,743	-
CASETEK COMPUTER (SUZHOU)	Manufacture, development and research and sale of computer, computer system and its component. The company also provides after sale service.	1,595,804 USD 56,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	1,595,804 USD 56,000,000	-	-	1,595,804 USD 56,000,000	516,741 USD 17,449,963	100%	516,741 USD 17,449,963	2,784,900 USD 97,727,798	-
KAEDAR ELECTRONICS (KUNSHAN) CO., LTD.	Manufacture of plastic injection products.	498,689 USD 17,500,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	698,366 USD 24,507,092	-	-	698,366 USD 24,507,092	54,938 USD 1,855,202	100%	54,938 USD 1,855,202	1,181,396 USD 41,457,597	-

Notes to the Consolidated Financial Statements

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan as of January 1, 2020	Amount remitted from Taiwan to Mainland China/Amount remitted from Mainland China to Taiwan		Accumulated amount of remittance from Taiwan as of December 31, 2020	Net income of investee for the year ended December 31, 2020 (direct or indirect)	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2020 (Note 2, (2))	Book value of investments in Mainland China as of December 31, 2020	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2020
					Remitted to Mainland China	Remitted back to Taiwan						
CORE-TEK (SHANGHAI) LIMITED	Research, manufacture and sale of laptop components and precision equipment. Design non-metal molds and electronic devices. The company also provides after sale service and consulting service.	341,958 USD 12,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	341,958 USD 12,000,000	-	-	341,958 USD 12,000,000	2,727 USD 92,101	100%	2,727 USD 92,101	204,521 USD 7,177,069	-
KAI-CHUAN ELECTRONICS (CHONGQING) CO., LTD.	Research and develop, manufacture and inspect computer and implication system. Manufacture molds, precision molds, plastic components. Sale of automatic products.	284,965 USD 10,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	284,965 USD 10,000,000	-	-	284,965 USD 10,000,000	25,198 USD 850,907	100%	25,198 USD 850,907	302,197 USD 10,604,691	-
Zhangjiagang East High-tech LTD.	Process, sale and transportation of steel.	170,979 USD 6,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	34,196 USD 1,200,000	-	-	34,196 USD 1,200,000	(54,151) (USD 1,828,631)	20%	(10,830) (USD 365,726)	1,468 USD 51,504	-
FUYANG ELECTRONICS (SUZHOU) CO., LTD.	Research and develop, manufacture, test, repair and sale of Multilayer flexible board and computer number signal processor.	1,253,846 USD 44,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	1,253,846 USD 44,000,000	-	-	1,253,846 USD 44,000,000	(320,624) (USD 10,827,253)	67.22%	(215,524) (USD 7,278,080)	238,535 USD 8,370,684	-
HONGJIE (SHANGHAI) PACKING LIMITED	Manufacture of all kinds of paper boxes, paper materials, paper plastics, cushioning material, tray, etc.	142,483 USD 5,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	26,581 USD 932,769	-	-	26,581 USD 932,769	-	-	-	-	-
HONGJIE (SUZHOU) PACKING LIMITED	Manufacture of all kinds of paper boxes, paper materials, paper plastics, cushioning material, tray, etc.	379,288 USD 13,509,984	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	171,713 USD 6,025,762	-	-	171,713 USD 6,025,762	-	-	-	-	-
(Note 14) Suzhou Esitai Packaging LTD.	Manufacture of all kinds of paper boxes, paper materials, paper plastics, cushioning material, tray, etc.	145,332 USD 5,100,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	32,969 USD 1,156,954	-	-	32,969 USD 1,156,954	-	-	-	-	-
(Note 14) HONGJIE (CHONGQING) PACKING LIMITED	Manufacture of all kinds of paper boxes, paper materials, paper plastics, cushioning material, tray, etc.	14,248 USD 500,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	2,180 USD 76,500	-	-	2,180 USD 76,500	-	-	-	-	-
(Note 14) Hangsheng (Changshu) packaging LTD.	Manufacture of all kinds of paper boxes, paper materials, paper plastics, cushioning material, tray, etc.	74,376 USD 2,610,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	18,038 USD 633,000	-	-	18,038 USD 633,000	-	-	-	-	-
(Note 12) Heilongjiang Hongjie Packaging LTD.	Manufacture of all kinds of paper boxes, paper materials, paper plastics, cushioning material, tray, etc.	70,101 USD 2,460,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	12,618 USD 442,800	-	-	12,618 USD 442,800	-	-	-	-	-
(Note 11) Suzhou Lianshuo Electronics LTD.	Manufacture of plugs	199,032 USD 6,984,441	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	218,176 USD 7,656,224	-	-	218,176 USD 7,656,224	-	-	-	-	-
(Note 6) Shanghai Yuding Electronics LTD.	Research and develop, manufacture and sale of portable micro computer, laptop and related products.	883,392 USD 31,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	558,531 USD 19,600,000	-	-	558,531 USD 19,600,000	-	-	-	-	-
(Note 8) Jinhong Precision Mold (Suzhou) Co., Ltd.	Design, process, sale and manufacture of non-metal molds. Manufacture and sale of precision molds, standard molds, plastic and hardware.	25,647 USD 900,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	48,871 USD 1,715,000	-	-	48,871 USD 1,715,000	-	-	-	-	-
(Note 10) Honghua Technology (Suzhou) LTD.	Manufacture, research and develop, process non-metal molds, precision molds, standard molds, hardware components, new version of photoelectric trigger, disk driver and their components. Manufacture of number camera, essential components and providing after sale service.	182,378 USD 6,400,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	89,365 USD 3,136,000	-	-	89,365 USD 3,136,000	-	-	-	-	-
(Note 9)												

Notes to the Consolidated Financial Statements

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan as of January 1, 2020	Amount remitted from Taiwan to Mainland China / Amount remitted from Mainland China to Taiwan		Net income of investee for the year ended December 31, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2020 (Note 2, (2))	Book value of investments in Mainland China as of December 31, 2020	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2020
					Remitted to Mainland China	Remitted back to Taiwan					
KAI HE COMPUTER ACCESSORY (SUZHOU) CO., LTD. (Note 19)	Designing, manufacturing and selling electronic components and providing after-sales services, idle equipments leasing, commission agency, trading services, relevant corresponding services, and surface processing for the aforementioned products.	1,538,811 USD 54,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	1,538,811 USD 54,000,000	-	-	14,053 USD 474,548	100%	14,053 USD 474,548	487,742 USD 17,115,854	-
RI TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD. (Note 19)	Designing, manufacturing and selling electronic components and providing after-sales services, idle equipments leasing, commission agency, trading services and their relevant corresponding services.	4,416,929 USD 154,999,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	4,416,929 USD 154,999,000	-	-	173,244 USD 5,850,333	100%	173,244 USD 5,850,333	8,502,447 USD 298,368,105	-
RI PRO PRECISION MODEL (SHANGHAI) CO., LTD. (Note 19)	Designing, manufacturing and selling electronic components and providing after-sales services, idle equipments leasing, commission agency, trading services and their relevant corresponding services.	85,490 USD 3,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	85,490 USD 3,000,000	-	-	6,004 USD 202,744	100%	6,004 USD 202,744	16,685 USD 585,510	-
RI MING (SHANGHAI) CO., LTD. (Note 19)	Designing, manufacturing and selling electronic components and providing after-sales services, idle equipments leasing, commission agency, trading services and their relevant corresponding services.	2,878,147 USD 101,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	2,878,147 USD 101,000,000	-	-	356,881 USD 12,051,627	100%	356,881 USD 12,051,627	10,267,023 USD 360,290,651	-
SHENG RUI ELECTRONIC TECHNOLOGY (SHANGHAI) LIMITED (Note 19)	Designing, manufacturing and selling electronic components and providing after-sales services, idle equipments leasing, commission agency, trading services, relevant corresponding services, and surface processing for the aforementioned products.	284,965 USD 10,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	284,965 USD 10,000,000	-	-	377,901 USD 12,761,436	100%	377,901 USD 12,761,436	750,208 USD 26,326,331	-
RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD. (Note 19)	Designing, manufacturing and selling electronic components and providing after-sales services, idle equipments leasing, commission agency, trading services and their relevant corresponding services.	142,483 USD 5,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	142,483 USD 5,000,000	-	-	194,038 USD 6,552,540	100%	194,038 USD 6,552,540	5,365,638 USD 188,291,126	-
RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD. (Note 19)	Designing, manufacturing and selling electronic components and providing after-sales services, idle equipments leasing, commission agency, trading services, relevant corresponding services, and surface processing for the aforementioned products.	6,260,230 USD 220,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	6,260,230 USD 220,000,000	-	-	(2,804,119) (USD 94,693,136)	100%	(2,804,119) (USD 94,693,136)	(4,313,536) (USD 151,381,273)	-
RI KAI COMPUTER ACCESSORY CO., LTD. (Note 19)	Designing, manufacturing and selling electronic components and providing after-sales services, idle equipments leasing, commission agency, trading services and their relevant corresponding services.	3,087,588 USD 108,349,735	The investment is the surplus from investing in Mainland China.	- USD 0	-	-	2,100,580 USD 70,935,092	100%	2,100,580 USD 70,935,092	7,274,647 USD 255,282,097	-
2. Limitation on investment in Mainland China											
Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020 (Note 16 and 19)				Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) (Note 15 and 19)		Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 4)					
30,279,960 USD 1,062,585,218				34,821,371 USD 1,221,952,546		119,364,312					

Notes to the Consolidated Financial Statements

US dollar exchange rate : year end exchange rate 28.4965 ; average exchange rate 29.6127

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

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

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

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

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

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

Note 5 : MAINTeK COMPUTER (SUZHOU) CO., LTD.'s paid-in capital includes liquidation process. As of December 31, 2020, the funds have not been remitted.

Note 6 : Suzhou Lianshiao Electronics LTD. has completed liquidation process. As of December 31, 2020, the funds have not been remitted.

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

Note 8 : The Group has disposed of shares of Inded Holdings Limited(indirectly invested in Shanghai Yiding Electronics LTD.). As of December 31, 2020, the funds have not been remitted.

Note 9 : Honghua Technology (Suzhou) LTD. has completed liquidation process. As of December 31, 2020, the funds have not been remitted.

Note 10 : The Group has disposed shares of Jinzhong Precision Mold Industrial (Suzhou) Co., Ltd. . As of December 31, 2020, the funds have not been remitted.

Note 11 : The Group has disposed shares of Heilongjiang Hongjie Packaging LTD. . As of December 31, 2020, the funds have not been remitted.

Note 12 : Honggruosheng (Chengdu) packaging LTD. has completed liquidation process. As of December 31, 2020, the funds have not been remitted.

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

Note 14 : The Group has disposed all shares of E-Packaging. As of December 31, 2020, the funds have not been remitted.

Note 15 : Due to the reinvestment of the Group's investee, China renewable Energy Fund, LP (CREF), in Mainland China, the Group increased its line of credit to USD14,144,172, with the approval from the Investment Commission of MOEA.

Note 16 : The difference of USD7,566,844 between the accumulated amounts of remittance from Taiwan to Mainland China as of December 31, 2020 was the actual amount of investment in Mainland China made by China Renewable Energy Fund, LP(CREF).

Note 17 : The company, which hasn't contributed yet, applied for the approval of the capital contribution of Pegaglobe Investment(Jiangsu)Co.,Ltd, resulting in the contribution amount, approved by the Investment Commission of MOEA, increased by USD 100,000,000.

Note 18 : CASETEK COMPUTER (SUZHOU) CO., LTD. remitted USD20,000,000 to CASETEK HOLDINGS LIMITED, the remittance have not been remitted back to Taiwan as of December 31, 2020

Note 19 : Due to the merger of CASETEK HOLDINGS LIMITED (CAYMAN), the Group made a disclosure on the information on investment in mainland China of the merged company. However, the information will not be included in the amount of outward investment from Taiwan to Mainland China and the investment amount approved by the Investment Commission of MOEA since the related quota submitted to the Investment Commission of MOEA has not been approved.

Notes to the Consolidated Financial Statements

Table 10: Business relationships and significant intercompany transactions
December 31, 2020

Expressed in thousands of NTD

No. (Note 1)	Company name	Counterparty	Transaction				
			Relationship (Note 2)	General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	PEGATRON CORPORATION	ASIAROCK TECHNOLOGY LIMITED	1	Sales	413,850	Open Account 90 days	0.03%
0	PEGATRON CORPORATION	ASIAROCK TECHNOLOGY LIMITED	1	Account Receivables	103,113	Open Account 90 days	0.02%
0	PEGATRON CORPORATION	PEGATRON Czech s.r.o.	1	Sales	1,394,133	120 days on delivery	0.10%
2	PEGATRON CORPORATION	COTEK ELECTRONICS (SUZHOU) CO., LTD.	1	Account Receivables	1,719,652	Open Account 90 days	0.25%
2	PEGATRON CORPORATION	PROTEK (SHANGHAI) LTD.	1	Account Receivables	93,386,147	Open Account 60 days	13.65%
2	PEGATRON CORPORATION	MAINTEK COMPUTER (SUZHOU) CO., LTD.	1	Account Receivables	14,762,096	Open Account 90 days	2.16%
2	PEGATRON CORPORATION	PEGAGLOBE (KUNSHAN) CO., LTD.	1	Account Receivables	94,709,929	Open Account 90 days	13.84%
2	PEGATRON CORPORATION	DIGITEK (CHONGQING) LTD.	1	Account Receivables	15,441,939	Open Account 60 days	2.26%
4	PEGATRON CORPORATION	PEGATRON TECHNOLOGY SERVICE INC.	1	Sales	189,429	90 days on delivery	0.01%
4	PEGATRON CORPORATION	PT. PEGATRON TECHNOLOGY INDONESIA	1	Account Receivables	6,824,592	120 days on delivery	1.00%
4	PEGATRON CORPORATION	POWTEK (SHANGHAI) LTD.	1	Sales	3,691,433	120 days on delivery	0.26%
4	PEGATRON CORPORATION	POWTEK (SHANGHAI) LTD.	1	Account Receivables	1,365,137	120 days on delivery	0.20%
5	PT. PEGATRON TECHNOLOGY INDONESIA	PEGATRON CORPORATION	2	Account Receivables	4,992,591	120 days on delivery	0.73%
5	PT. PEGATRON TECHNOLOGY INDONESIA	PEGATRON CORPORATION	2	Sales	2,459,408	120 days on delivery	0.18%
7	PROTEK (SHANGHAI) LTD.	PEGATRON CORPORATION	2	Account Receivables	35,448,023	Open Account 60 days	5.18%
7	PROTEK (SHANGHAI) LTD.	PEGAGLOBE (KUNSHAN) CO., LTD.	3	Sales	79,673,475	Open Account 60 days	5.69%
7	PROTEK (SHANGHAI) LTD.	PEGAGLOBE (KUNSHAN) CO., LTD.	3	Account Receivables	20,929,812	Open Account 60 days	3.06%
7	PROTEK (SHANGHAI) LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	3	Other Receivables	4,274,475	Mutual Agreement	0.62%
8	PEGAGLOBE (KUNSHAN) CO., LTD.	PEGATRON CORPORATION	2	Sales	86,145,124	Open Account 60 days	6.16%
8	PEGAGLOBE (KUNSHAN) CO., LTD.	PEGATRON CORPORATION	2	Account Receivables	108,888,894	Open Account 60 days	15.91%
10	PEGAGLOBE (KUNSHAN) CO., LTD.	PROTEK (SHANGHAI) LTD.	3	Sales	737,027	Open Account 60 days	0.05%
10	PEGAGLOBE (KUNSHAN) CO., LTD.	PROTEK (SHANGHAI) LTD.	3	Account Receivables	202,258	Open Account 60 days	0.03%
11	MAINTEK COMPUTER (SUZHOU) CO., LTD.	PEGATRON CORPORATION	2	Sales	4,822,764	Open Account 60 days	0.34%
11	MAINTEK COMPUTER (SUZHOU) CO., LTD.	COTEK ELECTRONICS (SUZHOU) CO., LTD.	3	Sales	2,475,873	Open Account 60 days	0.18%
11	MAINTEK COMPUTER (SUZHOU) CO., LTD.	COTEK ELECTRONICS (SUZHOU) CO., LTD.	3	Account Receivables	659,502	Open Account 60 days	0.10%
11	MAINTEK COMPUTER (SUZHOU) CO., LTD.	COTEK ELECTRONICS (SUZHOU) CO., LTD.	3	Other Receivables	1,424,825	Mutual Agreement	0.21%
13	MAINTEK COMPUTER (SUZHOU) CO., LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	3	Account Receivables	2,849,650	Mutual Agreement	0.42%
14	COTEK ELECTRONICS (SUZHOU) CO., LTD.	PEGATRON CORPORATION	2	Sales	5,488,874	Open Account 60 days	0.39%
14	COTEK ELECTRONICS (SUZHOU) CO., LTD.	PEGATRON CORPORATION	2	Account Receivables	2,571,161	Open Account 60 days	0.38%
14	COTEK ELECTRONICS (SUZHOU) CO., LTD.	MAINTEK COMPUTER (SUZHOU) CO., LTD.	3	Sales	422,007	Open Account 60 days	0.03%
14	COTEK ELECTRONICS (SUZHOU) CO., LTD.	MAINTEK COMPUTER (SUZHOU) CO., LTD.	3	Account Receivables	124,635	Open Account 60 days	0.02%
14	COTEK ELECTRONICS (SUZHOU) CO., LTD.	PROTEK (SHANGHAI) LTD.	3	Sales	213,643	Open Account 60 days	0.02%
14	COTEK ELECTRONICS (SUZHOU) CO., LTD.	PROTEK (SHANGHAI) LTD.	3	Account Receivables	169,368	Open Account 60 days	0.02%
15	DIGITEK (CHONGQING) LTD.	PEGATRON CORPORATION	2	Sales	8,231,450	Open Account 60 days	0.59%
15	DIGITEK (CHONGQING) LTD.	PEGATRON CORPORATION	2	Account Receivables	12,594,314	Open Account 60 days	1.84%
17	KAI-CHUAN ELECTRONICS (CHONGQING) CO., LTD.	DIGITEK (CHONGQING) LTD.	3	Sales	533,496	Open Account 60 days	0.04%
17	KAI-CHUAN ELECTRONICS (CHONGQING) CO., LTD.	DIGITEK (CHONGQING) LTD.	3	Account Receivables	133,324	Open Account 60 days	0.02%
18	CASETEK COMPUTER (SUZHOU) CO., LTD.	MAINTEK COMPUTER (SUZHOU) CO., LTD.	3	Sales	3,178,470	Open Account 60 days	0.23%
18	CASETEK COMPUTER (SUZHOU) CO., LTD.	MAINTEK COMPUTER (SUZHOU) CO., LTD.	3	Account Receivables	588,010	Open Account 60 days	0.09%
18	CASETEK COMPUTER (SUZHOU) CO., LTD.	DIGITEK (CHONGQING) LTD.	3	Sales	232,392	Open Account 60 days	0.02%
18	CASETEK COMPUTER (SUZHOU) CO., LTD.	COTEK ELECTRONICS (SUZHOU) CO., LTD.	3	Sales	150,124	Open Account 60 days	0.01%
20	CASETEK COMPUTER (SUZHOU) CO., LTD.	PEGATRON CORPORATION	2	Sales	292,746	Open Account 60 days	0.02%
21	CORE TEK (SHANGHAI) LIMITED	PROTEK (SHANGHAI) LTD.	3	Sales	207,873	Open Account 60 days	0.01%
23	PIOTEK COMPUTER (SUZHOU) CO., LTD.	PIOTEK (H.K.) TRADING LIMITED	3	Sales	158,961	Open Account 60 days	0.01%
23	PIOTEK COMPUTER (SUZHOU) CO., LTD.	MAINTEK COMPUTER (SUZHOU) CO., LTD.	3	Sales	170,362	Open Account 60 days	0.01%
25	KINSUS INTERCONNECT TECHNOLOGY (SUZHOU) CORP	KINSUS INTERCONNECT TECHNOLOGY CORP.	2	Sales	2,643,768	Open Account 30 days	0.19%
25	KINSUS INTERCONNECT TECHNOLOGY (SUZHOU) CORP	KINSUS INTERCONNECT TECHNOLOGY CORP.	2	Account Receivables	240,327	Open Account 30 days	0.04%
26	PEGAVISION CORPORATION	Pegavision Japan Inc.	1	Sales	1,596,570	Open Account 90 days	0.11%
26	PEGAVISION CORPORATION	Pegavision Japan Inc.	1	Account Receivables	354,934	Open Account 90 days	0.05%
26	PEGAVISION CORPORATION	GEMVISION TECHNOLOGY (ZHEJIANG) LIMITED	1	Sales	547,066	Open Account 180 days	0.04%
26	PEGAVISION CORPORATION	GEMVISION TECHNOLOGY (ZHEJIANG) LIMITED	1	Account Receivables	219,266	Open Account 180 days	0.03%
27	MEGA MERIT LIMITED	CASETEK SINGAPORE PTE. LTD.	3	Sales	645,616	Open Account 60~90 days	0.05%
28	CASETEK HOLDINGS LIMITED(CAYMAN)	MEGA MERIT LIMITED	1	Other Receivables	421,834	Mutual Agreement	0.06%
28	CASETEK HOLDINGS LIMITED(CAYMAN)	CASETEK SINGAPORE PTE. LTD.	1	Short-term Receivables	4,758,916	Mutual Agreement	0.70%
29	RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	3	Long-Term Accounts Receivable	5,459,188	Mutual Agreement	0.80%
31	RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	3	Sales	114,423	Open Account 30~60 days	0.01%
31	RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	MEGA MERIT LIMITED	3	Sales	253,810	Open Account 60~90 days	0.02%
31	RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	RI PRO PRECISION MODEL (SHANGHAI) CO., LTD.	3	Long-Term Accounts Receivable	131,027	Mutual Agreement	0.02%
32	SHENG-RUI ELECTRONIC TECHNOLOGY (SHANGHAI) LIMITED	RI-MING (SHANGHAI) CO., LTD.	3	Sales	715,976	Open Account 30~60 days	0.05%

Notes to the Consolidated Financial Statements

No. (Note 1)	Company name	Counterparty	Transaction				
			Relationship (Note 2)	General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
32	SHENG-RUI ELECTRONIC TECHNOLOGY (SHANGHAI) LIMITED	RI-MING (SHANGHAI) CO., LTD.	3	Account Receivables	149,322	Open Account 30~60 days	0.02%
32	SHENG-RUI ELECTRONIC TECHNOLOGY (SHANGHAI) LIMITED	RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	3	Sales	1,330,884	Open Account 30~60 days	0.10%
32	SHENG-RUI ELECTRONIC TECHNOLOGY (SHANGHAI) LIMITED	RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	3	Account Receivables	584,805	Open Account 30~60 days	0.09%
32	SHENG-RUI ELECTRONIC TECHNOLOGY (SHANGHAI) LIMITED	RI KAI COMPUTER ACCESSORY CO., LTD.	3	Sales	109,834	Open Account 30~60 days	0.01%
33	RI-MING (SHANGHAI) CO., LTD.	RIH KUAN METAL CORPORATION	3	Sales	3,261,276	Open Account 90~120 days	0.23%
33	RI-MING (SHANGHAI) CO., LTD.	RIH KUAN METAL CORPORATION	3	Account Receivables	1,138,464	Open Account 90~120 days	0.17%
33	RI-MING (SHANGHAI) CO., LTD.	MEGA MERIT LIMITED	3	Sales	3,337,262	Open Account 90~120 days	0.24%
35	RI-MING (SHANGHAI) CO., LTD.	CASETEK SINGAPORE PTE. LTD.	3	Sales	4,856,572	Open Account 90~120 days	0.35%
35	RI-MING (SHANGHAI) CO., LTD.	CASETEK SINGAPORE PTE. LTD.	3	Account Receivables	1,604,125	Open Account 90~120 days	0.23%
35	RI-MING (SHANGHAI) CO., LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	3	Long-term Receivables	305,710	Mutual Agreement	0.04%
35	RI-MING (SHANGHAI) CO., LTD.	RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	3	Sales	218,749	Open Account 30~60 days	0.02%
35	RI-MING (SHANGHAI) CO., LTD.	RI KAI COMPUTER ACCESSORY CO., LTD.	3	Sales	290,974	Open Account 30~60 days	0.02%
36	RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	MEGA MERIT LIMITED	3	Sales	4,313,475	Open Account 60~90 days	0.31%
38	RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	CASETEK SINGAPORE PTE. LTD.	3	Sales	5,115,683	Open Account 60~90 days	0.37%
38	RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	CASETEK SINGAPORE PTE. LTD.	3	Account Receivables	1,654,279	Open Account 60~90 days	0.24%
38	RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	3	Long-term Receivables	2,620,396	Mutual Agreement	0.38%
38	RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	SHENG-RUI ELECTRONIC TECHNOLOGY (SHANGHAI) LIMITED	3	Short-term Receivables	262,054	Mutual Agreement	0.04%
38	RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	RI-MING (SHANGHAI) CO., LTD.	3	Sales	1,221,020	Open Account 30~60 days	0.09%
38	RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	RI-MING (SHANGHAI) CO., LTD.	3	Account Receivables	134,959	Open Account 30~60 days	0.02%
40	RIH LI International Limited	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	1	Long-term Receivables	9,973,775	Mutual Agreement	1.46%
40	RIH LI International Limited	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	1	Long-term Receivables	245,526	Mutual Agreement	0.04%
41	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	PROTEK (SHANGHAI) LTD.	3	Account Receivables	141,371	Open Account 60 days	0.02%
41	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	PROTEK (SHANGHAI) LTD.	3	Sales	607,830	Open Account 60 days	0.04%
41	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	PEGAGLOBE (KUNSHAN) CO., LTD.	3	Account Receivables	197,823	Open Account 60 days	0.03%
41	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	PEGAGLOBE (KUNSHAN) CO., LTD.	3	Sales	595,423	Open Account 60 days	0.04%
41	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	3	Sales	454,466	Open Account 30~60 days	0.03%
43	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	MEGA MERIT LIMITED	3	Sales	2,403,071	Open Account 60~90 days	0.17%
43	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	MEGA MERIT LIMITED	3	Account Receivables	609,483	Open Account 60~90 days	0.09%
43	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	RIH KUAN METAL CORPORATION	3	Sales	1,501,334	Open Account 60~90 days	0.11%
43	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	RIH KUAN METAL CORPORATION	3	Account Receivables	795,024	Open Account 60~90 days	0.12%
43	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	CASETEK SINGAPORE PTE. LTD.	3	Sales	3,887,644	Open Account 30~90 days	0.28%
43	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	CASETEK SINGAPORE PTE. LTD.	3	Account Receivables	3,222,242	Open Account 30~90 days	0.47%
45	RI KAI COMPUTER ACCESSORY CO., LTD.	MEGA MERIT LIMITED	3	Sales	2,697,243	Open Account 60~90 days	0.19%
47	RI KAI COMPUTER ACCESSORY CO., LTD.	CASETEK SINGAPORE PTE. LTD.	3	Sales	4,098,605	Open Account 60~90 days	0.29%
47	RI KAI COMPUTER ACCESSORY CO., LTD.	CASETEK SINGAPORE PTE. LTD.	3	Account Receivables	1,405,989	Open Account 60~90 days	0.21%
47	RI KAI COMPUTER ACCESSORY CO., LTD.	RIH KUAN METAL CORPORATION	3	Sales	4,501,900	Open Account 60~90 days	0.32%
47	RI KAI COMPUTER ACCESSORY CO., LTD.	RIH KUAN METAL CORPORATION	3	Account Receivables	1,624,471	Open Account 60~90 days	0.24%
47	RI KAI COMPUTER ACCESSORY CO., LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	3	Short-Term Accounts Receivable	1,746,949	Mutual Agreement	0.26%
48	KAI HE COMPUTER ACCESSORY (SUZHOU) CO., LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	3	Long-term Receivables	349,396	Mutual Agreement	0.05%
49	FUYANG TECHNOLOGY CORPORATION	PEGATRON CORPORATION	2	Sales	141,775	Open Account 60 days	0.01%
49	FUYANG TECHNOLOGY CORPORATION	FUYANG ELECTRONICS (SUZHOU) CO., LTD.	1	Account Receivables	281,641	Open Account 60 days	0.04%
51	FUYANG ELECTRONICS (SUZHOU) CO., LTD.	FUYANG TECHNOLOGY CORPORATION	2	Sales	391,339	Open Account 60 days	0.03%
53	ASROCK INCORPORATION	ASROCK AMERICA, INC.	1	Sales	4,066,728	Open Account 90 days	0.29%
53	ASROCK INCORPORATION	ASROCK AMERICA, INC.	1	Account Receivables	1,442,790	Open Account 90 days	0.21%
53	ASROCK INCORPORATION	ASROCK EUROPE B.V.	1	Sales	3,388,098	Open Account 45 days	0.24%
53	ASROCK INCORPORATION	ASROCK EUROPE B.V.	1	Account Receivables	146,728	Open Account 45 days	0.02%
54	ASIAROCK TECHNOLOGY LIMITED	ASROCK INCORPORATION	2	Sales	10,937,317	Open Account 60 days	0.78%
54	ASIAROCK TECHNOLOGY LIMITED	ASROCK INCORPORATION	2	Account Receivables	2,365,594	Open Account 60 days	0.35%
54	ASIAROCK TECHNOLOGY LIMITED	ASRock Rack Incorporation	3	Sales	358,050	Open Account 60 days	0.03%
54	ASIAROCK TECHNOLOGY LIMITED	ASRock Industrial Computer Corporation	3	Sales	3,300,364	Open Account 90 days	0.24%
54	ASIAROCK TECHNOLOGY LIMITED	ASRock Industrial Computer Corporation	3	Account Receivables	530,362	Open Account 90 days	0.08%
55	ASRock Industrial Computer Corporation	ASROCK AMERICA, INC.	3	Sales	100,963	Open Account 90 days	0.01%
55	ASRock Industrial Computer Corporation	ASIAROCK TECHNOLOGY LIMITED	3	Sales	121,530	Open Account 60 days	0.01%
56	ASRock Rack Incorporation	ASROCK EUROPE B.V.	3	Sales	108,254	Open Account 60 days	0.01%
57	AZURE WAVE TECHNOLOGIES, INC.	PEGATRON CORPORATION	2	Sales	184,705	Open Account 60 days	0.01%
58	ASUSPOWER CORPORATION	PEGATRON CORPORATION	2	Other Receivables	5,414,335	Mutual Agreement	0.79%
59	CASETEK HOLDINGS LIMITED	PEGATRON CORPORATION	2	Other Receivables	270,717	Mutual Agreement	0.04%
60	KAEDAR TRADING LTD.	PEGATRON VIETNAM COMPANY LIMITED	3	Other Receivables	512,937	Mutual Agreement	0.07%
63	AZURE WAVE TECHNOLOGIES (SHANGHAI) INC.	AZURE WAVE TECHNOLOGIES, INC.	2	Sales	1,338,613	Open Account 30~60 days	0.10%

Notes to the Consolidated Financial Statements

No. (Note 1)	Company name	Counterparty	Transaction				
			Relationship (Note 2)	General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
63	AZURE WAVE TECHNOLOGIES (SHANGHAI) INC.	AZURE WAVE TECHNOLOGIES, INC.	2	Account Receivables	271,623	Open Account 30~60 days	0.04%
64	Lumens Digital Optics Inc. (Lumens Optics)	Lumens Integration Inc.	1	Sales	363,014	Open Account 60~90 days	0.03%
66	KAEDAR ELECTRONICS (KUNSHAN) CO., LTD.	CASETEK COMPUTER (SUZHOU) CO., LTD.	3	Sales	270,017	Open Account 60 days	0.02%
68	KAEDAR ELECTRONICS (KUNSHAN) CO., LTD.	PROTEK (SHANGHAI) LTD.	3	Sales	152,732	Open Account 60 days	0.01%

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

- (1) Number 0 represents the Company.
- (2) The consolidated subsidiaries are numbered in order from number 1.

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

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

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

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

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

Attachment II

(English Translation of Financial Report Originally Issued in Chinese)

PEGATRON CORPORATION

NON-CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(With Independent Accountants' Audit Report Thereon)

Independent Auditors' Report

To the Board of Directors of Pegatron Corporation:

Opinion

We have audited the non-consolidated financial statements of Pegatron Corporation (“the Company”), which comprise the non-consolidated statement of financial position as of December 31, 2020 and 2019, and the non-consolidated statement of comprehensive income, non-consolidated statement of changes in equity and non-consolidated statement of cash flows for the years then ended, and notes to the non-consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to Other Matter paragraph), the accompanying financial statements present fairly, in all material respects, the non-consolidated financial position of the Company as at December 31, 2020 and 2019, 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 audit in accordance with the “Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants” and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Non-Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in the Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Based on our professional judgment, key audit matters pertain to the most important matters in the audit of non-consolidated financial statements for the year ended December 31, 2020 of Pegatron Corporation. Those matters have been addressed in our audit opinion on the said non-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(m) of the notes to non-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 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 non-consolidated financial reports for the years ended December 31, 2020 and 2019 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(f) of the notes to non-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 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 between 2020 and 2019 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 Company is reasonable.

Other Matter

We did not audit the financial statements of certain equity-accounted investees. 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 certain equity-accounted investees, are based solely on the reports of the other auditors. The amount of long-term investments in these investee companies represented 2.24% and 1.90% of the related total assets as of December 31, 2020 and 2019, respectively, and the related investment gain represented 5.49% and (2.25)% of profit before tax for the years ended December 31, 2020 and 2019, respectively.

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

Management is responsible for the preparation and fair presentation of the non-consolidated 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 non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated 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 Non-Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error, design and performed audit procedures responsive to those risks, and obtained 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 determine that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the non-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 Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the non-consolidated 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 appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on Pegatron Corporation. 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.

For those matters that we have communicated with those charged with governance, we have considered those matters to be key audit matters as they were the most significant to the audit of the financial statements for the year ended December 31, 2020. We have included 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 interests of such communication.

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

KPMG

Taipei, Taiwan (Republic of China)
March 25, 2021

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

Non-Consolidated Balance Sheets

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2020		December 31, 2019	
		Amount	%	Amount	%
Assets					
Current assets:					
1100	Cash and cash equivalents (Note 6(a))	\$ 25,707,844	4	35,040,374	5
1110	Current financial assets at fair value through profit or loss (Note 6(b))	442,890	-	-	-
1170	Notes and accounts receivable, net (Notes 6(d) and 6(u))	184,199,690	28	187,491,683	26
1180	Accounts receivable due from related parties, net (Notes 6(d) and 7)	228,475,966	34	321,644,303	44
1200	Other receivables, net (Notes 6(e) and 7)	530,310	-	240,938	-
1220	Current tax assets	281,294	-	-	-
130X	Inventories (Note 6(f))	35,831,333	5	31,244,098	4
1476	Other current financial assets (Notes 6(k) and 8)	32,988,093	5	828,075	-
1479	Other current assets (Note 6(k))	737,658	-	385,443	-
		<u>509,195,078</u>	<u>76</u>	<u>576,874,914</u>	<u>79</u>
Non-current assets:					
1510	Non-current financial assets at fair value through profit or loss (Note 6(b))	547,615	-	484,756	-
1520	Non-current financial assets at fair value through other comprehensive income (Note 6(c))	497,030	-	551,703	-
1550	Investments accounted for using equity method (Note 6(g))	147,643,776	22	138,654,566	20
1600	Property, plant and equipment (Note 6(h))	10,182,540	2	8,123,507	1
1755	Right-of-use assets (Note 6(i))	166,975	-	138,486	-
1780	Intangible assets (Note 6(j))	92,409	-	143,655	-
1840	Deferred tax assets (Note 6(q))	494,961	-	677,775	-
1980	Other non-current financial assets (Notes 6(k) and 8)	3,147,346	-	27,708	-
1990	Other non-current assets (Note 6(k))	5,253	-	29,975	-
		<u>162,777,905</u>	<u>24</u>	<u>148,832,131</u>	<u>21</u>
Total assets		<u>\$ 671,972,983</u>	<u>100</u>	<u>725,707,045</u>	<u>100</u>

See accompanying notes to financial statements.

PEGATRON CORPORATION

Non-Consolidated Balance Sheets (CONT'D)

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2020		December 31, 2019	
		Amount	%	Amount	%
Liabilities and Equity					
Current liabilities:					
2100	Short-term loans (Note 6(l))	\$ 59,130,238	9	38,674,200	5
2130	Current contract liabilities (Note 6(u))	724,708	-	671,460	-
2150	Notes and accounts payable	215,243,299	32	193,609,774	27
2180	Accounts payable to related parties (Note 7)	164,677,435	25	275,709,758	38
2219	Other payables (Notes 6(p) and 7)	17,439,616	3	15,046,652	2
2230	Current tax liabilities	-	-	1,756,116	-
2281	Current lease liabilities (Note 6(o))	41,509	-	57,034	-
2321	Bonds payable, current portion (Note 6(n))	1,000,000	-	3,000,000	-
2399	Other current liabilities (Notes 6(m) and 7)	23,127,875	3	18,885,318	3
		<u>481,384,680</u>	<u>72</u>	<u>547,410,312</u>	<u>75</u>
Non-Current liabilities:					
2530	Bonds payable (Note 6(n))	24,478,182	4	20,480,339	3
2540	Long-term loans (Note 6(m))	3,146,170	-	-	-
2570	Deferred tax liabilities (Note 6(q))	120,971	-	-	-
2580	Non-current lease liabilities (Note 6(o))	126,533	-	82,012	-
2670	Other non-current liabilities (Notes 6(m), 6(p) and 7)	121,866	-	69,320	-
		<u>27,993,722</u>	<u>4</u>	<u>20,631,671</u>	<u>3</u>
	Total liabilities	<u>509,378,402</u>	<u>76</u>	<u>568,041,983</u>	<u>78</u>
Equity (Notes 6(r) and 6(s)):					
3100	Share capital	26,628,737	4	26,110,919	4
Capital surplus:					
3210	Capital surplus, premium on capital stock	77,471,560	11	76,645,504	10
3280	Capital surplus, others	5,536,787	1	4,406,597	1
		<u>83,008,347</u>	<u>12</u>	<u>81,052,101</u>	<u>11</u>
Retained earnings:					
3310	Legal reserve	13,706,083	2	11,774,310	2
3320	Special reserve	11,286,050	2	7,868,877	1
3350	Unappropriated retained earnings	44,978,224	7	42,156,192	6
		<u>69,970,357</u>	<u>11</u>	<u>61,799,379</u>	<u>9</u>
Other equity interest:					
3410	Exchange differences on translation of foreign financial statements	(15,808,892)	(3)	(10,982,396)	(2)
3420	Unrealized losses on financial assets measured at fair value through other comprehensive income	(57,309)	-	(303,654)	-
3491	Deferred compensation cost arising from issuance of restricted stock	(1,146,659)	-	(8,287)	-
		<u>(17,012,860)</u>	<u>(3)</u>	<u>(11,294,337)</u>	<u>(2)</u>
3500	Treasury stock	-	-	(3,000)	-
	Total equity	<u>162,594,581</u>	<u>24</u>	<u>157,665,062</u>	<u>22</u>
	Total liabilities and equity	<u>\$ 671,972,983</u>	<u>100</u>	<u>725,707,045</u>	<u>100</u>

See accompanying notes to financial statements.

PEGATRON CORPORATION

Non-Consolidated Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

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

		For the years ended December 31			
		2020		2019	
		Amount	%	Amount	%
4110	Operating revenue (Notes 6(u) and 7)	\$ 1,248,193,101	100	1,266,262,359	100
4170	Less: Sales returns and allowances	1,411,596	-	1,429,474	-
	Operating revenue, net	1,246,781,505	100	1,264,832,885	100
5000	Cost of sales (Notes 6(f), 6(o), 6(p), 6(s), 6(v) and 7)	1,228,743,006	99	1,240,714,073	98
5900	Gross profit from operations	18,038,499	1	24,118,812	2
5920	Add: Realized profit on from sales	7,444	-	11,723	-
5950	Gross profit from operations	18,045,943	1	24,130,535	2
6000	Operating expenses (Notes 6(d), 6(o), 6(p), 6(s) and 7):				
6100	Selling expenses	2,186,421	-	2,086,169	-
6200	General and administrative expenses	2,480,951	-	2,126,375	-
6300	Research and development expenses	8,840,869	1	8,202,644	1
6300	Total operating expenses	13,508,241	1	12,415,188	1
	Net operating income	4,537,702	-	11,715,347	1
	Non-operating income and expenses:				
7100	Interest income (Note 6(w))	264,961	-	371,457	-
7010	Other income (Notes 6(w) and 7)	907,516	-	676,319	-
7020	Other gains and losses (Note 6(w))	1,788,188	-	(851,471)	-
7050	Finance costs (Notes 6(d), 6(n), 6(o) and 6(w))	(851,954)	-	(1,733,019)	-
7070	Share of profit of subsidiaries, associates and joint ventures accounted for using equity method, net (Note 6(g))	14,821,890	1	11,333,095	1
7590	Miscellaneous disbursements (Note 7)	(40,490)	-	(8,282)	-
	Total non-operating income and expenses	16,890,111	1	9,788,099	1
	Profit from continuing operations before tax	21,427,813	1	21,503,446	2
7950	Less: Income tax expenses (Note 6(q))	1,220,215	-	2,185,705	-
	Profit	20,207,598	1	19,317,741	2
8300	Other comprehensive income (Note 6(r)):				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8311	Losses on remeasurements of defined benefit plans	(4,218)	-	(4,156)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(54,673)	-	74,555	-
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	140,661	-	1,666	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
		81,770	-	72,065	-
8360	Components of other comprehensive income (loss) 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	(4,826,496)	-	(3,499,840)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	Components of other comprehensive income that will be reclassified to profit or loss	(4,826,496)	-	(3,499,840)	-
8300	Other comprehensive income, net	(4,744,726)	-	(3,427,775)	-
8500	Total comprehensive income for the year	\$ 15,462,872	1	15,889,966	2
	Earnings per share, net of tax (Note 6(t))				
9750	Basic earnings per share	\$ 7.73		7.40	
9850	Diluted earnings per share	\$ 7.64		7.32	

See accompanying notes to financial statements.

Non-Consolidated Statements of Changes in Equity
For the years ended December 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

See accompanying notes to financial statements.

PEGATRON CORPORATION

Non-Consolidated Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	For the years ended December 31	
	2020	2019
Cash flows used in operating activities:		
Profit before tax	\$ 21,427,813	21,503,446
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	874,289	761,683
Amortization expense	99,483	176,795
Expected credit loss (Reversal gain)	10,771	(35,412)
Net (gain) loss on financial assets and liabilities at fair value through profit or loss	(199,105)	27,180
Interest expense	842,869	1,723,283
Interest income	(264,961)	(371,457)
Dividend income	(23,357)	(22,595)
Compensation cost arising from employee stock options	649,807	300,495
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	(14,821,890)	(11,333,095)
Loss (gain) on disposal of property, plan and equipment	6,930	(45)
Realized profit from sales	(7,444)	(11,723)
Amortization of issuance costs on bonds payable	3,843	3,077
Effect of movement in exchange rate	(164,852)	(607,525)
Gain on lease remeasurement	(326)	(38)
Government grants income	(10,104)	-
Increase (decrease) in other current liabilities	11,612	(92,683)
(Decrease) increase in other current assets	(20,093)	24,081
Total adjustments to reconcile profit (loss)	(13,012,528)	(9,457,979)
Changes in operating assets and liabilities:		
Changes in operating assets:		
Increase in financial assets at fair value through profit or loss	(306,644)	(171,616)
Decrease (increase) in notes and accounts receivable	96,449,559	(17,868,970)
Increase in other receivables	(292,401)	(74,537)
(Increase) decrease in inventories	(4,587,235)	18,521,514
Increase in other current assets	(387,261)	(39,504)
Increase in other financial assets	(32,160,018)	(786,405)
Total changes in operating assets	58,716,000	(419,518)
Changes in operating liabilities:		
Increase in contract liabilities	53,248	62,458
(Decrease) increase in accounts and notes payable	(89,398,798)	25,632,905
Increase in other payables	895,480	330,933
Increase in other current liabilities	4,217,713	3,411,824
Increase in other non-current liabilities	7,918	14,001
Total changes in operating liabilities	(84,224,439)	29,452,121
Total changes in operating assets and liabilities	(25,508,439)	29,032,603
Total adjustments	(38,520,967)	19,574,624
Cash (outflow) inflow generated from operations	(17,093,154)	41,078,070
Interest received	267,990	323,119
Dividends received	1,758,490	1,018,137
Interest paid	(849,717)	(1,772,381)
Income taxes paid	(2,751,742)	(743,147)
Net cash flows (used in) from operating activities	(18,668,133)	39,903,798

PEGATRON CORPORATION

Non-Consolidated Statements of Cash Flows (CONT'D)

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	For the year ended December 31	
	2020	2019
Cash flows used in investing activities:		
Acquisition of investments accounted for using equity method	(1,264,565)	(1,357,502)
Proceeds from capital reduction of investments accounted for using equity method	835,722	-
Acquisition of property, plant and equipment	(2,805,164)	(977,181)
Proceeds from disposal of property, plant and equipment	59,497	1,632
Acquisition of intangible assets	(48,121)	(27,087)
Increase in other financial assets	(3,119,638)	(4,986)
Increase in other non-current assets	(5,253)	(29,975)
Net cash flows used in investing activities	(6,347,522)	(2,395,099)
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term loans	20,519,925	(20,262,050)
Proceeds from issuing bonds	4,994,000	8,490,500
Repayments of bonds	(3,000,000)	-
Proceeds from long-term loans	3,200,000	-
Increase in other payables to related parties	1,289,017	-
Repayments of lease liabilities	(92,072)	(79,815)
Cash dividends paid	(11,748,563)	(9,141,580)
Issuance of restricted stock	524,110	-
Redemption of restricted stock	(3,292)	(10,880)
Net cash flows from (used in) financing activities	15,683,125	(21,003,825)
Net (decrease) increase in cash and cash equivalents	(9,332,530)	16,504,874
Cash and cash equivalents, beginning of the year	35,040,374	18,535,500
Cash and cash equivalents, end of the year	\$ 25,707,844	35,040,374

See accompanying notes to financial statements.

PEGATRON CORPORATION

Notes to the Non-Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

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

(1) Company history

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

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

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

The accompanying non-consolidated financial statements were authorized for issue by the Board of Directors on March 25, 2021.

(3) New standards, amendments and interpretations adopted:

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

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2020:

- Amendments to IFRS 3 “Definition of a Business”
- Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”
- Amendments to IAS 1 and IAS 8 “Definition of Material”
- Amendments to IFRS 16 “COVID-19-Related Rent Concessions”

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

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its consolidated financial statements:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “ Insurance Contracts” and amendments to IFRS 17 “ Insurance Contracts”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 16 “Property, Plant and Equipmentt – Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

(4) Summary of significant accounting policies:

The following significant accounting policies have been applied consistently to all periods presented in the non-consolidated financial statements unless otherwise specified.

(a) Statement of compliance

The non-consolidated financial statements are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(b) Basis of preparation

(i) Basis of measurement

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

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

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

(ii) Functional and presentation currency

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

(c) Foreign currency

(i) Foreign currency transaction

Transactions in foreign currencies are translated into the respective functional currencies of Company entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Nonmonetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

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

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

(ii) Foreign operations

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

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

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

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

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

An asset is classified as current when :

- (i) It is expected to be realized the asset, or intended to be sold or consumed, during the normal operating cycle ;
- (ii) It is held primarily for the purpose of trading ;
- (iii) It is expected to be realized within twelve months after the reporting period ; or
- (iv) The asset is cash and cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when :

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

All other liabilities are classified as non-current.

(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are assets that are readily convertible to known amounts of cash, and are subject to an insignificant risk of changes in their fair value.

Time deposits are accounted under cash and cash equivalents if they are accord with the definition aforementioned, and are held for the purpose of meeting short-term cash commitment rather than for investment or other purpose.

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

(f) Financial assets

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

(i) Financial assets

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

1) Financial assets measured at amortized cost

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

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

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

2) Fair value through other comprehensive income (FVOCI)

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

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

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

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

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

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

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

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

3) Fair value through profit or loss (FVTPL)

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

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

4) Business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets ;
- how the performance of the portfolio is evaluated and reported to the Company's management ;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed ;
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

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

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

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

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

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

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

6) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, notes and trade receivables, other receivable and other financial assets).

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

- debt securities that are determined to have low credit risk at the reporting date ; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

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

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Company has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

7) Derecognition of financial assets

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

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

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

3) Treasury shares

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

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

4) Financial liabilities

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

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

5) Derecognition of financial liabilities

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

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

6) Offsetting of financial assets and liabilities

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

7) Financial guarantee contract

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of: (a) the amount of the loss allowance determined in accordance with IFRS 9; and (b) the amount recognized initially less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies set out below.

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

(g) Inventories

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

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

(h) Subsidiaries

The subsidiaries in which the Company holds controlling interest are accounted for under equity method in the non-consolidated financial statements. Under equity method, the net income, other comprehensive income and equity in the non-consolidated financial statement are the same as those attributable to the owners of parent in the consolidated financial statements.

The changes in ownership of the subsidiaries are recognized as equity transaction.

(i) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses. The cost of certain items of property, plant and equipment on January 1, 2012, the Group's date of transition to the Standards, was determined with reference to its fair value at that date.

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

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

(ii) Subsequent cost

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

(iii) Depreciation

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

Land is not depreciated.

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

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

Buildings	8-50 years
Machine	0-7 years
Instrument equipment	0-5 years
Miscellaneous equipment	0-10 years

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

(j) Leases

(i) Identifying a lease

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

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified ; and
- 2) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use ; and
- 3) the customer has the right to direct the use of the asset throughout the period of use only if either :
 - the customer has the right to direct how and for what purpose the asset is used throughout the period of use ; or
 - the relevant decisions about how and for what purpose the asset is used are predetermined and :
 - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions ; or
 - the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

(ii) As a lessee

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

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

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

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

- 1) fixed payments ;
- 2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date ;
- 3) amounts expected to be payable under a residual value guarantee ; and
- 4) payments for purchase or termination options that are reasonably certain to be exercised.

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

- 1) there is a change in future lease payments arising from the change in an index or rate ;
or
- 2) there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee ; or
- 3) there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset ; or
- 4) there is a change of its assessment on whether it will exercise a purchase, extension or termination option ; or
- 5) there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

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

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

- 1) the rent concessions occurring as a direct consequence of the COVID-19 pandemic;
- 2) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- 3) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- 4) there is no substantive change to other terms and conditions of the lease.

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

(iii) As a lessor

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

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

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

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

(k) Intangible assets

(i) Recognition and measurement

Other intangible assets that are acquired by the Company are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

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

(iii) Amortization

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

The estimated useful lives for current and comparative periods are as follows :

Computer software cost 3-5 years

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

(l) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories, contract assets, deferred tax assets and investment properties and biological assets, measured at fair value, less costs) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

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

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

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

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

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

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

(m) Revenue from contracts with customers

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

(i) Sale of good

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

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

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

(ii) Services

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

(iii) Financing components

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

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

(n) Government grants

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

The Company is using market interest rate to calculate the fair value of the loan, and recognizes the difference between the amount received and the fair value as deferred revenues. The deferred revenues will then be amortized as other income on a systematic basis.

(o) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

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

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

(iii) Short-term employee benefits

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

(p) Share-based payment

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

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

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

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

(q) Income Taxes

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

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

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

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

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

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

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

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

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

(r) **Business combination**

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

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

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

All transaction costs relating to business combination are recognized immediately as expenses when incurred, except for the issuance of debt or equity instruments.

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

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

Business combinations under common control are accounted for in the non-consolidated accounts prospectively from the date the Company acquires the ownership interest. Assets and liabilities of the merged entities are recognized at their carrying amount in the non-consolidated financial statements.

(s) Earnings per share

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

(t) Operating segments

Please refer to the consolidated financial report of Pegatron Corporation for the years ended December 31, 2020 and 2019 for operating segments information.

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

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

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

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the non-consolidated financial statements is as follows:

- Please refer to the consolidated financial statement for the years ended December 31, 2020 and 2019 for judgment regarding control of subsidiaries.

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

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

- Valuation of inventories

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

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash on hand	\$ 150	150
Cash in banks	18,567,834	4,924,444
Time deposits	3,900,000	25,717,580
Cash equivalent-repurchase bonds	<u>3,239,860</u>	<u>4,398,200</u>
	<u>\$ 25,707,844</u>	<u>35,040,374</u>

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

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

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

	December 31, 2020	December 31, 2019
Current mandatorily measured at fair value through profit or loss :		
Non-derivative financial assets		
Shares of stock of listed companies	\$ 442,890	-
Non-current mandatorily measured at fair value through profit or loss :		
Non-derivative financial assets		
Shares of stock of listed companies	218,750	225,050
Beneficiary certificates	<u>328,865</u>	<u>259,706</u>
Total	<u>\$ 990,505</u>	<u>484,756</u>

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

- (i) Please refer to Note 6(w) for re-measurement at fair value recognized in profit or loss.
 - (ii) Please refer to Note 6(x) for credit risk and market risk.
 - (iii) The aforesaid financial assets were not pledged as collateral.
- (c) Financial assets at fair value through other comprehensive income

	December 31, 2020	December 31, 2019
Equity instruments at fair value through other comprehensive income :		
Shares of stock of listed companies	\$ 497,030	551,703
Shares of stock of unlisted companies	-	-
Total	\$ <u>497,030</u>	<u>551,703</u>

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

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

For the year ended December 31, 2020 and 2019, the Company has recognized the dividend income of \$9,941 and \$16,568, respectively. Dividends are recognized as other income – non-operating income and expenses. Please refer to Note 6(w).

No strategic investments were disposed for the year ended December 31, 2019, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

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

- (ii) Please refer to Note 6(x) for credit risk and market risk.
 - (iii) The aforesaid financial assets were not pledged as collateral.
- (d) Notes and accounts receivable, net

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

	December 31, 2020	December 31, 2019
Accounts receivables-measured at amortized cost	\$ 184,233,225	181,520,899
Accounts receivables-fair value through other comprehensive income	-	7,495,000
Accounts receivables-related parties	228,475,966	321,644,303
Less : Allowance for impairment	<u>33,535</u>	<u>1,524,216</u>
	\$ <u>412,675,656</u>	<u>509,135,986</u>

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

The Company assesses its portion of accounts receivable held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and therefore, such assets are recognized as accounts receivable at fair value through other comprehensive income.

(ii) Credit loss

The Company applies the simplified approach to provide for the loss allowance used for expected credit losses, which permit the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes and accounts receivable have been grouped based on shared credit risk characteristics and the days past due, as well as forward looking information, including overall economic environment and related industrial information.

The loss allowance provision was determined as follows :

December 31, 2020			
	Gross carrying amount	Expected loss rate	Loss allowance provision
Current	\$ 410,718,671	0%~0.001%	(1,861)
Overdue 0 to 30 days	1,220,574	0%~1%	(8,564)
Overdue 31 to 120 days	730,458	0%~50%	(15,228)
Overdue 121 to 365 days	39,457	0%~100%	(7,882)
Over 365 days past due	31	0%~100%	-
	\$ 412,709,191		(33,535)

December 31, 2019			
	Gross carrying amount	Expected loss rate	Loss allowance provision
Current	\$ 451,799,637	0%~0.001%	(1,885)
Overdue 0 to 30 days	55,293,013	0%~1%	(18,427)
Overdue 31 to 120 days	2,062,988	0%~50%	(900)
Overdue 121 to 365 days	3,111	0%~100%	(1,551)
Over 365 days past due	1,501,453	0%~100%	(1,501,453)
	\$ 510,660,202		(1,524,216)

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

	For the years ended December 31	
	2020	2019
Balance on January 1	\$ 1,524,216	1,559,628
Impairment losses recognized	10,771	-
Amounts written off	(1,501,452)	-
Impairment losses reversed	-	(35,412)
Balance on December 31	\$ 33,535	1,524,216

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

Based on historical default rates, the Company believes that, apart from the above, no impairment allowance is necessary in respect of trade receivables not past due. Also, the payment term of the receivables from related parties depend on the Company's capital movement, and there's no penalty interest due for late payment. The Company's management believes that there's no significant change on the credit quality of the aforesaid receivables which are past due but not impaired, thus they assess the receivables can be recovered. In addition, the Company does not hold any collateral and of other credit enhancement to mitigate the credit risk of the foresaid receivables.

The aforesaid financial assets were not pledged as collateral.

- (iii) Please refer to Note 6(x) for the Company's notes receivable and accounts receivable exposure to credit risk and currency risk.
- (iv) Accounts receivable factoring

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

As of December 31, 2020 and 2019, the relevant information on accounts receivables factored by the Company, but unsettled, were as follows :

December 31, 2020							
Purchaser	Amount Derecognized	Factoring Line (thousands)	Amount Advanced (thousands)		Collateral	Range of Interest Rate	Significant Factoring Terms
			Unpaid	Paid			
ANZ (Note 2)	\$ -	USD 830,000	USD 830,000	USD -	None	0.52%~ 0.58%	The accounts receivable factoring is without recourse but the seller still bears the risks except for eligible obligor's insolvency.

December 31, 2019							
Purchaser	Amount Derecognized	Factoring Line (thousands)	Amount Advanced (thousands)		Collateral	Range of Interest Rate	Significant Factoring Terms
			Unpaid	Paid			
ANZ (Note 1)	\$ 7,495,000	USD 1,200,000	USD 950,000	USD 250,000	None	2.03%~ 2.93%	The accounts receivable factoring is without recourse but the seller still bears the risks except for eligible obligor's insolvency.

Note 1: In October 2017, the Company signed a one year joint accounts receivable factoring agreement with ANZ Bank and six other banks where each bank will factor on pro-rata basis.

Note 2: Mizuho bank had withdrawn from the joint accounts receivable factoring agreement in February 2020, resulting in the factoring line decreased to USD\$830,000.

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

For the years ended December 31, 2020 and 2019, the Company recognized a fee and interest on bank advance payment of \$2,686 and \$68,962, respectively, from the factoring of accounts receivable, which was accounted under finance costs in the statement of comprehensive income.

(e) Other receivables

	December 31, 2020	December 31, 2019
Other receivables	\$ 530,310	240,938
Less : Allowance for impairment	<u>-</u>	<u>-</u>
	<u>\$ 530,310</u>	<u>240,938</u>

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

(f) Inventories

	December 31, 2020	December 31, 2019
Merchandise	\$ 32,957,593	29,596,926
Finished goods	668,258	259,013
Work in process	333,076	319,155
Raw materials	<u>2,521,470</u>	<u>1,687,643</u>
Subtotal	36,480,397	31,862,737
Less: Allowance for inventory market decline and obsolescence	<u>649,064</u>	<u>618,639</u>
Total	<u>\$ 35,831,333</u>	<u>31,244,098</u>

For the years ended December 31, 2020 and 2019, the components of cost of goods sold were as follows :

	For the years ended December 31 2020	2019
Cost of goods sold	\$ 1,228,608,278	1,241,225,348
Provision on (reversal of) inventory market price decline	30,425	(553,645)
Loss on disposal of inventory	104,303	42,370
Unallocated manufacturing overhead	<u>-</u>	<u>-</u>
	<u>\$ 1,228,743,006</u>	<u>1,240,714,073</u>

For the year ended December 31, 2020, the Company recognized an inventory valuation loss because of the decreasing value from the carrying amount to the net realized value, and converted the amount to cost of goods sold. For the years ended December 31, 2019, the Company recognized a gain from the reversal of allowance for inventory valuation loss resulting from destocking. Such gain was deducted from cost of goods sold.

As of December 31, 2020 and 2019, the aforesaid inventories were not pledged as collateral.

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

(g) Investments accounted for using equity method

	December 31, 2020	December 31, 2019
Subsidiary	<u>\$ 147,643,776</u>	<u>138,654,566</u>

(i) Subsidiaries

Please refer to the consolidated financial statement for the years ended December 31, 2020 and 2019.

- (ii) For the years ended December 31, 2020, the Company had participated in the capital increase of PEGATRON TECHNOLOGY HAI PHONG COMPANY LIMITED, PEGATRON VIETNAM COMPANY LIMITED, PEGATRON TECHNOLOGY INDIA PRIVATE LIMITED and PEGASUS ACE LIMITED with the amounts of USD6,000 (approximately NTD178,755), USD30,000 (approximately NTD870,094), INR550,000 (approximately NTD215,713) and USD0.1 (approximately NTD3), respectively. For the years ended December 31, 2019, the Company had participated in the capital increase of PEGATRON SERVICE AUSTRALIA PTY. LTD. and PT. PEGATRON TECHNOLOGY INDONESIA with the amounts of USD3,500 (approximately NTD108,133) and USD39,999 (approximately NTD1,249,369), respectively.
- (iii) For the years ended December 31, 2020 and 2019, the Company received the cash dividends of \$1,735,133 and \$995,542, respectively, as well as the cash capital reductions of \$835,722 and \$0, respectively, from its investee companies accounted for under equity method.
- (iv) As of December 31, 2020 and 2019, the investments in aforesaid equity-accounted investees were not pledged as collateral.

(h) Property, plant and equipment

The movements in the cost, depreciation, and impairment of the property, plant and equipment of the Company for the years ended December 31, 2020 and 2019 were as follows :

	Land	Buildings	Machinery equipment	Instrument equipment	Other facilities	Construction in progress and equipment under test	Total
Cost or deemed cost:							
Balance on January 1, 2020	\$ 4,377,733	3,073,557	329,544	390,357	1,010,117	263,672	9,444,980
Additions	773,089	677,268	195,046	155,714	908,208	146,747	2,856,072
Disposals and obsolescence	-	(14,959)	(88,552)	(97,873)	(283,389)	-	(484,773)
Reclassifications	-	192,598	(6,912)	540	153,112	(292,403)	46,935
Balance on December 31, 2020	<u>\$ 5,150,822</u>	<u>3,928,464</u>	<u>429,126</u>	<u>448,738</u>	<u>1,788,048</u>	<u>118,016</u>	<u>11,863,214</u>
Balance on January 1, 2019	\$ 4,377,733	3,025,754	64,684	282,249	827,797	108,723	8,686,940
Additions	-	40,611	276,243	214,928	551,842	239,444	1,323,068
Disposals and obsolescence	-	(37,878)	(11,383)	(106,820)	(507,601)	-	(663,682)
Reclassifications	-	45,070	-	-	138,079	(84,495)	98,654
Balance on December 31, 2019	<u>\$ 4,377,733</u>	<u>3,073,557</u>	<u>329,544</u>	<u>390,357</u>	<u>1,010,117</u>	<u>263,672</u>	<u>9,444,980</u>

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

	<u>Land</u>	<u>Buildings</u>	<u>Machinery equipment</u>	<u>Instrument equipment</u>	<u>Other facilities</u>	<u>Construction in progress and equipment under test</u>	<u>Total</u>
Depreciation and impairment loss :							
Balance on January 1, 2020	\$ -	869,144	42,693	144,473	265,163	-	1,321,473
Depreciation for the year	-	165,340	75,109	130,914	410,021	-	781,384
Disposals and obsolescence	-	(7,674)	(40,247)	(97,050)	(273,375)	-	(418,346)
Reclassifications	-	(5,057)	(352)	-	1,572	-	(3,837)
Balance on December 31, 2020	<u>\$ -</u>	<u>1,021,753</u>	<u>77,203</u>	<u>178,337</u>	<u>403,381</u>	<u>-</u>	<u>1,680,674</u>
Balance on January 1, 2019	\$ -	809,020	14,305	150,197	328,776	-	1,302,298
Depreciation for the year	-	98,002	39,772	101,095	442,401	-	681,270
Disposals and obsolescence	-	(37,878)	(11,384)	(106,819)	(506,014)	-	(662,095)
Balance on December 31, 2019	<u>\$ -</u>	<u>869,144</u>	<u>42,693</u>	<u>144,473</u>	<u>265,163</u>	<u>-</u>	<u>1,321,473</u>
Carrying amounts :							
Balance on December 31, 2020	<u>\$ 5,150,822</u>	<u>2,906,711</u>	<u>351,923</u>	<u>270,401</u>	<u>1,384,667</u>	<u>118,016</u>	<u>10,182,540</u>
Balance on January 1, 2019	<u>\$ 4,377,733</u>	<u>2,216,734</u>	<u>50,379</u>	<u>132,052</u>	<u>499,021</u>	<u>108,723</u>	<u>7,384,642</u>
Balance on December 31, 2019	<u>\$ 4,377,733</u>	<u>2,204,413</u>	<u>286,851</u>	<u>245,884</u>	<u>744,954</u>	<u>263,672</u>	<u>8,123,507</u>

- (i) Please refer to Note 6(w) for gain or loss on disposal of property, plant and equipment.
- (ii) As of December 31, 2020 and 2019, the property, plant and equipment were not pledged as collateral.
- (i) Right-of-use assets

The movements in the cost and depreciation of the leased land and buildings were as follows :

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Cost:			
Balance on January 1, 2020	\$ 17,692	196,544	214,236
Additions	45,549	158,860	204,409
Reductions	(1,451)	(199,549)	(201,000)
Balance on December 31, 2020	<u>\$ 61,790</u>	<u>155,855</u>	<u>217,645</u>
Balance on January 1, 2019	\$ -	-	-
Effects of retrospective application	6,553	141,476	148,029
Additions	11,139	74,928	86,067
Reductions	-	(19,860)	(19,860)
Balance on December 31, 2019	<u>\$ 17,692</u>	<u>196,544</u>	<u>214,236</u>
Accumulated depreciation:			
Balance on January 1, 2020	\$ 5,582	70,168	75,750
Depreciation for the period	13,664	79,241	92,905
Reductions	(1,451)	(116,534)	(117,985)
Balance on December 31, 2020	<u>\$ 17,795</u>	<u>32,875</u>	<u>50,670</u>

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Balance on January 1, 2019	\$ -	-	-
Effects of retrospective application	-	-	-
Depreciation for the year	5,582	74,831	80,413
Reductions	<u>-</u>	<u>(4,663)</u>	<u>(4,663)</u>
Balance on December 31, 2019	<u>\$ 5,582</u>	<u>70,168</u>	<u>75,750</u>
Carrying amounts:			
Balance on December 31, 2020	<u>\$ 43,995</u>	<u>122,980</u>	<u>166,975</u>
Balance on December 31, 2019	<u>\$ 12,110</u>	<u>126,376</u>	<u>138,486</u>

(j) Intangible assets

The intangible assets of the Company consisted of computer software and golf certificate. The movements in the costs, amortization, and impairment loss of the Company were as follows :

Costs:

Balance on January 1, 2020	\$ 430,789
Additions	48,121
Disposals	(249,066)
Reclassifications	<u>116</u>
Balance on December 31, 2020	<u>\$ 229,960</u>
Balance on January 1, 2019	\$ 548,404
Additions	27,087
Disposals	(145,020)
Reclassifications	<u>318</u>
Balance on December 31, 2019	<u>\$ 430,789</u>

Amortization and Impairment Loss:

Balance on January 1, 2020	\$ 287,134
Amortization for the year	99,483
Disposals	<u>(249,066)</u>
Balance on December 31, 2020	<u>\$ 137,551</u>
Balance on January 1, 2019	\$ 255,359
Amortization for the year	176,795
Disposals	<u>(145,020)</u>
Balance on December 31, 2019	<u>\$ 287,134</u>

Carrying amounts:

Balance on December 31, 2020	<u>\$ 92,409</u>
Balance on January 1, 2019	<u>\$ 293,045</u>
Balance on December 31, 2019	<u>\$ 143,655</u>

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

- (i) The amortization of intangible assets and impairment losses are respectively included in the statement of comprehensive income. Please refer to Note 12 for details.
- (ii) As of December 31, 2020 and 2019, the intangible assets were not pledged as collateral.
- (k) Other financial assets and other assets

Other financial assets and other assets were as follows :

	December 31, 2020	December 31, 2019
Other financial assets-current	\$ 32,988,093	828,075
Other financial assets-noncurrent	3,147,346	27,708
Other current assets	737,658	385,443
Other noncurrent assets	5,253	29,975
	<u>\$ 36,878,350</u>	<u>1,271,201</u>

- (i) Other financial assets are assets that do not qualify as cash equivalents which consisted of time deposits, restricted time deposits, and guarantee deposits. Please refer to Note 8 for details.
- (ii) Other current assets consisted of prepayments, temporary payments, right to returned goods and others.
- (iii) Other noncurrent assets consisted of prepayments for construction.
- (l) Short-term loans

	December 31, 2020	December 31, 2019
Unsecured bank loans	<u>\$ 59,130,238</u>	<u>38,674,200</u>
Interest rate	<u>0.30%~4.25%</u>	<u>0.6%~4.70%</u>

The Company's assets were not pledged as guarantee for the Company's credit loan facility.

- (m) Long-term loans

	December 31, 2020			
	Currency	Interest rate	Expiration	Amount
Unsecured bank loans	NTD	0.35%~0.80%	2025	\$ 3,146,170
Less : Current portion				-
Total				<u>\$ 3,146,170</u>

For the years ended December 31, 2020, the Company obtained a five-year term government low-interest loan of \$3,200,000, at the fair value of \$3,146,170, which was classified as other current liabilities; and the deferred differences between the amounts paid were classified as other non-current liabilities.

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

(n) Bonds payable

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

	December 31, 2020	December 31, 2019
Ordinary corporate bonds issued	\$ 25,500,000	23,500,000
Unamortized discount on bonds payable	(21,818)	(19,661)
Bonds payable, end of the year	25,478,182	23,480,339
Less: current portion	(1,000,000)	(3,000,000)
	<u>\$ 24,478,182</u>	<u>20,480,339</u>
	For the years ended December 31	
	2020	2019
Interest expense	<u>\$ 217,205</u>	<u>190,068</u>

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

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

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

Item	2nd unsecured ordinary bonds issued in 2017
1.Issuing amount	The Bonds are issued at \$8,000,000, which comprise Tranche A, Tranche B and Tranche C. The issuing amounts of Tranche A, Tranche B and Tranche C are \$1,000,000, \$4,500,000 and \$2,500,000, respectively.
2.Par value	Each unit is valued at \$1,000.
3.Offering price	The Bonds are issued by par value at the issuance date.
4.Issuance period	Each of Tranche A, Tranche B and Tranche C has 3-year term, 5-year term and 7-year term, respectively. The issuance period of Tranche A commences from January 10, 2018 and matures on January 10, 2021. The issuance period of Tranche B commences from January 10, 2018 and matures on January 10, 2023. The issuance period of Tranche C commences from January 10, 2018 and matures on January 10, 2025.
5.Coupon rate	Tranche A, B and C bear annual coupon rates of 0.78%, 0.92% and 1.08%, respectively.
6.Repayment	Tranche A, Tranche B and Tranche C are repayable on maturity.
7.Interest payment	Interests are payable annually at coupon rate from the issuance date. The payment of each bond is rounded to the nearest dollar. If the repayment date and interest payment date are bank closing days, principal and interest shall be paid without extra interest on the next business day. If bondholders receive principal and interest past due the repayment date and interest payment date, there will no calculation of extra interest.
8.Guarantee	The Bonds are unsecured ordinary corporate bonds.

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

Item	1st unsecured ordinary bonds issued in 2019
1.Issuing amount	The Bonds are issued at \$8,500,000, which comprise Tranche A, and Tranche B. The issuing amounts of Tranche A and Tranche B are \$6,000,000 and \$2,500,000, respectively.
2.Par value	Each unit is valued at \$1,000.
3.Offering price	The Bonds are issued by par value at the issuance date.
4.Issuance period	Each of Tranche A and Tranche B has 5year term and 7year term, respectively. The issuance period of Tranche A commences from June 13, 2019 and matures on June 13, 2024. The issuance period of Tranche B commences from June 13, 2019 and matures on June 13, 2026.
5.Coupon rate	Tranche A, and B bear annual coupon rates of 0.85% and 0.95%, respectively.
6.Repayment	Tranche A, and Tranche B are repayable on maturity.

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

Item	1st unsecured ordinary bonds issued in 2019
7. Interest payment	Interests are payable annually at coupon rate from the issuance date. The payment of each bond is rounded to the nearest dollar. If the repayment date and interest payment date are bank closing days, principal and interest shall be paid without extra interest on the next business day. If bondholders receive principal and interest past due the repayment date and interest payment date, there will no calculation of extra interest.
8. Guarantee	The Bonds are unsecured ordinary corporate bonds.

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

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

Item	2nd unsecured ordinary bonds issued in 2020
1. Issuing amount	The Bonds are issued at \$3,500,000, which comprise Tranche A, and Tranche B. The issuing amounts of Tranche A, and Tranche B are \$2,200,000 and \$1,300,000, respectively.
2. Par value	Each unit is valued at \$1,000.
3. Offering price	The Bonds are issued by par value at the issuance date.
4. Issuance period	Each of Tranche A and Tranche B has 5-year term and 7-year term, respectively. The issuance period of Tranche A commences from January 8, 2021 and matures on January 8, 2026. The issuance period of Tranche B commences from January 8, 2021 and matures on January 8, 2028.
5. Coupon rate	Tranche A, and B bear annual coupon rates of 0.43% and 0.58%, respectively.

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

Item	2nd unsecured ordinary bonds issued in 2020
6.Repayment	Tranche A, and Tranche B are repayable on maturity.
7.Interest payment	Interests are payable annually at coupon rate from the issuance date. The payment of each bond is rounded to the nearest dollar. If the repayment date and interest payment date are bank closing days, principal and interest shall be paid without extra interest on the next business day. If bondholders receive principal and interest past due the repayment date and interest payment date, there will no calculation of extra interest.
8.Guarantee	The Bonds are unsecured ordinary corporate bonds.

(o) Lease liabilities

The Company's lease liabilities were as follows :

	December 31, 2020	December 31, 2019
Current	\$ <u>41,509</u>	<u>57,034</u>
Non-current	\$ <u>126,533</u>	<u>82,012</u>

For the maturity analysis, please refer to Note 6(x).

The amounts recognized in profit or loss were as follows :

	For the years ended December 31 2020	2019
Interest on lease liabilities	\$ <u>2,490</u>	<u>1,698</u>
Expenses relating to short-term leases	\$ <u>4,917</u>	<u>7,948</u>

The amounts recognized in the statement of cash flows for the Company was as follows :

	For the years ended December 31 2020	2019
Total cash outflow for leases	\$ <u>99,479</u>	<u>89,461</u>

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

The Company leases partial offices and parking lots that are shortterm leases. The Company has chosen to apply the exemption and not to recognize right-of-use assets and lease liabilities for these leases.

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

(p) Employee benefits

(i) Defined benefit plans

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

	December 31, 2020	December 31, 2019
Present value of defined benefit obligations	\$ 46,071	39,144
Fair value of plan assets	(12,742)	(11,760)
Net defined benefit liabilities	<u>\$ 33,329</u>	<u>27,384</u>

The Company's employee benefit liabilities were as follows :

	December 31, 2020	December 31, 2019
Short-term employee benefits	\$ 198,103	160,121
Cash-settled share-based payment liabilities	201,972	94,337
Total employee benefit liabilities	<u>\$ 400,075</u>	<u>254,458</u>

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

1) Composition of plan assets

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

As of December 31, 2020, the Company's contributions to the pension funds which amounted to \$12,742 were deposited with Bank of Taiwan. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

2) Movements in present value of the defined benefit obligations

The movements in the present value of the defined benefit obligations for the years ended December 31, 2020 and 2019 were as follows :

	For the years ended December 31	
	2020	2019
Defined benefit obligation, January 1	\$ 39,144	32,800
Current service costs and interest	2,337	1,860
Re-measurement of the net defined benefit liability		
— Actuarial loss arising from changes in demographic assumptions	2,385	1,391
— Actuarial gain arising from changes in financial assumptions	4,623	4,057
— Experience adjustment	(2,418)	(964)
Defined benefit obligation, December 31	<u><u>\$ 46,071</u></u>	<u><u>39,144</u></u>

3) Movements in the fair value of plan assets

The movements in the fair value of the defined benefit plan assets for the years ended December 31, 2020 and 2019 were as follows :

	For the years ended December 31	
	2020	2019
Fair value of plan assets, January 1	\$ 11,760	10,827
Interests revenue	108	154
Re-measurement of the net defined benefit liability		
— Experience adjustment	372	328
Benefits paid by the plan	502	451
Fair value of plan assets, December 31	<u><u>\$ 12,742</u></u>	<u><u>11,760</u></u>

4) Expenses recognized in profit or loss

The Company's pension expenses recognized in profit or loss for the years ended December 31, 2020 and 2019 were as follows :

	For the years ended December 31	
	2020	2019
Current service cost	\$ 1,977	1,394
Net interest on net defined benefit liability	252	312
	<u><u>\$ 2,229</u></u>	<u><u>1,706</u></u>
Operating expense	<u><u>\$ 2,229</u></u>	<u><u>1,706</u></u>

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

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

The Company's net defined benefit liability recognized in other comprehensive income for the years ended December 31, 2020 and 2019 were as follows :

	For the years ended December 31	
	2020	2019
Cumulative amount, January 1	\$ 8,678	12,834
Recognized during the year	(4,218)	(4,156)
Cumulative amount, December 31	\$ 4,460	8,678

- 6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows :

	December 31, 2020	December 31, 2019
Discount rate	0.43 %	0.92 %
Future salary increase rate	3.00 %	3.00 %

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date is \$502.

The weighted average lifetime of the defined benefit plans is 23 years.

- 7) Sensitivity Analysis

As of December 31, 2020 and 2019, the changes in the principal actuarial assumptions will impact on the present value of defined benefit obligation as follows :

	Impact on the present value of defined benefit obligation	
	Increase by 0.50%	Decrease by 0.50%
December 31, 2020		
Discount rate	(4,877)	5,535
Future salary increase rate	5,361	(4,784)
December 31, 2019		
Discount rate	(4,190)	4,750
Future salary increase rate	4,624	(4,129)

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

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

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

(ii) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligations.

The cost of the pension contributions to the Labor Insurance Bureau for the years ended December 31, 2020 and 2019 amounted to \$327,700 and \$320,783, respectively.

(q) Income Tax

(i) The components of income tax expense for the years ended December 31, 2020 and 2019 were as follows :

	For the years ended December 31	
	2020	2019
Current income tax expense		
Current period incurred	\$ 884,217	2,042,940
Prior years income tax adjustment	(78,596)	7,219
10% surtax on undistributed earnings	110,809	142,117
Deferred tax expense		
The origination and reversal of temporary differences	303,785	(6,571)
Income tax expense	<u>\$ 1,220,215</u>	<u>2,185,705</u>

(ii) The amounts of income tax recognized directly in equity for the years ended December 31, 2020 and 2019 were as follows :

	For the years ended December 31	
	2020	2019
Profit before income tax	\$ 21,427,813	21,503,446
Income tax on pre-tax financial income calculated at the domestic rates applicable to profits in the country concerned	4,285,563	4,300,689
Permanent differences	(700,891)	(17,260)
Changes in unrecognized temporary differences	(2,396,670)	(2,247,060)
Prior years income tax adjustment	(78,596)	7,219
10% surtax on undistributed earnings	110,809	142,117
Income tax expense	<u>\$ 1,220,215</u>	<u>2,185,705</u>

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

(iii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

As of December 31, 2020 and 2019, the temporary differences associated with investments in subsidiaries were not recognized as deferred income tax liabilities as the Company has the ability to control the reversal of these temporary differences which are not expected to reverse in the foreseeable future.

	December 31, 2020	December 31, 2019
The aggregate temporary differences associated with investments in subsidiaries	\$ 67,832,800	55,849,448
Unrecognized deferred tax liabilities	\$ 13,566,560	11,169,890

2) Recognized deferred tax assets and liabilities

The movements in deferred tax assets and liabilities for the years ended December 31, 2020 and 2019 were as follows :

	Gain on foreign investments	Others	Total
Deferred tax liabilities:			
Balance on January 1, 2020	\$ -	-	-
Recognized in loss	120,378	593	120,971
Balance on December 31, 2020	\$ 120,378	593	120,971
Balance on January 1, 2019	\$ -	35,426	35,426
Recognized in (profit)	-	(35,426)	(35,426)
Balance on December 31, 2019	\$ -	-	-
	Gain or loss on valuation of inventory	Others	Total
Deferred tax assets:			
Balance on January 1, 2020	\$ 123,728	554,047	677,775
Recognized in profit (loss)	6,085	(188,899)	(182,814)
Balance on December 31, 2020	\$ 129,813	365,148	494,961
Balance on January 1, 2019	\$ 234,457	472,173	706,630
Recognized in (loss) profit	(110,729)	81,874	(28,855)
Balance on December 31, 2019	\$ 123,728	554,047	677,775

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

(iv) Status of approval of income tax

The Company's income tax returns through 2017 have been assessed and approved by the Tax Authority.

(r) Share capital and other interests

(i) Ordinary shares

Reconciliation of shares outstanding for 2020 and 2019 was as follows :

(In thousands of shares)	Ordinary Shares	
	2020	2019
Beginning balance on January 1	2,611,092	2,612,377
Issuance of restricted shares of stock	52,411	-
Retirement of restricted shares of stock	(629)	(1,285)
Ending balance on December 31	<u>2,662,874</u>	<u>2,611,092</u>

For the year ended December 31, 2020, the Company issued 52,411 thousand restricted shares of stock, at par value of \$10, amounting to \$524,110. The registration procedures had been completed, and all share proceeds from outstanding capital have been collected. For the related information, please refer to Note 6(s).

For the years ended December 31, 2020 and 2019, the Company had retired 629 and 1,285 thousand shares, respectively, of restricted stock to employees. The authorized capital of the Company consisted of both 3,000,000 thousand shares, with par value of \$10 per share, and its outstanding capital were consisted of 2,662,874 and 2,611,092 thousand common shares of stock, as of December 31, 2020 and 2019, respectively. All share proceeds from outstanding capital have been collected.

As of December 31, 2020 and 2019, the restricted Company shares of stock issued to employees have expired, of which 0 and 300 thousand shares, respectively, have not been retired.

(ii) Global depositary receipts

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

The Company may issue new GDRs with no more than 60,819,020 of the Company's common shares and deliver them to ASUSTeK GDR holders pursuant to the "Guidelines for Offering and Issuing by Issuer of Overseas Securities". As of December 31, 2020 and 2019, the Company has listed, in total, 709 and 790 thousand units of GDRs, respectively, on the Euro MTF market of the Luxembourg Stock Exchange. As each unit of these GDRs represents 5 common shares of the Company, the Company has listed Company shares totaling 3,544 and 3,949 thousand shares of stock, respectively. Major terms and conditions for GDRs were as follows :

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

1) Voting Rights

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

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

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

(iii) Capital surplus

The components of the capital surplus were as follows :

	December 31, 2020	December 31, 2019
From issuance of share capital	\$ 66,397,897	65,571,841
From conversion of convertible bonds	11,073,663	11,073,663
From treasury stock transactions	47,865	23,614
Difference between consideration and carrying amount of subsidiaries acquired or disposed	2,432,574	2,432,387
Changes in ownership interest in subsidiaries	1,441,117	1,215,540
Employee stock options	1,304	1,304
Restricted stock to employees	1,204,010	323,835
Other	409,917	409,917
	<u>\$ 83,008,347</u>	<u>81,052,101</u>

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

(iv) Retained earnings

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

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

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

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

1) Legal reserve

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

2) Special reserve

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings Distribution

Earnings distribution for 2019 and 2018 was decided by the resolution adopted, at the general meeting of shareholders held on June 19, 2020 and June 21, 2019, respectively. The relevant dividend distributions to shareholders were as follows :

	For the years ended December 31	
	2019	2018
Common stock dividends per share (dollars)		
— Cash	\$ <u>4.50</u>	<u>3.50</u>

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

(v) Other equity interest (net of tax)

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Deferred compensation arising from issuance of restricted stock	Total
Balance on January 1, 2020	\$ (10,982,396)	(303,654)	(8,287)	(11,294,337)
Exchange differences on subsidiaries accounted for using equity method	(4,826,496)	-	-	(4,826,496)
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	(54,673)	-	(54,673)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	153,680	-	153,680
Unrealized losses on subsidiaries accounted for using equity method from financial assets measured at fair value through other comprehensive income	-	147,338	-	147,338
Deferred compensation cost arising from issuance of restricted stock	-	-	(1,138,372)	(1,138,372)
Balance on December 31, 2020	<u>\$ (15,808,892)</u>	<u>(57,309)</u>	<u>(1,146,659)</u>	<u>(17,012,860)</u>
Balance on January 1, 2019	\$ (7,482,556)	(386,322)	(524,686)	(8,393,564)
Exchange differences on subsidiaries accounted for using equity method	(3,499,840)	-	-	(3,499,840)
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	74,555	-	74,555
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	3,436	-	3,436
Unrealized losses on subsidiaries accounted for using equity method from financial assets measured at fair value through other comprehensive income	-	4,677	-	4,677
Deferred compensation cost arising from issuance of restricted stock	-	-	516,399	516,399
Balance on December 31, 2019	<u>\$ (10,982,396)</u>	<u>(303,654)</u>	<u>(8,287)</u>	<u>(11,294,337)</u>

(s) Share-based payment

Information on share-based payment transactions as of December 31, 2020 and 2019 were as follows:

	Equity-settled share-based payment	
	Restricted stock to employee	
	Issued in 2020	Issued in 2016
Thousand units granted	60,000	40,000
Contractual life	4 years	3 years
Vesting period	Note B	Note A
Actual turnover rate of employees	1.32%	8.65% and 3.10%
Estimated future turnover rate for each or the three years of employees	6.84%, 12.64%, 19.13% and 26.11%	-

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

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

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

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

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

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

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

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

(i) Determining the fair value of equity instruments granted

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

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

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

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

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

(ii) Restricted stock to employee

For the years ended December 31, 2020 and 2019, 329 and 1,088 thousand shares of the restricted shares of stock issued to employees have expired, which were converted to capital surplus of \$3,076 and \$10,880, respectively. As of December 31, 2020 and 2019, the Company has deferred compensation cost arising from issuance of restricted stock of \$1,146,659 and \$8,287, respectively.

For the years ended December 31, 2020 and 2019, the Company reversed and recognized salary cost of \$51,730 and \$6,548 from the distribution of cash dividends to estimated non-vesting restricted shares of stock distributed to employees from prior period earnings. Such salary cost was credited/debited to retained earnings.

(iii) Expenses recognized in profit or loss

The Company incurred expenses of share-based arrangements for the years ended December 31, 2020 and 2019 as follows :

	For the years ended December 31	
	2020	2019
Expenses resulting from the issuance of restricted stock to employees	\$ 649,807	300,495

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

(t) Earnings per share

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

	For the years ended December 31	
	2020	2019
Basic earnings per share		
Profit attributable to ordinary shareholders	\$ 20,207,598	19,317,741
Weighted-average number of ordinary shares	<u>2,614,021</u>	<u>2,611,330</u>
	<u>\$ 7.73</u>	<u>7.40</u>
Diluted earnings per share		
Profit attributable to ordinary shareholders (diluted)	\$ 20,207,598	19,317,741
Weighted-average number of ordinary shares	<u>2,614,021</u>	<u>2,611,330</u>
Effect of potentially dilutive ordinary shares		
Employee stock bonus	<u>31,279</u>	<u>27,226</u>
Weighted-average number of ordinary shares (diluted)	<u>2,645,300</u>	<u>2,638,556</u>
	<u>\$ 7.64</u>	<u>7.32</u>

(u) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the years ended December 31	
	2020	2019
Primary geographical markets		
Europe	\$ 560,649,731	546,492,308
U.S.A.	492,150,035	443,159,372
Taiwan	93,968,296	121,270,205
China	17,868,816	23,045,520
Japan	25,410,773	63,241,132
Other countries	<u>56,733,854</u>	<u>67,624,348</u>
	<u>\$ 1,246,781,505</u>	<u>1,264,832,885</u>

(ii) Contract balances

	December 31, 2020	December 31, 2019	January 1, 2018
Notes receivable	\$ -	-	14
Accounts receivable	184,233,225	189,015,899	178,807,888
Less: Allowance for impairment	<u>(33,535)</u>	<u>1,524,216</u>	<u>(1,559,628)</u>
Total	<u>\$ 184,199,690</u>	<u>187,491,683</u>	<u>177,248,274</u>
Contract liabilities	<u>\$ 724,708</u>	<u>671,460</u>	<u>609,002</u>

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

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

The amount of revenue recognized for the year ended December 31, 2020 and 2019 that was included in the contract liability balance at the beginning of the period was \$205,752 and \$295,806, respectively.

The major change in the balance of contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received. There were no other significant changes for the year ended December 31, 2020 and 2019.

(v) Remuneration of employees and directors

Based on the amended Company's Articles of Incorporation, remuneration of employees and directors are appropriated at the rate of at least 7% and no more than 0.7% of profit before tax, respectively. Prior years' accumulated deficit is first offset before any appropriation of profit. Employees of subsidiaries may also be entitled to the employee remuneration of the Company, which can be settled in the form of cash or stock.

For the years ended December 31, 2020 and 2019, remuneration of employees of \$1,633,000 and \$1,639,000, respectively, and remuneration of directors of \$162,000 and \$163,000, respectively, were estimated on the basis of the Company's net profit before tax, excluding the remuneration of employees and directors of each period, multiplied by the percentage of remuneration of employees and directors as specified in the Company's Articles of Incorporation. Such amounts were recognized as operating cost or operating expense for the years ended December 31, 2020 and 2019. Management is expecting that the differences, if any, between the actual distributed amounts and estimated amounts will be treated as changes in accounting estimates and charged to profit or loss. The number of shares to be distributed were calculated based on the closing price of the Company's ordinary shares, one day prior to Board of Directors meeting. There was no difference between the amounts approved in Board of Directors meeting and recognized for the years ended December 31, 2020 and 2019. For further information, please refer to Market Observation Post System.

(w) Non-operating income and expenses

(i) Interest income

The components of interest income were as follows:

	For the years ended December 31	
	2020	2019
Savings interest	<u><u>\$ 264,961</u></u>	<u><u>371,457</u></u>

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

(ii) Other income

The components of other income were as follows:

	For the years ended December 31	
	2020	2019
Rental income	\$ 131,461	124,604
Technical service income	501,406	390,185
Government grant income	10,104	-
Dividend income	23,357	22,595
Other income	241,188	138,935
	\$ 907,516	676,319

(iii) Other gains and losses

The components of other gain and losses were as follows:

	For the years ended December 31	
	2020	2019
Expected credit reversal gain	\$ -	35,412
Gains on disposal of property, plant and equipment	355	45
Foreign exchange gains (losses)	1,588,402	(859,786)
Gain on lease modifications	326	38
Net profits (losses) on evaluation of financial assets measured at fair value through profit or loss	199,105	(27,180)
	\$ 1,788,188	(851,471)

(iv) Finance costs

The components of finance costs were as follows:

	For the years ended December 31	
	2020	2019
Interest expenses	\$ 842,869	1,723,283
Finance expense—bank fees and factoring fees, etc	9,085	9,736
	\$ 851,954	1,733,019

(x) Financial instruments

(i) Credit risk

1) Exposure to credit risk

The carrying amount of financial assets represents the Company's maximum credit exposure.

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

2) Credit risk concentrations

As of December 31, 2020 and 2019, the accounts receivable from the Company's top three customers were amounted to \$286,388,390 and \$393,102,840, representing 69% and 77% of accounts receivable, respectively, which exposes the Company to credit risk.

3) Accounts receivable of credit risk

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

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

All of these financial assets are considered to be low risk, and thus the impairment provision recognized during the period was limited to 12 months expected losses. (Please refer to Note 4(f) for the Company determines whether credit risk is to be low risk).

(ii) Liquidity risk

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>More than 2 years</u>
December 31, 2020					
Non-derivative financial liabilities					
Unsecured bank loans	\$ 62,330,238	62,330,238	59,130,238	-	3,200,000
Unsecured ordinary corporate bonds	25,500,000	25,500,000	1,000,000	2,000,000	22,500,000
Non-interest bearing liabilities	397,408,477	397,408,477	397,360,350	48,127	-
Lease liabilities	168,042	168,042	41,509	35,929	90,604
	<u>\$ 485,406,757</u>	<u>485,406,757</u>	<u>457,532,097</u>	<u>2,084,056</u>	<u>25,790,604</u>
December 31, 2019					
Non-derivative financial liabilities					
Unsecured bank loans	\$ 38,674,200	38,674,200	38,674,200	-	-
Unsecured ordinary corporate bonds	23,500,000	23,500,000	3,000,000	1,000,000	19,500,000
Non-interest bearing liabilities	484,408,121	484,408,121	484,366,184	41,937	-
Lease liabilities	139,046	139,046	57,034	40,315	41,697
	<u>\$ 546,721,367</u>	<u>546,721,367</u>	<u>526,097,418</u>	<u>1,082,252</u>	<u>19,541,697</u>

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

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

(iii) Currency risk

1) Currency risk exposure

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

(Unit: Foreign currency / NTD in Thousands)

	December 31, 2020			December 31, 2019		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 15,151,606	28.4965	431,767,740	17,754,578	29.980	532,282,248
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	15,666,576	28.4965	446,442,583	17,153,161	29.980	514,251,767

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, loans, accounts payable and other payables that are denominated in foreign currency. A 1% of appreciation or depreciation of each major foreign currency against the Company's functional currency as of December 31, 2020 and 2019 would have increased or decreased the before-tax net income by \$146,748 and \$180,305, respectively. The analysis is performed on the same basis for both periods.

3) Foreign exchange gains or losses on monetary item

As the Company deals in diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the years ended December 31, 2020 and 2019, the foreign exchange losses, including both realized and unrealized, amounted to \$1,588,402 and \$859,786, respectively.

(iv) Interest rate analysis

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

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

If the interest rate increases / decreases by 1%, the Company's net income will decrease /increase by \$91,189 and \$167,888 for the years ended December 31, 2020 and 2019, respectively, assuming all other variable factors remain constantly. This is mainly due to the Company's variable rate borrowing and cash advances for accounts receivable factoring.

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

(v) Other market price risk

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

	For the years ended December 31			
	2020		2019	
	Comprehensive Income (Loss) (net of tax)	Net Income (Loss) (net of tax)	Comprehensive Income (Loss) (net of tax)	Net Income (Loss) (net of tax)
Increase 3%	\$ <u>14,911</u>	<u>19,849</u>	<u>16,551</u>	<u>6,752</u>
Decrease 3%	\$ <u>(14,911)</u>	<u>(19,849)</u>	<u>(16,551)</u>	<u>(6,752)</u>

(vi) Fair value of financial instruments

1) Categories of financial instruments and fair value hierarchy

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

	December 31, 2020				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Financial assets mandatorily measured at fair value through profit or loss	\$ <u>990,505</u>	<u>661,640</u>	<u>-</u>	<u>328,865</u>	<u>990,505</u>
Financial assets at fair value through other comprehensive income					
Receivables-Financial assets at fair value through other comprehensive income	\$ -	-	-	-	-
Stock of listed companies	<u>497,030</u>	<u>497,030</u>	<u>-</u>	<u>-</u>	<u>497,030</u>
Subtotal	<u>497,030</u>	<u>497,030</u>	<u>-</u>	<u>-</u>	<u>497,030</u>
Financial assets at amortized cost					
Cash and cash equivalents	\$ 25,707,844	-	-	-	-
Notes and accounts receivable	412,675,656	-	-	-	-
Other receivables	530,310	-	-	-	-
Other financial assets	<u>36,135,439</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>475,049,249</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

December 31, 2020					
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial liabilities at amortized cost					
Bank loans	\$ 62,276,408	-	-	-	-
Non-interest bearing liabilities	397,408,477	-	-	-	-
Lease liabilities	168,042	-	-	-	-
Unsecured ordinary corporate bond	<u>25,478,182</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>485,331,109</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
December 31, 2019					
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Financial assets mandatorily measured at fair value through profit or loss	\$ <u>484,756</u>	<u>225,050</u>	<u>-</u>	<u>259,706</u>	<u>484,756</u>
Financial assets at fair value through other comprehensive income					
Accounts receivables-Financial assets at fair value through other comprehensive income	\$ 7,495,000	7,495,000	-	-	7,495,000
Stock of listed companies	<u>551,703</u>	<u>551,703</u>	<u>-</u>	<u>-</u>	<u>551,703</u>
Subtotal	<u>8,046,703</u>	<u>8,046,703</u>	<u>-</u>	<u>-</u>	<u>8,046,703</u>
Financial assets at amortized cost					
Cash and cash equivalents	\$ 35,040,374	-	-	-	-
Notes and accounts receivable	501,640,986	-	-	-	-
Other receivables	240,938	-	-	-	-
Other financial assets	<u>855,783</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>537,778,081</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities at amortized cost					
Bank loans	\$ 38,674,200	-	-	-	-
Non-interest bearing liabilities	484,408,121	-	-	-	-
Lease liabilities	139,046	-	-	-	-
Unsecured ordinary corporate bond	<u>23,480,339</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>546,701,706</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

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

The assumptions and methods used in valuing financial instruments that are not measured at fair value are as follows :

a) Financial assets and liabilities measured at amortized cost

Fair value measurement for financial assets and liabilities is based on the latest quoted price and agreed-upon price if these prices are available in active market. When market value is unavailable, fair value of financial assets and liabilities are evaluated based on the discounted cash flow of the financial assets and liabilities.

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

a) Non-derivative financial instruments

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

If quoted price of a financial instrument can be obtained in time and often from exchanges, brokers, underwriters, industrial union, pricing institute, or authorities and such price can reflect those actual trading and frequently happen in the market, then the financial instrument is considered to have quoted price in active market. If a financial instrument does not accord with the definition aforementioned, then it is considered to be without quoted price in active market. In general, market with low trading volume or high bid-ask spreads is an indication of non-active market.

Measurements of fair value of financial instruments without active market are based on valuation technique or quoted price from competitor. Fair value measured by valuation technique can be extrapolated from similar financial instruments, discounted cash flow method or other valuation technique which include model calculating with observable market data at the balance sheet date.

b) Derivative financial instruments

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

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

4) Transfers between Level 1 and Level 2

There have been no transfers from each level for the years ended December 31, 2020 and 2019.

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

5) Reconciliation of Level 3 fair values

	Non derivative mandatorily measured at fair value through profit or loss
Opening balance, January 1, 2020	\$ 259,706
Total gains and losses recognized:	
In profit or loss	(25,345)
Purchased	94,504
Ending Balance, December 31, 2020	<u>\$ 328,865</u>
Opening balance, January 1, 2019	\$ 123,320
Total gains and losses recognized:	
In profit or loss	(35,230)
Purchased	171,616
Ending Balance, December 31, 2019	<u>\$ 259,706</u>

For the years ended December 31, 2020 and 2019, total gains and losses that were included in “other gains and losses” were as follows:

	For the years ended December 31	
	2020	2019
Total gains and losses recognized:		
In profit or loss, and including “other gains and losses”	\$ <u>(25,345)</u>	<u>(35,230)</u>

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

The Company’s financial instruments that use Level 3 inputs to measure fair value include “financial assets measured at fair value through profit or loss – private fund”.

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

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

Quantified information of significant unobservable inputs was as follows :

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through profit or loss-private fund	Net Asset Value Method	Net Asset Value	Not applicable

(vii) Offsetting of financial assets and financial liabilities

The Company has financial assets and liabilities which are subject to the guidance concerning financial instrument transactions under paragraph 42 of IAS 32 as endorsed by the Financial Supervisory Commission. These financial assets and liabilities are presented on a net basis in balance sheet.

The following table presents the recognized financial instruments that are subject to offsetting agreement or contract and have legally enforceable right to set off :

December 31, 2020						
Financial assets subject to offsetting agreement or contract and have legally enforceable right to set off.						
	Gross Assets	Gross Liabilities Offset	Net amounts presented	Financial Instruments	Cash collected as pledge	Net amounts
	(a)	(b)	(c)=(a)-(b)	(Note)		(e)=(c)-(d)
Accounts Receivable and Payable	\$ 85,181,577	66,048,341	19,133,236	-	-	19,133,236
December 31, 2020						
Financial liabilities subject to offsetting agreement or contract and have legally enforceable right to set off.						
	Gross Liabilities	Gross Assets Offset	Net amounts presented	Financial Instruments	Cash collected as pledge	Net amounts
	(a)	(b)	(c)=(a)-(b)	(Note)		(e)=(c)-(d)
Accounts Receivable and Payable	\$ 66,048,341	66,048,341	-	-	-	-
December 31, 2019						
Financial assets subject to offsetting agreement or contract and have legally enforceable right to set off.						
	Gross Assets	Gross Liabilities Offset	Net amounts presented	Financial Instruments	Cash collected as pledge	Net amounts
	(a)	(b)	(c)=(a)-(b)	(Note)		(e)=(c)-(d)
Accounts Receivable and Payable	\$ 58,655,071	52,072,003	6,583,068	-	-	6,583,068
December 31, 2019						
Financial liabilities subject to offsetting agreement or contract and have legally enforceable right to set off.						
	Gross Liabilities	Gross Assets Offset	Net amounts presented	Financial Instruments	Cash collected as pledge	Net amounts
	(a)	(b)	(c)=(a)-(b)	(Note)		(e)=(c)-(d)
Accounts Receivable and Payable	\$ 52,072,003	52,072,003	-	-	-	-

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

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

(y) Financial risk management

(i) Overview

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

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

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

(ii) Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has deputized managements of core business departments for developing and monitoring the Company's risk management policies. Management reports regularly to the Board of Directors on its activities.

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

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

(iii) Credit risk

Credit risk means the potential loss of the Company if the counterparty involved in that transaction defaults. The primary potential credit risk is from financial instruments like cash, equity securities, and accounts receivable. Also, the Company deposits cash in different financial institutions. The Company manages credit risk exposure related to each financial institution and believes that there is no significant concentration of credit risk on cash and equity securities.

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

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

1) Accounts receivables and other receivables

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

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

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

2) Investment

The credit risk exposure in the bank deposits, fixed income investments and other financial instruments are measured and monitored by the Company's finance department. As the Company deals with the banks and other external parties with good credit standing and financial institutions, corporate organization and government agencies which are graded above investment level, management believes that the Company does not have compliance issues and no significant credit risk.

3) Guarantee

The Company's policies were prepared in accordance with Guidelines for Lending of Capital, Endorsements and Guarantees by Public Companies. As of December 31, 2020, please refer to Note 13(a) and table 2 for the Company's endorsement and guarantees.

(iv) Liquidity risk

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

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

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

(v) Market risk

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

1) Currency risk

The functional currency of the Company is the New Taiwan Dollars (NTD). The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency. The currencies used in these transactions are denominated in NTD, EUR, and USD.

The Company's foreign currency denominated purchases and sales are denominated mainly in US dollars. This exposes the Company to the current and future foreign exchange fluctuation risk that arises from cash flows of foreign currency assets and liabilities. However, the risks may be regarded as insignificant, because foreign currency losses from sales are subsequently offset by the foreign currency gain from purchases. In addition, the Company conducts foreign exchange activities on spot market in order to manage its foreign exchange risks.

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

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

2) Interest rate risk

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

3) Price floating risk on equity instruments

The equity securities held by the Company are classified as financial assets measured at fair value through profit or loss and fair value through other comprehensive income. As these assets are measured at fair value, the Company is exposed to the market price fluctuation risk in the equity securities market.

The Company's investment portfolios of equity instruments are reviewed regularly by management, and significant investment decision is approved by the Board of Directors.

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

(z) Capital management

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

The Company used the debt-to-equity ratio, interest bearing liability-to-equity ratio and other financial ratio to maintain an optimal capital structure and raise returns on equity.

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

	December 31, 2020	December 31, 2019
Total liabilities	\$ 509,378,402	568,041,983
Less: cash and cash equivalents	<u>(25,707,844)</u>	<u>(35,040,374)</u>
Net debt	483,670,558	533,001,609
Total capital	<u>162,594,581</u>	<u>157,665,062</u>
Adjusted capital (Note)	<u>\$ 646,265,139</u>	<u>690,666,671</u>
Debt to equity ratio	<u>74.84%</u>	<u>77.17%</u>

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

Management believes that there were no significant changes in the Company's approach to capital management for the years ended December 31, 2020 and 2019.

(aa) Financing activities not affecting current cash flow

The Company's financing activities which did not affect the current cash flow in the year ended December 31, 2020 and 2019, were as follows :

Reconciliation of liabilities arising from financing activities was as follows :

	January 1, 2020	Cash flows	Non-cash changes Foreign exchange movement	Other	December 31, 2020
Long-term loans	\$ -	3,200,000	-	(53,830)	3,146,170
Short-term loans	38,674,200	20,519,925	(63,887)	-	59,130,238
Bonds payable	23,480,339	1,994,000	-	3,843	25,478,182
Lease liabilities	139,046	(92,072)	-	121,068	168,042
Other payables-related parties	4,497,000	1,289,017	(100,965)	-	5,685,052
Other payables-restricted employee stock	<u>94,337</u>	<u>(3,292)</u>	<u>-</u>	<u>110,927</u>	<u>201,972</u>
Total liabilities from financing activities	<u>\$ 66,884,922</u>	<u>26,907,578</u>	<u>(164,852)</u>	<u>182,008</u>	<u>93,809,656</u>

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

	January 1, 2019	Cash flows	Non-cash changes		December 31, 2019
			Foreign exchange movement	Other	
Short-term loans	\$ 59,433,525	(20,262,050)	(497,275)	-	38,674,200
Bonds payable	14,986,762	8,490,500	-	3,077	23,480,339
Lease liabilities	148,029	(79,815)	-	70,832	139,046
Other payables-related parties	4,607,250	-	(110,250)	-	4,497,000
Other payables-restricted employee stock	187,933	(10,880)	-	(82,716)	94,337
Total liabilities from financing activities	<u>\$ 79,363,499</u>	<u>(11,862,245)</u>	<u>(607,525)</u>	<u>(8,807)</u>	<u>66,884,922</u>

(7) Related-party transactions:

(a) Names and relationship with related parties

The following are entities that have had transactions with related parties and the Company's subsidiaries during the periods covered in the non-consolidated financial statements.

<u>Name of related party</u>	<u>Relationship with the Company</u>	<u>Notes</u>
CASETEK COMPUTER (SUZHOU) CO., LTD.	The Company's subsidiary	
KAEDAR ELECTRONICS (KUNSHAN) CO., LTD.	The Company's subsidiary	
CORE-TEK (SHANGHAI) LIMITED	The Company's subsidiary	
KAI-CHUAN ELECTRONICS (CHONGQING) CO., LTD.	The Company's subsidiary	
AZURE WAVE TECHNOLOGIES, INC.	The Company's subsidiary	
EZWAVE TECHNOLOGIES, INC.	The Company's subsidiary	
AZURE LIGHTING TECHNOLOGIES, INC.	The Company's subsidiary	
AZURE WAVE TECHNOLOGIES (SHANGHAI) INC.	The Company's subsidiary	
AZURE LIGHTING TECHNOLOGIES, INC. (YANGZHOU)	The Company's subsidiary	
AIGALE CORPORATION (SHANGHAI)	The Company's subsidiary	
AMA PRECISION INC.	The Company's subsidiary	
TOPTEK PRECISION INDUSTRY (SUZHOU) CO., LTD.	The Company's subsidiary	Note 1
POWTEK (SHANGHAI) LTD.	The Company's subsidiary	
PIOTEK COMPUTER (SUZHOU) CO., LTD.	The Company's subsidiary	
PEGAGLOBE (KUNSHAN) CO., LTD.	The Company's subsidiary	
DIGITEK (CHONGQING) LTD.	The Company's subsidiary	
CHONGQING ZUANSHUO TRADING CO., LTD.	The Company's subsidiary	
MAINTEK COMPUTER (SUZHOU) CO., LTD.	The Company's subsidiary	
PROTEK (SHANGHAI) LTD.	The Company's subsidiary	
COTEK ELECTRONICS (SUZHOU) CO., LTD.	The Company's subsidiary	
RUNTOP (SHANGHAI) CO., LTD.	The Company's subsidiary	
ASUSPOWER INVESTMENT CO., LTD.	The Company's subsidiary	
ASUS INVESTMENT CO., LTD.	The Company's subsidiary	
ASUSTEK INVESTMENT CO., LTD.	The Company's subsidiary	
ASROCK INCORPORATION	The Company's subsidiary	

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

Name of related party	Relationship with the Company	Notes
ASRock Rack Incorporation	The Company's subsidiary	
ASRock Industrial Computer Corporation	The Company's subsidiary	
Soaring Asia Limited	The Company's subsidiary	
KINSUS INTERCONNECT TECHNOLOGY CORP.	The Company's subsidiary	
KINSUS INVESTMENT CO., LTD.	The Company's subsidiary	
PEGAVISION CORPORATION	The Company's subsidiary	
FUYANG TECHNOLOGY CORPORATION	The Company's subsidiary	
FUYANG ELECTRONICS (SUZHOU) CO., LTD.	The Company's subsidiary	
PEGAVISION (SHANGHAI) LIMITED	The Company's subsidiary	
GEMVISION TECHNOLOGY (ZHEJIANG) LIMITED	The Company's subsidiary	
KINSUS INTERCONNECT TECHNOLOGY (SUZHOU) CORP.	The Company's subsidiary	
KINSUS TRADING (SUZHOU) CORP.	The Company's subsidiary	
STARLINK ELECTRONICS CORPORATION	The Company's subsidiary	
RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	The Company's subsidiary	
RI-PRO PRECISION MODEL (SHANGHAI) CO., LTD.	The Company's subsidiary	
RI-MING (SHANGHAI) CO., LTD.	The Company's subsidiary	
SHENG-RUI ELECTRONIC TECHNOLOGY (SHANGHAI) LIMITED	The Company's subsidiary	
RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	The Company's subsidiary	
RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	The Company's subsidiary	
RI KAI COMPUTER ACCESSORY CO., LTD.	The Company's subsidiary	
RIH KUAN METAL CORPORATION	The Company's subsidiary	
KAI HE COMPUTER ACCESSORY (SUZHOU) CO., LTD.	The Company's subsidiary	
ASFLY TRAVEL SERVICE LIMITED	The Company's subsidiary	
PEGA INTERNATIONAL LIMITED	The Company's subsidiary	
Lumens Digital Optics Inc. (Lumens Optics)	The Company's subsidiary	
Lumens (Suzhou) Digital Image Inc.	The Company's subsidiary	
HUA-YUAN INVESTMENT LIMITED	The Company's subsidiary	
AMA Holdings Limited	The Company's subsidiary	Note 2
APEX SUN LIMITED	The Company's subsidiary	Note 3
APLUS PRECISION LIMITED	The Company's subsidiary	
Aquamax Vision Corporation	The Company's subsidiary	Note 4
ASIAROCK TECHNOLOGY LIMITED	The Company's subsidiary	
ASLINK PRECISION CO., LTD.	The Company's subsidiary	
ASRock America, Inc.	The Company's subsidiary	
ASROCK EUROPE B.V.	The Company's subsidiary	
ASUSPOWER CORPORATION	The Company's subsidiary	
Azurewave Technologies (USA) Inc.	The Company's subsidiary	
Azwave Holding (Samoa) Inc.	The Company's subsidiary	
Calrock Holdings, LLC.	The Company's subsidiary	
CASETEK HOLDINGS LIMITED (CAYMAN)	The Company's subsidiary	

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

Name of related party	Relationship with the Company	Notes
CASETEK HOLDINGS LIMITED	The Company's subsidiary	
COTEK HOLDINGS LIMITED	The Company's subsidiary	
DIGITEK GLOBAL HOLDINGS LIMITED	The Company's subsidiary	
First place International Limited	The Company's subsidiary	
FUYANG FLEX HOLDING LTD.	The Company's subsidiary	
GRAND UPRIGHT TECHNOLOGY LIMITED	The Company's subsidiary	
KAEDAR HOLDINGS LIMITED	The Company's subsidiary	
KAEDAR TRADING LTD.	The Company's subsidiary	
KINSUS CORP. (USA)	The Company's subsidiary	
KINSUS HOLDING (CAYMAN) LIMITED	The Company's subsidiary	
KINSUS HOLDING (SAMOA) LIMITED	The Company's subsidiary	
Leader Insight Holdings Limited	The Company's subsidiary	
Lumens Digit Image Inc.	The Company's subsidiary	
Lumens Integration Inc.	The Company's subsidiary	
MAGNIFICENT BRIGHTNESS LIMITED	The Company's subsidiary	
MEGA MERIT LIMITED	The Company's subsidiary	
PEGATRON Czech s.r.o.	The Company's subsidiary	
PEGATRON HOLDING LTD.	The Company's subsidiary	
PEGATRON HOLLAND HOLDING B.V.	The Company's subsidiary	
PEGATRON JAPAN INC.	The Company's subsidiary	
PEGATRON LOGISTIC SERVICE INC.	The Company's subsidiary	
PEGATRON Mexico, S.A. de C.V.	The Company's subsidiary	
PEGATRON SERVICE AUSTRALIA PTY. LTD.	The Company's subsidiary	
PEGATRON SERVICE KOREA LLC	The Company's subsidiary	
Pegatron Service Singapore Pte. Ltd.	The Company's subsidiary	
PEGASUS ACE LIMITED	The Company's subsidiary	Note 4
PEGATRON SERVICOS DE INFORMATICA LTDA.	The Company's subsidiary	
PEGATRON TECHNOLOGY HAI PHONG COMPANY LIMITED	The Company's subsidiary	Note 5
PEGATRON TECHNOLOGY INDIA PRIVATE LIMITED	The Company's subsidiary	Note 4
PEGATRON TECHNOLOGY SERVICE INC.	The Company's subsidiary	
PEGATRON USA, Inc.	The Company's subsidiary	Note 6
PEGATRON VIETNAM COMPANY LIMITED	The Company's subsidiary	Note 5
PEGAVISION HOLDINGS CORPORATION	The Company's subsidiary	Note 6
PEGAVISION JAPAN Inc.	The Company's subsidiary	
PIOTEK HOLDING LIMITED	The Company's subsidiary	
PIOTEK HOLDINGS LTD. (CAYMAN)	The Company's subsidiary	
PIOTEK(H.K.) TRADING LIMITED	The Company's subsidiary	
POWTEK HOLDINGS LIMITED	The Company's subsidiary	
PROTEK GLOBAL HOLDINGS LTD.	The Company's subsidiary	
PT. PEGATRON TECHNOLOGH INDONESIA	The Company's subsidiary	

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

<u>Name of related party</u>	<u>Relationship with the Company</u>	<u>Notes</u>
RIH LI INTERNATIONAL LIMITED	The Company's subsidiary	
RITENG USA INC	The Company's subsidiary	
SLITEK HOLDINGS LIMITED	The Company's subsidiary	
TOP QUARK LIMITED	The Company's subsidiary	
UNIHAN HOLIDNG LTD.	The Company's subsidiary	
UNITED NEW LIMITED	The Company's subsidiary	

Note 1: It was liquidated in December 2019.

Note 2: It was written off in the 2nd quarter of 2020.

Note 3: It was liquidated in December 2019.

Note 4: It was liquidated in the 3rd quarter of 2020.

Note 5: It was liquidated in the 2nd quarter of 2020.

Note 6: It completed its delisting application in September 2020.

(b) Significant Transactions with related parties

(i) Sale of Goods to Related Parties

The amounts of significant sales transactions and outstanding balances between the Company and related parties were as follows:

	<u>Sales</u>	
	<u>For the years ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Subsidiaries	\$ <u>5,838,303</u>	<u>5,288,801</u>
	<u>Receivables from related parties</u>	
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Subsidiaries, PROTEK (SHANGHAI) LTD.	\$ 93,386,147	232,022,396
Subsidiaries, PEGAGLOBE (KUNSHAN) CO., LTD.	94,709,929	41,110,704
Subsidiaries, Other	<u>40,379,890</u>	<u>48,511,203</u>
	<u>\$ 228,475,966</u>	<u>321,644,303</u>

Prices charged for sales transactions with associates were not significantly different from those of non-related parties. The average sales term for notes and accounts receivables pertaining to such sales transactions ranged from one to three months. Receivables from related parties were not secured with collaterals, and did not require provisions for credit losses based on the result of management's evaluation.

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

(ii) Purchase of Goods from Related Parties

The amounts of significant purchase transactions and outstanding balances between the Company and related parties were as follows:

		Purchases	
		For the years ended December 31	
		2020	2019
Subsidiaries	\$	<u><u>40,957,337</u></u>	<u><u>130,872,357</u></u>
		Payables to Related Parties	
		December 31, 2020	December 31, 2019
Subsidiaries, PROTEK (SHANGHAI) LTD.	\$	35,448,023	185,317,389
Subsidiaries, PEGAGLOBE (KUNSHAN) CO., LTD.		108,888,894	49,959,452
Subsidiaries, Other		20,340,518	40,432,917
	\$	<u><u>164,677,435</u></u>	<u><u>275,709,758</u></u>

There were no significant differences between the terms and pricing of purchase transactions with related enterprises and those carried out with other normal vendors. The average payment period for notes and accounts payable pertaining to such purchase transactions ranged from one to four months, which is similar to that of other normal vendors.

(iii) Warranty repair expense paid to Related Parties

		For the years ended December 31	
		2020	2019
Subsidiaries	\$	<u><u>60,829</u></u>	<u><u>47,215</u></u>

(iv) Other income and losses from Related Parties

		For the years ended December 31	
		2020	2019
Subsidiaries	\$	<u><u>20,804</u></u>	<u><u>26,424</u></u>

(v) Rental revenue

For the years ended December 31, 2020 and 2019, the Company incurred subsidiaries transactions of \$113,783 and \$108,971, respectively, which were accounted for as rental revenue. Lease terms with associates were not significantly different from those of non-related parties.

(vi) Other related party transactions recorded as expenses

For the years ended December 31, 2020 and 2019, the Company incurred subsidiaries transactions recorded as expenses such as rental expense, royalty payment, storage expense, and professional service fee, etc, aggregating to \$189,507 and \$748,767, respectively.

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

(vii) Purchase and sales of real estate property and other assets

For the years ended December 31, 2020 and 2019, molds and equipment purchased from subsidiaries are amounted to \$214,480 and \$411,037, respectively.

(viii) Other related party transactions accounted for as assets and liabilities in the balance sheet

	December 31, 2020	December 31, 2019
Other receivables		
Subsidiaries	\$ <u>14,867</u>	<u>12,441</u>
Other payables		
Subsidiaries	\$ <u>595,579</u>	<u>511,503</u>
Other current liabilities		
Subsidiaries	\$ <u>1,019</u>	<u>3,945</u>
Other non-current liabilities		
Subsidiaries	\$ <u>10,438</u>	<u>10,438</u>

(ix) Borrowings from related parties

	December 31, 2020	December 31, 2019
Subsidiaries	\$ <u>5,685,052</u>	<u>4,497,000</u>
Interest rate	<u>0%</u>	<u>0%~1.9727%</u>
Interest expense	\$ <u>-</u>	<u>47,396</u>

(x) As of December 31, 2020, please refer to Note 13 for endorsements and guarantees for related party.

(c) Key management personnel compensation

	For the years ended December 31 2020	2019
Short-term employee benefits	\$ 226,350	181,316
Post-employment benefits	2,513	2,367
Share-based payments	<u>149,711</u>	<u>49,049</u>
	\$ <u>378,574</u>	<u>232,732</u>

Please refer to Note 6(s) for further explanations related to share-based payment transactions.

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

(8) Pledged assets:

As of December 31, 2020 and 2019, pledged assets were as follows:

<u>Asset</u>	<u>Purpose of pledge</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Other financial asset-restricted deposits	Deposits for customs duties	\$ 108,093	108,075
Other financial asset-refundable deposits	Deposits for performance guarantee	27,346	27,708
		<u>\$ 135,439</u>	<u>135,783</u>

(9) Commitments and contingencies:

(a) Significant commitments and contingencies were as follows :

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
NTD	<u>\$ 16,391</u>	<u>34,263</u>

(b) Significant contingent liability :

- (i) In May 2017, QUALCOMM INCORPORATED filed a lawsuit against the Company for royalty payment under the license agreement in the U.S. District Court for the Southern District of California. In July 2017, the Company counterclaimed and the lawsuit has still been in cognizance. In April 2019, the Company has already compromised and both parties have revoked the lawsuit. It is not expected to have a material effect on the Company's operation.
- (ii) AIG Specialty Insurance Company filed a lawsuit against the Company, demanding for compensation for a batch of defect products that were received from the Company. A lawyer has been appointed to protect the Company's rights and interests. This case is still in progress as of the release date of the consolidated financial statements; therefore, no reasonable estimation can be made concerning this matter.
- (iii) Pursuant to a resolution made in the Casetek Cayman (Casetek)' s Extraordinary General Meeting on September 30, 2020, Casetek will complete a triangular merger with Pegatron Corporation and its 100% owned subsidiary, Pegasus Ace Limited, and Casetek will then go private and be delisting from the Taiwan Stock Exchange (TWSE). The date of merger is set on January 15, 2021. According to the merger agreement, except for any written request made by disagreeing shareholders regarding the consideration and the shares to be bought back, the tender offer the Company to buy non-controlling shareholders out would be \$87.5 (dollars) per share. The amount of \$14,274,713 in total payables was fully paid on January 15, 2021.

(10) Losses Due to Major Disasters: None.

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

(11) Subsequent Events:

On 29 January, 2021, the Company has approved a board resolution to authorize its indirect wholly-owned subsidiary, Ri Kai Computer Accessory Co., Ltd. (Ri Kai) to raise its capital, and to authorize another indirect wholly-owned subsidiary, Rih Li International Ltd. (Rih Li) to waive its pre-emptive right toward the capital increase of Ri Kai. Rih Li' s shareholding ratio in Ri Kai will decrease from 100% to 48.17% and Rih Li will lose control of Ri Kai.

(12) Other:

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

By function	For the years ended December 31					
	2020			2019		
By item	Operating Cost	Operating expense	Total	Operating Cost	Operating expense	Total
Employee benefit						
Salary	\$ 1,776,997	9,118,235	10,895,232	1,376,392	7,854,272	9,230,664
Health and labor insurance	154,898	491,115	646,013	117,348	497,207	614,555
Pension	57,449	272,480	329,929	51,245	271,244	322,489
Remuneration of directors	-	162,000	162,000	-	163,000	163,000
Others	267,764	600,769	868,533	204,196	657,191	861,387
Depreciation	500,399	373,890	874,289	404,510	357,173	761,683
Amortization	56,497	42,986	99,483	113,548	63,247	176,795

For the years ended December 31, 2020 and 2019, the information on the number of employees and employee benefit expense of the Company is as follows :

	2020	2019
Number of employees	<u>7,881</u>	<u>7,365</u>
Number of directors (non-employee)	<u>8</u>	<u>8</u>
Average employee benefit expense	<u>\$ 1,618</u>	<u>1,499</u>
Average employee salary expense	<u>\$ 1,384</u>	<u>1,255</u>
Percentage of average employee salary expense	<u>10.28 %</u>	
Remuneration for supervisors	<u>\$ -</u>	<u>-</u>

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

Compensation policies are as follows:

In accordance with Article 26 of the Company's Articles of Incorporation, the remuneration to directors should not exceed 0.7% of the profit before tax, while taking the operating performance of the Company and the participation of each director into consideration. There will be regular evaluations concerning the reasonability of compensation policies. Furthermore, the remunerations to managers and employees will be appropriated at the rate stated in the Company's Articles of Incorporation, while taking into consideration the operating performance of the Company, economic indicators and industry level.

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Company:

No.	Item	Table
1	Loans to other parties	Table 1
2	Guarantees and endorsements for other parties	Table 2
3	Securities held as of December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures)	Table 3
4	Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock	Table 4
5	Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock	Table 5
6	Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock	None
7	Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock	Table 6
8	Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock	Table 7
9	Trading in derivative instruments	None

(b) Information on investees:

Please refer to Table 8 for the information on investees for the year ended December 31, 2020.

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

(c) Information on investment in mainland China:

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

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
ASUSTEK COMPUTER INCORPORATION		448,506,484	17.18 %

(14) Segment information:

Please refer to the consolidated financial statements for the year ended December 31, 2020.

Notes to the Non-Consolidated Financial Statements

Table 1 : Loans to other parties
December 31, 2020

No. (Note 1)	Creditor	Borrower	General ledger Account (Note 2)	Is a related party	Maximum outstanding balance during the year ended December 31, 2020	Balance at December 31, 2020	Actual amount drawn down	Interest rate	Nature of loan (Note 3)	Amount of transactions with the (Note 4)	Reason for short-term financing (Note 5)	Allowance for doubtful accounts		Collateral		Limit on loans granted to a single party (Note 6)	Expressed in thousands of NTD Ceiling on total loans granted (Note 6)
														Item	Value		
1	MAINTeK COMPUTER (SUZHOU) CO., LTD.	COTEK ELECTRONICS (SUZHOU) CO., LTD.	Other Receivables	Y	1,424,825	1,424,825	1,424,825	2.59%	2	-	Fund accommodation	-	-	-	-	14,159,763	28,319,526
1	MAINTeK COMPUTER (SUZHOU) CO., LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	Other Receivables	Y	2,849,650	2,849,650	2,849,650	0.92%	2	-	Fund accommodation	-	-	-	-	11,327,810	28,319,526
2	ASUSPOWER CORPORATION	PEGATRON CORPORATION	Other Receivables	Y	5,414,335	5,414,335	5,414,335	0.00%	2	-	Fund accommodation	-	-	-	-	7,378,157	14,756,314
2	ASUSPOWER CORPORATION	PEGATRON SERVICE AUSTRALIA PTY. LTD.	Other Receivables	Y	219,637	-	-	0.00%	2	-	Fund accommodation	-	-	-	-	7,378,157	14,756,314
2	ASUSPOWER CORPORATION	ASUS INVESTMENT CO., LTD.	Other Receivables	Y	427,448	-	-	0.00%	2	-	Fund accommodation	-	-	-	-	7,378,157	14,756,314
3	STARLINK ELECTRONICS CORPORATION	ASUSPOWER INVESTMENT CO., LTD.	Other Receivables	Y	150,000	-	-	0.67%	2	-	Fund accommodation	-	-	-	-	190,983	190,983
4	CASETEK HOLDINGS LIMITED	PEGATRON CORPORATION	Other Receivables	Y	270,717	270,717	270,717	0.00%	2	-	Fund accommodation	-	-	-	-	6,244,207	6,244,207
5	KAEDAR TRADING LTD.	PEGATRON CORPORATION	Other Receivables	Y	512,937	-	-	0.00%	2	-	Fund accommodation	-	-	-	-	585,355	585,355
5	KAEDAR TRADING LTD.	PEGATRON VIETNAM COMPANY LIMITED	Other Receivables	Y	512,937	512,937	512,937	1.00%	2	-	Fund accommodation	-	-	-	-	585,355	585,355
6	Unihan Holding Ltd.	PEGATRON CORPORATION	Other Receivables	Y	826,399	-	-	0.00%	2	-	Fund accommodation	-	-	-	-	6,254,103	6,254,103
7	PROTEK (SHANGHAI) LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	Other Receivables	Y	4,274,475	4,274,475	4,274,475	0.92%	2	-	Fund accommodation	-	-	-	-	5,466,839	10,933,677
8	Azwave Holding (Samoa) Inc. (SHANGHAI)	AGALE CORPORATION (SHANGHAI)	Other Receivables	Y	28,497	28,497	-	0.00%	2	-	Cash flow adequacy	-	-	-	-	677,543	677,543
9	CASETEK HOLDINGS LIMITED(CAYMAN)	CASETEK SINGAPORE PTE. LTD.	Short-Term Accounts Receivable	Y	4,986,888	4,986,888	4,758,916	1.00%	2	-	Business operation	-	-	-	-	12,468,482	12,468,482
10	RIHLI International Limited	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	Long-Term Accounts Receivable	Y	9,973,775	9,973,775	9,973,775	1.00%	2	-	Business operation	-	-	-	-	36,792,362	36,792,362
11	RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	Long-Term Accounts Receivable	Y	5,459,188	5,459,188	5,459,188	1.00%	2	-	Business operation	-	-	-	-	8,502,453	8,502,453
11	RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	RI-MING (SHANGHAI) CO., LTD.	Short-Term Accounts Receivable	Y	1,091,838	-	-	1.00%	2	-	Business operation	-	-	-	-	8,502,453	8,502,453
11	RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	RI-PRO PRECISION MODEL (SHANGHAI) CO., LTD.	Long-Term Accounts Receivable	Y	131,021	131,021	131,021	1.00%	2	-	Business operation	-	-	-	-	8,502,453	8,502,453
12	RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	RI-PRO PRECISION MODEL (SHANGHAI) CO., LTD.	Short-Term Accounts Receivable	Y	218,368	-	-	1.00%	2	-	Business operation	-	-	-	-	5,365,642	5,365,642
12	RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	SHENG-RUI ELECTRONIC TECHNOLOGY (SHANGHAI) LIMITED	Short-Term Accounts Receivable	Y	262,041	262,041	262,041	1.00%	2	-	Business operation	-	-	-	-	5,365,642	5,365,642
12	RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	Long-Term Accounts Receivable	Y	3,493,880	2,620,410	2,620,410	1.00%	2	-	Business operation	-	-	-	-	5,365,642	5,365,642
13	KAI HE COMPUTER ACCESSORY (SUZHOU) CO., LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	Long-Term Accounts Receivable	Y	349,388	349,388	349,388	1.00%	2	-	Business operation	-	-	-	-	487,742	487,742
14	RI-MING (SHANGHAI) CO., LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	Long-Term Accounts Receivable	Y	655,103	305,715	305,715	1.00%	2	-	Business operation	-	-	-	-	10,267,030	10,267,030
15	RI KAI COMPUTER ACCESSORY CO., LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	Short-Term Accounts Receivable	Y	1,746,940	1,746,940	1,746,940	1.00%	2	-	Business operation	-	-	-	-	7,274,652	7,274,652

Note 1 : The number column is organized as follows:

(1) Number 0 represents the issuer.

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

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

Note 3 : Reference for the Nature of loan column

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

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

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

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

Note 6 : Calculation for the ceiling on total loans granted.

Notes to the Non-Consolidated Financial Statements

Ceiling on total loans granted

[illegible]

Note 7 : If the amounts were based on foreign currencies, please refer to the spot exchange rate on the financial statement date. (exchange rate on December 31, 2020 was USD/NTD: 28.4965; CNY/NTD: 4.36735; AUD/NTD: 21.96368)

Notes to the Non-Consolidated Financial Statements

Table 2 Guarantees and endorsements for other parties
December 31, 2020

No.	(Note 1)	Endorser/ Guarantor	Party being endorsed / guaranteed	Relationship	Limit on endorsements/ guarantees provided for a single party	Maximum outstanding guarantee amount as of December 31, 2020	Outstanding endorsement/ guarantee amount at December 31, 2020	Actual amount drawn down	Amount of endorsements / guarantees secured with collateral	accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided	Expressed in thousands of NTD	
												Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company
0		PEGATRON CORPORATION	PIOTEK COMPUTER (SUZHOU) CO., LTD.	(6)	(Note 3) 32,518,916	418,899	-	-	-	0.00%	(Note 3) 81,297,290	Y	N
1		KINSUS INTERCONNECT TECHNOLOGY CORP.	PIOTEK COMPUTER (SUZHOU) CO., LTD.	(6)	5,133,930	435,996	-	-	-	0.00%	12,834,826	Y	N
2		AZURE WAVE TECHNOLOGIES, INC.	AZURE LIGHTING TECHNOLOGIES, INC.	(2)	915,991	484,441	341,958	-	-	18.67%	915,991	Y	N

Note 1 : The number column is organized as follow:

(1) Number 0 represents the issuer.

(2) Subsidiaries are numbered in order from number 1.

Note 2 : Relationship with the endorser / guarantor:

(1) Having business relationship.

(2) The endorser / guarantor parent company directly and indirectly holds more than 50% of voting shares of the endorsed / guaranteed subsidiary.

(3) The endorser / guarantor subsidiary which directly and indirectly be held more than 50% voting shares by the endorsed / guaranteed parent company.

(4) The endorser / guarantor company and the endorsed / guaranteed party both be held more than 90% by the parent company.

(5) Company that is mutually protected under contractual requirements based on the needs of the contractor.

(6) Company that is endorsed by its shareholders in accordance with its shareholding ratio because of the joint investment relationship.

(7) Performance guarantees for pre-sale contracts under the Consumer Protection Act.

Note 3 : Ceiling on total endorsements / guarantees

According to PEGATRON CORPORATION's policy of endorsements and guarantees, the total endorsements and guarantees of the Company to others should not exceed 50% of the Company's net assets.

According to KINSUS INTERCONNECT TECHNOLOGY CORP.'s policy of endorsements and guarantees, the total endorsements and guarantees of the Company to others should not exceed 50% of the Company's net assets.

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

Ceiling on endorsements/ guarantees provided for a single party

According to PEGATRON CORPORATION's policy of endorsements and guarantees, the total endorsements and guarantees of the Company to others should not exceed 20% of the Company's net assets.

According to KINSUS INTERCONNECT TECHNOLOGY CORP.'s policy of endorsements and guarantees, the total endorsements and guarantees of the Company to others should not exceed 20% of the Company's net assets.

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

Note 4 : If the amounts were based on foreign currencies, please refer to the spot exchange rate on the financial statement date. (exchange rate on December 31, 2020 is USD/NTD: 28.4965)

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

Notes to the Non-Consolidated Financial Statements

Table 3 Securities held as of December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures)
December 31, 2020

Marketable securities (Note 1)				As of December 31, 2020					Expressed in thousands of NTD	
Securities held by PEGATRON CORPORATION	Category	Item	Relationship (Note 2)	General ledger account	Number of shares 33,135,300	Book value(Note 3) 497,030	Ownership 11.74%	Fair value(Note 3) 497,030	Maximum Ownership 11.74%	Footnote
	Stock	ABILITY ENTERPRISE CO., LTD.	-	financial asset measured at fair value through other comprehensive income-Non current						
"	Stock	Fubon Financial Holding Co., Ltd. Preferred Shares B	-	financial asset measured at fair value through profit or loss-Non current	3,500,000	218,750	0.53%	218,750	0.53%	
"	Fund	China Renewable Energy Fund, LP(CREF)	-	financial asset measured at fair value through profit or loss-Non current	-	328,865	13.46%	328,865	13.46%	
"	Stock	TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY	-	financial asset measured at fair value through profit or loss-Current	430,000	227,900	0.00%	227,900	0.00%	
"	Stock	DELTA ELECTRONICS, INC.	-	financial asset measured at fair value through profit or loss-Current	260,000	68,380	0.01%	68,380	0.01%	
"	Stock	MEDIATEK INC.	-	financial asset measured at fair value through profit or loss-Current	130,000	97,110	0.01%	97,110	0.01%	
"	Stock	Airtac International Group	-	financial asset measured at fair value through profit or loss-Current	55,000	49,500	0.03%	49,500	0.03%	
PROTEK (SHANGHAI) LTD.	Stock	LUXSHARE ICT CO., LTD.	-	financial asset measured at fair value through profit or loss-Current	39,845,105	9,437,126	0.57%	9,437,126	0.57%	
"	Bond	LUXSHARE ICT CO., LTD.(Convertible Bond)	-	financial asset measured at fair value through profit or loss-Current	170,816	93,738	-	93,738	-	
ASUSPOWER INVESTMENT CO., LTD.	Stock	SPORTON INTERNATIONAL INC.	-	financial asset measured at fair value through profit or loss-Current	259,300	69,492	0.28%	69,492	0.28%	
"	Stock	WIN SEMICONDUCTORS CORP.	-	financial asset measured at fair value through profit or loss-Current	390,000	134,940	0.09%	134,940	0.09%	
"	Stock	Topoint Technology Co., Ltd.	-	financial asset measured at fair value through other comprehensive income-Non current	1,111,891	30,744	0.78%	30,744	0.78%	
"	Stock	ABILITY ENTERPRISE CO., LTD.	-	financial asset measured at fair value through other comprehensive income-Non current	6,495	97	0.00%	97	0.00%	
"	Stock	ZOWIE Technology Corporation	-	financial asset measured at fair value through other comprehensive income-Non current	90,973	-	0.46%	-	0.46%	
"	Stock	Syntronix CO., LTD.	-	financial asset measured at fair value through other comprehensive income-Non current	6,778	-	0.02%	-	0.02%	
"	Stock	Valens Semiconductor Ltd.	-	financial asset measured at fair value through profit or loss-Non current	4,667,570	63,669	3.98%	63,669	4.03%	
"	Stock	MedicusTek International Inc.	-	financial asset measured at fair value through profit or loss-Non current	1,136,363	-	1.61%	-	1.65%	
ASUS INVESTMENT CO., LTD.	Stock	SPEED TECH CORPORATION	-	financial asset measured at fair value through profit or loss-Current	8,000,000	749,600	4.72%	749,600	4.72%	
"	Stock	TAIWAN UNION TECHNOLOGY CORPORATION	-	financial asset measured at fair value through profit or loss-Current	277,000	33,517	0.10%	33,517	0.10%	
"	Stock	Lighel Technologies Inc.	-	financial asset measured at fair value through other comprehensive income-Non current	2,000,000	46,224	7.66%	46,224	7.66%	

Notes to the Non-Consolidated Financial Statements

Marketable securities (Note 1)			As of December 31, 2020					Expressed in thousands of NTD	
Securities held by	Category	Item	Relationship (Note 2)	General ledger account	Number of shares	Book value(Note 3)	Ownership	Fair value(Note 3)	Maximum Ownership
ASUS INVESTMENT CO., LTD.	Stock	PT Sat Nusapersada Tbk	-	financial asset measured at fair value through other comprehensive income-Non current	531,434,100	250,065	10.00%	250,065	10.00%
ASUSTEK INVESTMENT CO., LTD.	Stock	ACCTON TECHNOLOGY CORPORATION	-	financial asset measured at fair value through profit or loss-Current	30,000	9,480	0.01%	9,480	0.01%
KINSUS INTERCONNECT TECHNOLOGY CORP.	Fund	Taishin Ta-Chong Money Market Fund	-	financial asset measured at fair value through profit or loss-Current	18,812,748	269,406	-	269,406	-
"	Fund	FSITC Money Market	-	financial asset measured at fair value through profit or loss-Current	1,168,258	210,111	-	210,111	-
"	Fund	Mega Diamond Money Market Fund	-	financial asset measured at fair value through profit or loss-Current	21,355,432	270,144	-	270,144	-
"	Fund	Jih Sun Money Market	-	financial asset measured at fair value through profit or loss-Current	17,776,549	265,760	-	265,760	-
KINSUS INVESTMENT CO., LTD.	Fund	Taishin Ta-Chong Money Market Fund	-	financial asset measured at fair value through profit or loss-Current	829,070	11,873	-	11,873	-
"	Stock	Ethos Original Co., Ltd.	-	financial asset measured at fair value through other comprehensive income-Non current	5,000,000	50,000	7.49%	50,000	7.49%
"	Stock	Li Chang Finery Inc.	-	financial asset measured at fair value through other comprehensive income-Non current	20,408	1,000	1.12%	1,000	1.12%
PEGAVISION CORPORATION	Fund	Yuanta Wan Tai Money Market	-	financial asset measured at fair value through profit or loss-Current	33,387,514	509,333	-	509,333	-
"	Fund	Yuanta De-Li Money Market Fund	-	financial asset measured at fair value through profit or loss-Current	3,493,908	57,436	-	57,436	-
Lumens Digital Optics Inc. (Lumens Optics)	Fund	Fuh Hwa Money Market	-	financial asset measured at fair value through profit or loss-Current	73,096,336	1,063,113	-	1,063,113	-
"	Fund	The RSIT Enhanced Money Market	-	financial asset measured at fair value through profit or loss-Current	9,435,278	113,768	-	113,768	-
HUA-YUAN INVESTMENT LIMITED	Stock	Nuvoton Technology Corporation	-	financial asset measured at fair value through other comprehensive income-Non current	112,231	5,325	0.03%	5,325	0.06%
"	Stock	Chicony Power Technology Co. Ltd.	-	financial asset measured at fair value through profit or loss-Current	611,644	43,182	0.16%	43,182	0.16%
"	Stock	Ethos Original Co., Ltd.	-	financial asset measured at fair value through other comprehensive income-Non current	5,000,000	50,617	7.49%	50,617	7.49%
"	Stock	Fusheng Precision CO., LTD.	-	financial asset measured at fair value through profit or loss-Current	800,000	138,800	0.61%	138,800	0.61%
"	Stock	NEW SMART TECHNOLOGY CO., LTD.	-	financial asset measured at fair value through profit or loss-Current	500,000	7,704	4.05%	7,704	4.05%
"	Stock	KING YUAN ELECTRONICS CO., LTD.	-	financial asset measured at fair value through profit or loss-Current	400,000	13,900	0.03%	13,900	0.03%
RIH KUAN METAL CORPORATION	Stock	Ethos Original Co., Ltd.	-	financial asset measured at fair value through other comprehensive income-Non current	5,000,000	47,526	7.49%	47,526	7.49%
RI KAI COMPUTER ACCESSORY CO., LTD.	Stock	JIANG SU KAI JIE CO., LTD.	-	financial asset measured at fair value through other comprehensive income-Non current	-	23,584	10.00%	23,584	10.00%

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

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

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

Notes to the Non-Consolidated Financial Statements

Table 4: Individual securities acquired or disposed of with accumulated amount exceeding the lower of TWD300 million or 20% of the capital stock December 31, 2020

Marketable securities				Balance as at January 1, 2020			Addition			Disposal			Expressed in thousands of NTD		
Investor	Category	Item	General ledger account	Counterparty	Relationship with the investor	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Book Value	Gain (loss) on disposal	Number of shares	Amount
PEGA VISION CORPORATION	Fund	Yuanta Wan Tai Money Market	Financial asset measured at fair value through profit or loss-Current	-	-	11,778,166	179,017	112,658,656	1,717,000 (Note 4)	91,049,308	1,387,298	1,386,747	551	33,387,514	509,333
CASETEK HOLDINGS LIMITED(CAYMAN)	Stock	RIHLI International Limited	Equity investments under equity method	-	-	735,499,000	33,790,237	80,000,000	2,279,720 (Note 4)	-	-	1,190,310 (Note 2)	-	815,499,000	36,576,223
RIHLI International Limited	Capital	RI KAI COMPUTER ACCESSORY CO., LTD.	Equity investments under equity method	-	-	-	4,223,468	-	565,110 (Note 4)	-	-	-	-	-	7,274,647
AZURE WAVE TECHNOLOGIES, INC.	Stock	Azwave Holding (Samoa) Inc.	Equity investments under equity method	-	-	50,177,000	1,176,074	10,000,000	302,430 (Note 4)	-	-	80,860 (Note 3)	-	60,177,000	1,693,858
PROTEK (SHANGHAI) LTD.	Stock	LUXSHARE ICT CO., LTD.	Financial asset measured at fair value through profit or loss-Current	-	-	22,135,035	3,300,137	17,970,070	2,501,470 (Note 4)	260,000	44,004	15,295	28,709	39,845,105	9,437,126
PEGATRON CORPORATION	Stock	PEGATRON VIETNAM COMPANY LIMITED	Equity investments under equity method	-	-	-	-	-	3,650,814 (Note 5)	-	-	5,817 (Note 2)	-	-	849,297
									870,094 (Note 4)			14,980 (Note 3)			

Note 1 : If the securities is invested in foreign currency, the amount in the table has been transferred to NTD. (The exchange rate as of December 31, 2020: USD/NTD: 28.4065)

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

Note 3 : The amount is exchange gains or losses.

Note 4 : Which is investment added this year.

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

Notes to the Non-Consolidated Financial Statements

Table 5: Acquisition of individual real estate with amount exceeding the lower of TWD300 million or 20% of the capital stock
December 31, 2020

Expressed in thousands of NTD										
Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	If the counter-party is a related party, disclose the previous transfer information				Purpose of acquisition and current condition
						Relationship with the Company	Owner	Relationship with the Company	Date of transfer	
PEGATRON CORPORATION	Land and plants	109/3/27	1,300,000	Payment in full	DIJIA ENERGY SAVING TECHNOLOGY INC.	None	None	None	None	For business use
										On the basis of the contract
DIGITEK (CHONGQING) LTD.	Plants	109/12/11	644,152	Payment in full	Chongqing Bonded Port Development And Management Group Co.,Ltd.	None	None	None	None	For production and business use
										On the basis of the contract
PEGATRON VIETNAM COMPANY LIMITED	Land use rights	109/12/31	652,767	Unpaid	HAI PHONG INDUSTRIAL PARK JOINT STOCK COMPANY (HPPJSC)	None	None	None	None	For business use
										On the basis of the contract

Notes to the Non-Consolidated Financial Statements

Table 6: Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock
December 31, 2020

			Transaction			Differences in transaction terms compared to third party transactions			Notes/accounts receivable (payable)			Expressed in thousands of NTD	
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total	Credit term	Unit price	Credit term	Balance	total notes/accounts receivable (payable)	Footnote		
PEGATRON CORPORATION	ASIA ROCK TECHNOLOGY LIMITED	Note 2	Sale	(413,850)	(0.03%)	(Note 4)	-	-	103,113	0.02%			
PEGATRON CORPORATION	PEGATRON Czech s.r.o.	Note 2	Sale	(1,394,133)	(0.11%)	(Note 4)	-	-	86,279	0.02%			
PEGATRON CORPORATION	AZURE WAVE TECHNOLOGIES, INC.	Note 2	Purchase	184,705	0.02%	Open Account 60 days	-	-	(55,833)	(0.01%)			
PEGATRON CORPORATION	PEGAGLOBE (KUNSHAN) CO., LTD.	Note 2	Purchase	86,145,124	7.02%	(Note 4)	-	-	(108,888,894)	(28.66%)			
PEGATRON CORPORATION	MAINTeK COMPUTER (SUZHOU) CO., LTD.	Note 2	Purchase	4,822,764	0.39%	(Note 4)	-	-	-	-			
PEGATRON CORPORATION	DIGITEK (CHONGQING) LTD.	Note 2	Purchase	8,231,450	0.67%	(Note 4)	-	-	(12,594,314)	(3.31%)			
PEGATRON CORPORATION	PEGATRON TECHNOLOGY SERVICE INC.	Note 2	Sale	(189,429)	(0.02%)	90 days on delivery	-	-	52,725	0.01%			
PEGATRON CORPORATION	CASETEK COMPUTER (SUZHOU) CO., LTD.	Note 2	Purchase	292,746	0.02%	Open Account 60 days	-	-	(65,345)	(0.02%)			
PEGATRON CORPORATION	COTEK ELECTRONICS (SUZHOU) CO., LTD.	Note 2	Purchase	5,488,874	0.45%	(Note 4)	-	-	(2,571,161)	(0.68%)			
PEGATRON CORPORATION	POWTEK (SHANGHAI) LTD.	Note 2	Sale	(3,691,433)	(0.30%)	120 days on delivery	-	-	1,365,137	0.33%			
PEGATRON CORPORATION	PT. PEGATRON TECHNOLOGY INDONESIA	Note 2	Purchase	2,459,408	0.20%	(Note 4)	-	-	(4,992,591)	(2.18%)			
PEGATRON CORPORATION	FUYANG TECHNOLOGY CORPORATION	Note 2	Purchase	141,775	0.01%	Open Account 60 days	-	-	(23,578)	(0.01%)			
PEGATRON TECHNOLOGY SERVICE INC.	PEGATRON CORPORATION	Note 1	Purchase	189,429	40.48%	90 days on delivery	-	-	(32,725)	(58.04%)			
POWTEK (SHANGHAI) LTD.	PEGATRON CORPORATION	Note 1	Purchase	1,394,133	84.20%	120 days on delivery	-	-	(86,279)	(51.76%)			
PROTEK (SHANGHAI) LTD.	PEGAGLOBE (KUNSHAN) CO., LTD.	Note 3	Purchase	3,691,433	99.59%	120 days on delivery	-	-	(1,365,137)	(100.00%)			
PROTEK (SHANGHAI) LTD.	PEGAGLOBE (KUNSHAN) CO., LTD.	Note 3	Sale	(79,673,475)	(15.35%)	Open Account 90 days	-	-	20,929,812	36.83%			
PROTEK (SHANGHAI) LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	Note 3	Purchase	737,027	0.14%	Open Account 60 days	-	-	(202,258)	(0.20%)			
PROTEK (SHANGHAI) LTD.	KAEDAR ELECTRONICS (KUNSHAN) CO., LTD.	Note 3	Purchase	152,732	0.12%	Open Account 60 days	-	-	(141,371)	(0.14%)			
PROTEK (SHANGHAI) LTD.	COTEK ELECTRONICS (SUZHOU) CO., LTD.	Note 3	Purchase	213,643	0.03%	Open Account 60 days	-	-	(54,954)	(0.06%)			
PEGAGLOBE (KUNSHAN) CO., LTD.	PEGATRON CORPORATION	Note 3	Purchase	(86,145,124)	(24.04%)	Open Account 60 days	-	-	(169,368)	(0.17%)			
PEGAGLOBE (KUNSHAN) CO., LTD.	PROTEK (SHANGHAI) LTD.	Note 3	Sale	(737,027)	(0.21%)	Open Account 60 days	-	-	108,888,894	98.38%			
PEGAGLOBE (KUNSHAN) CO., LTD.	PROTEK (SHANGHAI) LTD.	Note 3	Purchase	79,673,475	22.81%	Open Account 90 days	-	-	202,258	0.18%			
PEGAGLOBE (KUNSHAN) CO., LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	Note 3	Purchase	595,423	0.17%	Open Account 60 days	-	-	(20,929,812)	(17.33%)			
MAINTeK COMPUTER (SUZHOU) CO., LTD.	COTEK ELECTRONICS (SUZHOU) CO., LTD.	Note 3	Purchase	422,007	0.15%	Open Account 60 days	-	-	(197,823)	(0.16%)			
MAINTeK COMPUTER (SUZHOU) CO., LTD.	COTEK ELECTRONICS (SUZHOU) CO., LTD.	Note 3	Sale	(2,475,873)	(0.88%)	Open Account 60 days	-	-	(124,635)	(0.18%)			
MAINTeK COMPUTER (SUZHOU) CO., LTD.	CASETEK COMPUTER (SUZHOU) CO., LTD.	Note 3	Purchase	3,178,470	1.13%	Open Account 60 days	-	-	659,502	1.21%			
MAINTeK COMPUTER (SUZHOU) CO., LTD.	PEGATRON CORPORATION	Note 1	Sale	(4,822,764)	(1.71%)	Open Account 60 days	-	-	(588,010)	(0.84%)			
MAINTeK COMPUTER (SUZHOU) CO., LTD.	MAINTeK COMPUTER (SUZHOU) CO., LTD.	Note 3	Purchase	(422,007)	(0.06%)	Open Account 60 days	-	-	-	-			
COTEK ELECTRONICS (SUZHOU) CO., LTD.	MAINTeK COMPUTER (SUZHOU) CO., LTD.	Note 3	Sale	2,475,873	(3.18%)	Open Account 60 days	-	-	(17,810)	(0.03%)			
COTEK ELECTRONICS (SUZHOU) CO., LTD.	CASETEK COMPUTER (SUZHOU) CO., LTD.	Note 3	Purchase	150,124	24.02%	Open Account 60 days	-	-	124,635	4.26%			
COTEK ELECTRONICS (SUZHOU) CO., LTD.	PEGATRON CORPORATION	Note 3	Purchase	(5,488,874)	1.46%	Open Account 60 days	-	-	(65,586)	(20.34%)			
COTEK ELECTRONICS (SUZHOU) CO., LTD.	PROTEK (SHANGHAI) LTD.	Note 3	Sale	(213,643)	(41.40%)	Open Account 60 days	-	-	2,571,161	(0.20%)			
DIGITEK (CHONGQING) LTD.	KAICHUAN ELECTRONICS (CHONGQING) CO., LTD.	Note 3	Purchase	533,496	81.43%	Open Account 60 days	-	-	169,368	87.81%			
DIGITEK (CHONGQING) LTD.	PEGATRON CORPORATION	Note 1	Sale	(8,231,450)	(7.93%)	Open Account 60 days	-	-	(133,324)	(0.85%)			
									12,594,314	99.35%			

Notes to the Non-Consolidated Financial Statements

Expressed in thousands of NTD

Transaction			Differences in transaction terms compared to third party transactions			Notes/accounts receivable (payable)				
Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total	Credit term	Unit price	Credit term	total			
							Balance	notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	CASETEK COMPUTER (SUZHOU) CO., LTD.	Purchase	232,392	0.24%	Open Account 60 days	-	(45,775)		
		MAINTTEK COMPUTER (SUZHOU) CO., LTD.	Sale	(3,178,470)	(73.69%)	Open Account 60 days	-	588,010		
		PEGATRON CORPORATION	Sale	(292,746)	(6.79%)	Open Account 60 days	-	65,345		
		KAEDAR ELECTRONICS (KUNSHAN) CO., LTD.	Purchase	270,017	9.93%	Open Account 60 days	-	(62,275)		
		DIGITEK (CHONGQING) LTD.	Sale	(232,392)	(5.39%)	Open Account 60 days	-	45,775		
		COTEEK ELECTRONICS (SUZHOU) CO., LTD.	Sale	(150,124)	(3.48%)	Open Account 60 days	-	6,586		
		PROTEK (SHANGHAI) LTD.	Sale	(207,873)	(100.00%)	Open Account 60 days	-	23,024		
		CASETEK COMPUTER (SUZHOU) CO., LTD.	Sale	(270,017)	(36.46%)	Open Account 60 days	-	62,275		
		PROTEK (SHANGHAI) LTD.	Sale	(152,732)	(20.62%)	Open Account 60 days	-	54,954		
		DIGITEK (CHONGQING) LTD.	Sale	(533,496)	(75.87%)	Open Account 60 days	-	133,324		
		PEGATRON CORPORATION	Sale	(2,459,408)	(10.17%)	120 days on delivery	-	4,992,291		
		PIOTEK (HK) TRADING LIMITED	Sale	(158,961)	(8.29%)	Open Account 60 days	-	15,246		
		MAINTTEK COMPUTER (SUZHOU) CO., LTD.	Sale	(170,362)	(8.89%)	Open Account 60 days	-	17,810		
		PIOTEK COMPUTER (SUZHOU) CO., LTD.	Purchase	158,961	100.00%	Open Account 60 days	Incomparable due to different product specification	No comparable non-related party	(15,246)	
		KINSUS INTERCONNECT TECHNOLOGY (SUZHOU) CORP	Purchase	2,643,768	25.01%	Open Account 30 days	Incomparable due to different product specification	Open Account 30-90 days	(240,327)	
		KINSUS INTERCONNECT TECHNOLOGY CORP.	Sale	(2,643,768)	(81.82%)	Open Account 30 days	Incomparable due to different product specification	No comparable non-related party	240,327	
Pegavision Japan Inc.	Gervision Technology (Zhejiang) Limited.	Pegavision Japan Inc.	Sale	(1,596,570)	(41.61%)	Open Account 90 days	Telex transfer-Open Account 90 days	354,934		
		Gervision Technology (Zhejiang) Limited.	Sale	(547,066)	(14.26%)	Open Account 180 days	Telex transfer-Open Account 90 days	219,266		
		PEGAVISION CORPORATION	Purchase	1,596,570	100.00%	Open Account 90 days	No other comparable vendors	(354,934)		
		PEGAVISION CORPORATION	Purchase	547,066	100.00%	Open Account 180 days	No other comparable vendors	(219,266)		
		RI-MING (SHANGHAI) CO., LTD	Purchase	3,270,900	25.56%	Open Account 90-120 days	-	-		
		RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	Purchase	4,232,217	33.08%	Open Account 60-90 days	-	-		
		RI KAI COMPUTER ACCESSORY CO., LTD.	Purchase	2,643,496	20.66%	Open Account 60-90 days	-	-		
		RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	Purchase	2,393,342	18.72%	Open Account 60-90 days	-	-		
		RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	Purchase	251,086	1.96%	Open Account 60-90 days	-	(609,483)		
		CASETEK SINGAPORE PTE. LTD.	Sale	(645,616)	(4.90%)	Open Account 60-90 days	-	(4,144%)		
		MEGA MERIT LIMITED	Purchase	645,616	1.23%	Open Account 60-90 days	-	-		
		RI-MING (SHANGHAI) CO., LTD.	Purchase	4,922,253	9.38%	Open Account 90-120 days	-	(1,604,125)		
		RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	Purchase	5,193,120	9.89%	Open Account 60-90 days	-	(1,654,279)		
		KINSUS INTERCONNECT TECHNOLOGY CORP.	KINSUS INTERCONNECT TECHNOLOGY (SUZHOU) CORP	KINSUS INTERCONNECT TECHNOLOGY CORP.	Sale	(2,643,768)	(81.82%)	Open Account 30 days	No comparable non-related party	75.47%
				Pegavision Japan Inc.	Sale	(1,596,570)	(41.61%)	Open Account 90 days	Telex transfer-Open Account 90 days	42.24%
				Gervision Technology (Zhejiang) Limited.	Sale	(547,066)	(14.26%)	Open Account 180 days	Telex transfer-Open Account 90 days	26.09%
PEGAVISION CORPORATION	Purchase			1,596,570	100.00%	Open Account 90 days	No other comparable vendors	(100.00%)		
PEGAVISION CORPORATION	Purchase			547,066	100.00%	Open Account 180 days	No other comparable vendors	(100.00%)		
RI-MING (SHANGHAI) CO., LTD	Purchase			3,270,900	25.56%	Open Account 90-120 days	-	-		
RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	Purchase			4,232,217	33.08%	Open Account 60-90 days	-	-		
RI KAI COMPUTER ACCESSORY CO., LTD.	Purchase			2,643,496	20.66%	Open Account 60-90 days	-	-		
RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	Purchase			2,393,342	18.72%	Open Account 60-90 days	-	-		
RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	Purchase			251,086	1.96%	Open Account 60-90 days	-	(95.78%)		
CASETEK SINGAPORE PTE. LTD.	Sale			(645,616)	(4.90%)	Open Account 60-90 days	-	(4.14%)		
MEGA MERIT LIMITED	Purchase			645,616	1.23%	Open Account 60-90 days	-	-		
RI-MING (SHANGHAI) CO., LTD.	Purchase			4,922,253	9.38%	Open Account 90-120 days	-	(7.76%)		
RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	Purchase			5,193,120	9.89%	Open Account 60-90 days	-	(8.00%)		

Notes to the Non-Consolidated Financial Statements

Expressed in thousands of NTD

Purchaser/seller			Counterparty	Relationship with the counterparty	Transaction		Differences in transaction terms compared to third party transactions				Notes/accounts receivable (payable)		Footnote
Purchaser/seller			Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total	Credit term	Unit price	Credit term	Balance	total notes/accounts receivable (payable)	
CASETEK SINGAPORE PTE. LTD.	RI KAI COMPUTER ACCESSORY CO., LTD.	Note 3	Purchase	4,152,885	7.91%	Open Account 60~90 days	-	(1,405,989)	(6.80%)				
CASETEK SINGAPORE PTE. LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	Note 3	Purchase	3,987,972	7.60%	Open Account 30~90 days	-	(3,222,242)	(15.58%)				
RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	MEGA MERIT LIMITED	Note 3	Sale	(253,810)	(12.71%)	Open Account 60~90 days	-	26,359	23.07%				
RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	Note 3	Sale	(114,423)	(5.73%)	Open Account 30~60 days	-	5,101	4.46%				
SHENG-RUI ELECTRONIC TECHNOLOGY (SHANGHAI) LIMITED	RI-MING (SHANGHAI) CO., LTD.	Note 3	Sale	(715,976)	(33.20%)	Open Account 30~60 days	-	149,322	19.71%				
SHENG-RUI ELECTRONIC TECHNOLOGY (SHANGHAI) LIMITED	RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	Note 3	Sale	(1,330,884)	(61.71%)	Open Account 30~60 days	-	584,805	77.18%				
SHENG-RUI ELECTRONIC TECHNOLOGY (SHANGHAI) LIMITED	RI KAI COMPUTER ACCESSORY CO., LTD.	Note 3	Sale	(109,834)	(5.09%)	Open Account 30~60 days	-	23,453	3.09%				
RI-MING (SHANGHAI) CO., LTD.	RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	Note 3	Sale	(218,749)	(1.75%)	Open Account 30~60 days	-	34,794	1.06%				
RI-MING (SHANGHAI) CO., LTD.	RI KAI COMPUTER ACCESSORY CO., LTD.	Note 3	Sale	(290,974)	(2.33%)	Open Account 30~60 days	-	89,678	2.73%				
RI-MING (SHANGHAI) CO., LTD.	RIH KUAN METAL CORPORATION	Note 3	Sale	(3,261,276)	(26.07%)	Open Account 90~120 days	-	1,138,464	34.70%				
RI-MING (SHANGHAI) CO., LTD.	MEGA MERIT LIMITED	Note 3	Sale	(3,337,262)	(26.68%)	Open Account 90~120 days	-	-	-				
RI-MING (SHANGHAI) CO., LTD.	CASETEK SINGAPORE PTE. LTD.	Note 3	Sale	(4,856,572)	(38.82%)	Open Account 90~120 days	-	1,604,125	48.89%				
RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	RI-MING (SHANGHAI) CO., LTD.	Note 3	Purchase	214,929	4.89%	Open Account 30~60 days	-	(33,825)	(2.43%)				
RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	RI-MING (SHANGHAI) CO., LTD.	Note 3	Sale	(1,221,020)	(11.46%)	Open Account 30~60 days	-	134,959	7.51%				
RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	MEGA MERIT LIMITED	Note 3	Sale	(4,313,475)	(40.47%)	Open Account 60~90 days	-	-	-				
RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	CASETEK SINGAPORE PTE. LTD.	Note 3	Sale	(5,115,683)	(47.99%)	Open Account 60~90 days	-	1,654,279	92.01%				
RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	Note 3	Purchase	114,364	3.33%	Open Account 30~60 days	-	(5,101)	(0.25%)				
RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	PROTEK (SHANGHAI) LTD.	Note 3	Sale	(607,830)	(5.59%)	Open Account 60 days	-	141,371	2.46%				
RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	PEGAGLOBE (KUNSHAN) CO., LTD.	Note 3	Sale	(595,423)	(5.47%)	Open Account 60 days	-	197,823	3.44%				
RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	Note 3	Sale	(454,466)	(4.18%)	Open Account 30~60 days	-	13,251	0.23%				
RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	MEGA MERIT LIMITED	Note 3	Sale	(2,403,071)	(22.09%)	Open Account 60~90 days	-	609,483	10.61%				
RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	RIH KUAN METAL CORPORATION	Note 3	Sale	(1,501,334)	(13.80%)	Open Account 60~90 days	-	795,024	13.84%				
RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	CASETEK SINGAPORE PTE. LTD.	Note 3	Sale	(3,887,644)	(35.74%)	Open Account 30~90 days	-	3,222,242	56.09%				
RIH KUAN METAL CORPORATION	RI-MING (SHANGHAI) CO., LTD.	Note 3	Purchase	3,254,465	34.95%	Open Account 90~120 days	-	(1,138,464)	(31.92%)				
RIH KUAN METAL CORPORATION	RI KAI COMPUTER ACCESSORY CO., LTD.	Note 3	Purchase	4,516,736	48.51%	Open Account 60~90 days	-	(1,624,471)	(45.55%)				
RIH KUAN METAL CORPORATION	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	Note 3	Purchase	1,525,261	16.38%	Open Account 60~90 days	-	(795,024)	(22.29%)				
RI KAI COMPUTER ACCESSORY CO., LTD.	MEGA MERIT LIMITED	Note 3	Sale	(2,697,243)	(23.85%)	Open Account 60~90 days	-	-	-				
RI KAI COMPUTER ACCESSORY CO., LTD.	CASETEK SINGAPORE PTE. LTD.	Note 3	Sale	(4,098,605)	(36.25%)	Open Account 60~90 days	-	1,405,989	45.91%				
RI KAI COMPUTER ACCESSORY CO., LTD.	RIH KUAN METAL CORPORATION	Note 3	Sale	(4,501,900)	(39.81%)	Open Account 60~90 days	-	1,624,471	53.05%				

Notes to the Non-Consolidated Financial Statements

Expressed in thousands of NTD

Transaction			Differences in transaction terms compared to third party transactions				Notes/accounts receivable (payable)	
Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total	Credit term	Unit price	Credit term	Balance	total notes/accounts receivable (payable)
	Purchase	391,339	29.53%	(Note 4)	-	-	(68,089)	(89,83%)
Note 2	Purchase		(7.88%)	Open Account 60 days	-	-	23,578	7.62%
Note 3	Sale	(141,775)	(77.50%)	Open Account 60 days	-	-	68,089	45.20%
Note 1	Sale	(391,339)		Open Account 60 days	-	-		
Note 2	Purchase	10,937,317	98.60%	Open Account 60 days	No other comparable vendors	No other comparable vendors	(2,365,594)	(100.00%)
Note 2	Sale	(4,066,728)	(32.33%)	Open Account 90 days	Same as other clients	Same as other clients	1,442,790	70.77%
Note 2	Sale	(3,388,098)	(26.94%)	Open Account 45 days	Same as other clients	Same as other clients	146,728	7.20%
Note 3	Purchase	358,050	58.91%	Open Account 60 days	No other comparable vendors	No other comparable vendors	(73,402)	(29.86%)
Note 3	Sale	(108,254)	(10.94%)	Open Account 60 days	Same as other clients	Same as other clients	10,984	16.67%
Note 3	Purchase	3,300,364	93.56%	Open Account 60 days	No other comparable vendors	No other comparable vendors	(530,362)	(94.06%)
Note 3	Sale	(121,530)	(2.83%)	Open Account 60 days	Same as other clients	Same as other clients	-	-
Note 3	Sale	(100,963)	(2.35%)	Open Account 90 days	Same as other clients	Same as other clients	86,077	22.68%
Note 1	Purchase	413,850	2.80%	Open Account 90 days	No other comparable vendors	No other comparable vendors	(103,113)	(3.49%)
Note 1	Sale	(10,937,317)	(69.67%)	Open Account 60 days	Same as other clients	Same as other clients	2,365,594	79.15%
Note 1	Purchase	4,066,728	97.58%	Open Account 90 days	No other comparable vendors	No other comparable vendors	(1,442,790)	(94.37%)
Note 1	Purchase	3,388,098	96.90%	Open Account 45 days	No other comparable vendors	No other comparable vendors	(146,728)	(93.04%)
Note 1	Sale	(1,338,613)	(14.00%)	Open Account 30-60 days	-	No comparable non-related party	271,623	24.00%
Note 1	Sale	(184,705)	(3.00%)	Open Account 60 days	-	-	55,833	2.56%
Note 2	Purchase	1,338,613	26.00%	Open Account 30-60 days	-	shorter than non-related party	(266,206)	(16.00%)
Note 2	Sale	(363,014)	(35.00%)	Open Account 75 days	-	-	89,908	42.44%
Note 1	Purchase	363,014	92.00%	Open Account 75 days	-	-	(89,908)	(95.34%)

Note1 : Parent company

Note2 : Subsidiary measured by equity method.

Note3 : Affiliate

Note4 : To avoid counting the sales revenue twice, the Company has subtracted the repeated part of purchase and sales.

Notes to the Non-Consolidated Financial Statements

Table 7: Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of capital stock
December 31, 2020

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2020	Turnover rate	Overdue Receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
PEGATRON CORPORATION	COTEK ELECTRONICS (SUZHOU) CO., LTD. PROTEK (SHANGHAI) LTD.	Subsidiary measured by equity method Subsidiary measured by equity method	1,719,652 93,386,147	3.22 Times 3.10 Times	- -	- -	- -	- -
"	POWTEK (SHANGHAI) LTD.	Subsidiary measured by equity method	1,365,137	4.86 Times	-	-	-	-
"	PEGAGLOBE (KUNSHAN) CO., LTD.	Subsidiary measured by equity method	94,709,929	3.77 Times	-	-	9,978,200	-
"	DIGITEK (CHONGQING) LTD.	Subsidiary measured by equity method	15,441,939	3.70 Times	-	-	2,093,197	-
"	ASIAROCK TECHNOLOGY LIMITED	Subsidiary measured by equity method	103,113	3.28 Times	-	-	-	-
"	PT. PEGATRON TECHNOLOGY INDONESIA	Subsidiary measured by equity method	6,824,592	2.83 Times	-	-	-	-
"	MAINTEK COMPUTER (SUZHOU) CO., LTD.	Subsidiary measured by equity method	14,762,096	5.26 Times	-	-	-	-
ASUSPOWER CORPORATION	PEGATRON CORPORATION	Parent Company	5,414,335	N/A (Note 1)	-	-	-	-
CASETEK HOLDINGS LIMITED	PEGATRON CORPORATION	Parent Company	270,717	N/A (Note 1)	-	-	-	-
KAEDAR TRADING LTD.	PEGATRON VIETNAM COMPANY LIMITED	Affiliate	512,937	N/A (Note 1)	-	-	-	-
DIGITEK (CHONGQING) LTD.	PEGATRON CORPORATION	Parent Company	12,594,314	4.59 Times	-	-	2,892,396	-
COTEK ELECTRONICS (SUZHOU) CO., LTD.	PEGATRON CORPORATION	Parent Company	2,571,161	5.18 Times	-	-	534,035	-
"	MAINTEK COMPUTER (SUZHOU) CO., LTD.	Affiliate	124,635	4.61 Times	-	-	-	-
"	PROTEK (SHANGHAI) LTD.	Affiliate	169,368	2.51 Times	-	-	-	-
PEGAGLOBE (KUNSHAN) CO., LTD.	PEGATRON CORPORATION	Subsidiary measured by equity method	108,888,894	4.31 Times	-	-	13,462,769	-
"	PROTEK (SHANGHAI) LTD.	Affiliate	202,258	4.58 Times	-	-	-	-
PROTEK (SHANGHAI) LTD.	PEGATRON CORPORATION	Subsidiary measured by equity method	35,448,023	3.96 Times	-	-	17,196,951	-
"	PEGAGLOBE (KUNSHAN) CO., LTD.	Affiliate	20,929,812	3.84 Times	-	-	-	-
"	RI SHAN COMPUTER ACCESSORY (JIA SHAN)	Affiliate	4,274,475	N/A (Note 1)	-	-	-	-
MAINTEK COMPUTER (SUZHOU) CO., LTD.	COTEK ELECTRONICS (SUZHOU) CO., LTD.	Affiliate	659,502	7.42 Times	-	-	-	-
"	COTEK ELECTRONICS (SUZHOU) CO., LTD.	Affiliate	1,424,825	N/A (Note 1)	-	-	-	-
"	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	Affiliate	2,849,650	N/A (Note 1)	-	-	-	-
PT. Pegatron Technology Indonesia	PEGATRON CORPORATION	Subsidiary measured by equity method	4,992,591	4.93 Times	-	-	1,752,789	-
CASETEK COMPUTER (SUZHOU) CO., LTD.	MAINTEK COMPUTER (SUZHOU) CO., LTD.	Affiliate	588,010	6.04 Times	-	-	-	-
"	DIGITEK (CHONGQING) LTD.	Affiliate	133,324	2.35 Times	-	-	-	-
KAI-CHUAN ELECTRONICS (CHONGQING) CO., LTD.	MEGA MERIT LIMITED	Parent Company	421,834	N/A (Note 1)	-	-	-	-
CASETEK HOLDINGS LIMITED(CAYMAN)	CASETEK SINGAPORE PTE. LTD.	Parent Company	4,758,916	N/A (Note 1)	-	-	-	-
RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	Affiliate	5,459,188	N/A (Note 1)	-	-	-	-
"	RI-PRO PRECISION MODEL (SHANGHAI) CO., LTD.	Affiliate	131,027	N/A (Note 1)	-	-	-	-
SHENG-RUI ELECTRONIC TECHNOLOGY (SHANGHAI) LIMITED	RI-MING (SHANGHAI) CO., LTD.	Affiliate	149,322	5.59 Times	-	-	-	-
"	RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	Affiliate	584,805	4.28 Times	-	-	-	-
RI-MING (SHANGHAI) CO., LTD.	RIH KUAN METAL CORPORATION	Affiliate	1,138,464	2.49 Times	-	-	189,473	-
"	CASETEK SINGAPORE PTE. LTD	Affiliate	1,604,125	6.17 Times	-	-	441,582	-
"	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	Affiliate	305,710	N/A (Note 1)	-	-	-	-
RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	CASETEK SINGAPORE PTE. LTD	Affiliate	1,654,279	6.31 Times	-	-	287,872	-

Notes to the Non-Consolidated Financial Statements

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2020	Turnover rate		Overdue Receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
						Amount	Action taken		
RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	Affiliate	2,620,396	N/A	(Note 1)	-	-	-	-
"	SHENG-RUI ELECTRONIC TECHNOLOGY (SHANGHAI) LIMITED	Affiliate	262,054	N/A	(Note 1)	-	-	-	-
"	RI-MING (SHANGHAI) CO., LTD.	Affiliate	134,959	10.35	Times	-	-	-	-
RIH LI International Limited	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	Parent Company	9,973,775	N/A	(Note 1)	-	-	-	-
"	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	Parent Company	245,526	N/A	(Note 1)	-	-	-	-
RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	PEGAGLOBE (KUNSHAN) CO., LTD.	Affiliate	197,823	3.48	Times	-	-	64,431	-
"	MEGA MERIT LIMITED	Affiliate	609,483	5.85	Times	-	-	-	-
"	PROTEK (SHANGHAI) LTD.	Affiliate	141,371	4.30	Times	-	-	29,095	-
RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	CASETEK SINGAPORE PTE. LTD.	Affiliate	3,222,242	2.46	Times	-	-	134,219	-
"	RIH KUAN METAL CORPORATION	Affiliate	795,024	3.84	Times	-	-	-	-
RI KAI COMPUTER ACCESSORY CO., LTD.	CASETEK SINGAPORE PTE. LTD.	Affiliate	1,405,989	5.94	Times	-	-	287,786	-
"	RIH KUAN METAL CORPORATION	Affiliate	1,624,471	4.87	Times	-	-	415,251	-
"	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	Affiliate	1,746,949	N/A	(Note 1)	-	-	-	-
KAI HE COMPUTER ACCESSORY (SUZHOU) CO., LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	Affiliate	349,396	N/A	(Note 1)	-	-	-	-
ASROCK INCORPORATION	ASROCK AMERICA, INC.	Parent Company	1,442,790	3.25	Times	-	-	54,946	-
"	ASROCK EUROPE B.V.	Parent Company	146,728	19.92	Times	-	-	105,765	-
ASIA ROCK TECHNOLOGY LIMITED	ASROCK INCORPORATION	Subsidiary measured by equity method	2,365,594	5.90	Times	-	-	-	-
"	ASROCK Rack Incorporation	Affiliate	530,362	5.32	Times	-	-	210,783	-
KINSUS INTERCONNECT TECHNOLOGY	KINSUS INTERCONNECT TECHNOLOGY CORP.	Subsidiary measured by equity method	240,327	10.04	Times	-	-	-	-
PEGAVISION CORPORATION	Pegavision Japan Inc.	Parent Company	354,934	6.36	Times	-	-	179,695	-
"	GEMVISION TECHNOLOGY (ZHEJIANG) LIMITED	Parent Company	219,266	4.04	Times	-	-	-	-
FUYANG TECHNOLOGY CORPORATION	FUYANG ELECTRONICS (SUZHOU) CO., LTD.	Parent Company	281,641	1.59	Times	-	-	-	-
AZURE WAVE TECHNOLOGIES (SHANGHAI) INC.	AZURE WAVE TECHNOLOGIES, INC.	Subsidiary measured by equity method	271,623	7.79	Times	-	-	189,251	-

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

Note 2 : Offsetting of account receivables and payables.

Notes to the Non-Consolidated Financial Statements

Table 8: Information on investees
December 31, 2020

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2020			Expressed in thousands of NTD	
				Balance as at December 31, 2020	Balance as at December 31, 2019	Number of shares	Ownership	Book value	Net profit (loss) of the investee for the year ended	Investment income (loss) recognised by the Company for the year ended December 31, 2020
PEGATRON CORPORATION	ASUSPOWER INVESTMENT CO., LTD.	Taipei	Investment holding	13,033,429	13,033,429	932,844,700	100.00%	15,815,279	987,784	987,784
	ASUS INVESTMENT CO., LTD.	Taipei	Investment holding	16,184,982	16,184,982	979,254,600	100.00%	16,462,641	944,586	944,586
	ASUSTEK INVESTMENT CO., LTD.	Taipei	Investment holding	14,593,543	14,593,543	951,278,300	100.00%	14,444,927	280,975	280,975
	Pegatron Holding Ltd.	Cayman Islands	Investment holding	33,462,716	33,462,716	961,906,463	100.00%	87,961,996	11,786,759	11,786,759
	PEGATRON USA, INC.	CA, USA	Repairing and marketing center in Northern America	16,085	16,085	50,000	100.00%	17,573	150	150
	PEGATRON HOLLAND HOLDING B.V.	Wijchen, NETHERLANDS	Investment holding	1,278,287	1,278,287	-	100.00%	2,871,157	(5,317)	(5,317)
	AMA PRECISION INC.	Taipei	Research and design of computer components	408,394	408,394	33,500,000	100.00%	431,765	(3,742)	(3,742)
	AZURE WAVE TECHNOLOGIES, INC.	New Taipei City	Manufacture of office machine, electrical components, computer and related products. Sale of precision instrument and photographic equipment.	525,750	525,750	35,750,000	23.76%	431,985	304,098	722,770
	Unihan Holding Ltd.	Cayman Islands	Investment holding	5,823,962	6,659,684	170,110,010	100.00%	6,256,129	643,195	644,136
	CASETEK HOLDINGS LIMITED(CAYMAN)	Cayman Islands	Investment holding	442,409	442,409	4,808,794	1.16%	396,426	1,265,617	14,596
	PEGATRON SERVICE AUSTRALIA PTY. LTD.	Australia	Investment holding	30,955	30,955	6,000,000	100.00%	187,831	43,798	43,798
	PT. PEGATRON TECHNOLOGY INDONESIA	Indonesia	Data storage and processing equipment, manufacturing wired and wireless communication equipment, and whole selling of computer equipment and electronic components.	1,249,369	1,249,369	39,999	100.00%	1,199,588	127,266	133,393
	PEGATRON VIETNAM COMPANY LIMITED	Vietnam	Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts	870,095	-	-	100.00%	849,297	(5,817)	(5,817)
	PEGATRON TECHNOLOGY HAI PHONG COMPANY LIMITED	Vietnam	Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts	178,755	-	-	100.00%	105,944	(67,582)	(67,582)
ASUSPOWER INVESTMENT CO., LTD.	PEGATRON TECHNOLOGY INDIA PRIVATE LIMITED	India	Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts	215,713	-	54,994,500	99.99%	211,238	(3,294)	(3,294)
	PEGASUS ACE LIMITED	Cayman Islands	Investment holding	3	-	100	100.00%	-	(3)	(3)
	STARLINK ELECTRONICS CORPORATION	New Taipei City	Manufacture of computer components and industrial plastics. Sale and manufacture of electronic materials.	135,144	135,144	15,000,000	50.00%	238,729	2,163	Not required to disclose
	KINSUS INTERCONNECT TECHNOLOGY CORP.	Taoyuan	Manufacture of computer components. Sale and manufacture of electronic materials. Enterprise management consulting.	727,473	727,473	55,556,221	12.32%	3,159,459	541,998	Not required to disclose
	ASROCK INCORPORATION	Taipei	Manufacture of data processing equipment, storage equipment and wireless communication equipment. Installation and sale of computer and electronic materials.	82,626	82,626	2,791,000	2.31%	159,655	1,362,573	Not required to disclose
	AZURE WAVE TECHNOLOGIES, INC.	New Taipei City	Manufacture of office machine, electrical components, computer and related products. Sale of precision instrument and photographic equipment.	154,000	154,000	7,000,000	4.65%	84,531	304,098	Not required to disclose
	Lumens Digital Optics Inc. (Lumens Optics)	Hsinchu	Development, manufacture and sale of projector and related product.	508,932	508,932	10,043,490	50.22%	1,127,244	235,640	Not required to disclose
	PEGA VISION CORPORATION	Taoyuan	Manufacture of medical equipment	70,721	70,721	5,480,121	7.83%	359,787	709,511	Not required to disclose
	ASUSPOWER CORPORATION	Virgin Islands	Investment holding and commercial affairs	3,752,682	3,752,682	109,000,000	31.23%	7,680,662	770,247	Not required to disclose
	PEGATRON TECHNOLOGY SERVICE INC.	Kentucky, USA	Repairing and marketing center in Northern America	94,475	94,475	2,800	100.00%	1,150,383	61,366	Not required to disclose
	PEGATRON LOGISTIC SERVICE INC.	CA, USA	Transferring and marketing center in Northern America	30	30	1,000	100.00%	11,338	-	Not required to disclose
	Huawei Investment Co., Ltd.	Taipei	Investment holding	48,780	48,780	-	48.78%	349,983	267,708	Not required to disclose
	PEGA INTERNATIONAL LIMITED	Taipei	Design service and commercial affairs	31,885	31,885	-	100.00%	32,818	1,129	Not required to disclose
	PEGATRON JAPAN Inc.	Japan	Repairing and marketing center in Japan	27,287	27,287	-	100.00%	612,655	258,242	Not required to disclose
	PEGATRON Mexico, S.A. DE C.V.	Chihuahua, Mexico	Repairing and marketing center in Mexico	231,424	231,424	-	40.51%	120,521	(3,663)	Not required to disclose

Notes to the Non-Consolidated Financial Statements

			Initial investment amount		Shares held as at December 31, 2020				Expressed in thousands of NTD	
Investor	Investee	Location	Main business activities	Balance as at	Balance as at	Number of shares	Ownership	Book value	Net profit (loss) of the investee for the year ended December 31, 2020	Investment income (loss) recognised by the Company for the year ended December 31, 2020
				December 31, 2020	December 31, 2019					
ASUSPOWER INVESTMENT CO., LTD.	PEGATRON SERVICE SINGAPORE PTE. LTD.	Singapore	Repairing and marketing center in Singapore	23,990	23,990	1,000,000	100.00%	410,766	46,867	Not required to disclose
	PT. PEGATRON TECHNOLOGY INDONESIA	Indonesia	Data storage and processing equipment, manufacturing wired and wireless communication equipment, and whole selling of computer equipment and electronic components	31	31	1	0.00%	30	127,266	Not required to disclose
ASUS INVESTMENT CO., LTD.	PEGATRON TECHNOLOGY INDIA PRIVATE LIMITED	India	Manufacturing and selling consumer electronics computers, related peripherals, communication equipment, and electronic parts	22	-	5,500	0.01%	21	(3,294)	Not required to disclose
	STARLINK ELECTRONICS CORPORATION	New Taipei City	Manufacture of computer components and industrial plastics. Sale and manufacture of electronic materials.	90,000	90,000	9,000,000	30.00%	143,237	2,163	Not required to disclose
ASUSPOWER INVESTMENT CO., LTD.	KINSUS INTERCONNECT TECHNOLOGY CORP.	Taoyuan	Manufacture of computer components. Sale and manufacture of electronic materials. Enterprise management consulting.	938,098	938,098	60,128,417	13.34%	3,419,478	541,998	Not required to disclose
	ASROCK INCORPORATION	Taipei	Manufacture of data storage, date processing equipment and communication equipment. Sale of computer equipment and electronic material.	155,718	155,718	57,217,754	47.43%	3,273,125	1,362,573	Not required to disclose
ASUSPOWER INVESTMENT CO., LTD.	Lumens Digital Optics Inc. (Lumens Optics)	Hsinchu	Development, manufacture and sale of projector and related product.	7,338	7,338	587,079	2.94%	65,892	235,640	Not required to disclose
	ASUSPOWER CORPORATION	Virgin Islands	Investment holding and commercial affairs	3,488,741	3,488,741	103,000,000	29.51%	7,257,647	770,247	Not required to disclose
ASUSPOWER INVESTMENT CO., LTD.	ASFLY TRAVEL SERVICE LIMITED	Taipei	Travel industry	6,000	6,000	-	100.00%	3,210	(9,204)	Not required to disclose
	HUA-YUAN INVESTMENT LIMITED	Taipei	Investment holding	500,000	500,000	-	100.00%	536,627	2,217	Not required to disclose
ASUSPOWER INVESTMENT CO., LTD.	PEGATRON Mexico, S.A. DE C.V.	Chihuahua, Mexico	Repairing and marketing center in Mexico	369,938	369,938	-	59.49%	176,989	(3,663)	Not required to disclose
	FUYANG TECHNOLOGY CORPORATION	Hsinchu	Manufacture of wire, cable and electronic components. Sale of electronic material.	464,711	464,711	32,088,436	17.83%	149,421	(655,137)	Not required to disclose
ASUSTEK INVESTMENT CO., LTD.	FUYANG TECHNOLOGY CORPORATION	New Taipei City	Manufacture of computer components and industrial plastics. Sale and manufacture of electronic materials.	60,000	60,000	6,000,000	20.00%	95,492	2,163	Not required to disclose
	STARLINK ELECTRONICS CORPORATION	New Taipei City	Manufacture of computer components. Sale and manufacture of electronic materials. Enterprise management consulting.	794,252	794,252	58,233,091	12.92%	3,311,686	541,998	Not required to disclose
ASUSPOWER INVESTMENT CO., LTD.	KINSUS INTERCONNECT TECHNOLOGY CORP.	Taoyuan	Manufacture of computer components. Sale and manufacture of electronic materials. Enterprise management consulting.	223,939	223,939	7,453,405	6.18%	426,370	1,362,573	Not required to disclose
	ASROCK INCORPORATION	Taipei	Manufacture of data processing equipment, storage equipment and wire communication equipment. Installation and sale of computer and electronic materials.	98,487	98,487	6,696,930	4.45%	80,895	304,098	Not required to disclose
ASUSPOWER INVESTMENT CO., LTD.	AZURE WAVE TECHNOLOGIES, INC.	New Taipei City	Manufacture of office machine, electrical components, computer and related products. Sale of precision instrument and photographic equipment.	5,117	5,117	409,427	2.05%	45,953	235,640	Not required to disclose
	Lumens Digital Optics Inc. (Lumens Optics)	Hsinchu	Development, manufacture and sale of projector and related product.	64,292	64,292	4,934,434	7.05%	323,961	709,511	Not required to disclose
ASUSPOWER INVESTMENT CO., LTD.	PEGAVISION CORPORATION	Taoyuan	Manufacture of medical equipment	4,652,885	4,652,885	137,000,000	39.26%	9,655,548	770,247	Not required to disclose
	ASUSPOWER CORPORATION	Virgin Islands	Investment holding and commercial affairs	929,422	929,422	64,176,872	35.65%	298,757	(655,137)	Not required to disclose
ASUSPOWER INVESTMENT CO., LTD.	FUYANG TECHNOLOGY CORPORATION	Hsinchu	Manufacture of wire, cable and electronic components. Sale of electronic materials.	42,745	42,745	360,000	100.00%	219,945	17,510	Not required to disclose
	PEGATRON SERVICE KOREA LLC.	Korea	Repairing and marketing center in Korea	7,419,943	7,419,943	177,961,090	100.00%	28,132,754	2,686,586	Not required to disclose
PEGATRON SERVICE SINGAPORE PTE. LTD.	MAGNIFICENT BRIGHTNESS LIMITED	Virgin Islands	Investment holding and commercial affairs	8,531,810	8,531,810	308,100,000	100.00%	36,398,184	5,450,503	Not required to disclose
	PROTEK GLOBAL HOLDINGS LTD.	Virgin Islands	Investment holding and commercial affairs	5,562,708	5,562,708	199,711,968	100.00%	13,749,703	2,553,700	Not required to disclose
PEGATRON SERVICE SINGAPORE PTE. LTD.	ASLINK PRECISION CO., LTD.	Cayman Islands	Investment holding and commercial affairs	1,397,711	1,397,711	49,050,000	100.00%	6,207,123	1,029,556	Not required to disclose
	DIGITEK GLOBAL HOLDINGS LIMITED	Virgin Islands	Investment holding and commercial affairs	1,966,686	1,966,686	81,275,000	100.00%	1,484,771	(33,576)	Not required to disclose
PEGATRON SERVICE SINGAPORE PTE. LTD.	COTEK HOLDINGS LIMITED	Virgin Islands	Investment holding and commercial affairs	301,906	301,906	9,550,000	100.00%	156,965	(7,985)	Not required to disclose
	TOP QUARK LIMITED	HongKong	Investment holding and commercial affairs	374,601	374,601	8,050,000	100.00%	1,136,162	178,545	Not required to disclose
PEGATRON SERVICE SINGAPORE PTE. LTD.	POWTEK HOLDINGS LIMITED	Virgin Islands	Investment holding and commercial affairs	2,629,471	2,629,471	92,000,000	49.00%	318,251	(226,191)	Not required to disclose
	PROTEK HOLDINGS LTD.(CAYMAN)	Cayman Islands	Investment holding							

Notes to the Non-Consolidated Financial Statements

Expressed in thousands of NT\$										
Initial investment amount				Shares held as at December 31, 2020			Investment income (loss) recognised by the Company for the year ended December 31, 2020			
Investor	Investee	Location	Main business activities	Balance as at December 31, 2020	Balance as at December 31, 2019	Number of shares	Ownership	Book value	Net profit (loss) of the investee for the year ended December 31, 2020	Footnote
Pegatron Holding Ltd. KINSUS INTERCONNECT TECHNOLOGY CORP.	GRAND UPRIGHT TECHNOLOGY LTD. KINSUS CORP. (USA)	Samoa CA, USA	Investment holding and commercial affairs Design substrate, analyze market strategy, development new customer and new technology.	37,793 14,248	37,793 14,248	5,000,000 500,000	100.00% 100.00%	363,284 60,404	(1,256) 10,113	Not required to disclose Not required to disclose
“	KINSUS HOLDING (SAMOA) LIMITED	Samoa	Investment holding	4,739,216	4,739,216	166,308,720	100.00%	2,082,682	203,085	Not required to disclose
“	KINSUS INVESTMENT CO., LTD.	Taiwan	Investment holding	1,600,000	1,600,000	160,000,000	100.00%	2,275,089	(19,969)	Not required to disclose
KINSUS INVESTMENT CO., LTD.	PEGAVISION CORPORATION	Taiwan	Manufacture of medical equipment	252,455	252,455	21,233,736	30.33%	1,394,060	715,359	Not required to disclose
“	FUYANG TECHNOLOGY CORPORATION	Hsinchu	Manufacture of wire, cable and electronic components. Sale of electronic material.	929,422	929,422	64,176,872	35.65%	298,789	(655,137)	Not required to disclose
“	KINSUS HOLDING (CAYMAN) LIMITED	Cayman Islands	Investment holding	2,051,748	2,051,748	72,000,000	100.00%	1,751,452	318,455	Not required to disclose
“	PIOTEK HOLDINGS LTD. (CAYMAN)	Cayman Islands	Investment holding	2,687,476	2,687,476	95,755,000	51.00%	331,243	(226,182)	Not required to disclose
PIOTEK HOLDINGS LTD. (CAYMAN)	PIOTEK HOLDING LIMITED	Virgin Islands	Investment holding	3,984,973	3,984,973	139,840,790	100.00%	649,492	(226,182)	Not required to disclose
PIOTEK HOLDING LIMITED	PIOTEK (H.K.) TRADING LIMITED	HongKong	Commercial affairs	741	741	200,000	100.00%	71,840	(4,768)	Not required to disclose
PEGAVISION CORPORATION	PEGAVISION HOLDINGS CORPORATION	Samoa	Investment holding	-	103,442	-	-	-	10,150	Not required to disclose
“	AQUAMAX CORPORATION	Taiwan	Sale of medical equipment	40,000	-	4,000,000	100.00%	37,675	(2,328)	Not required to disclose
“	PEGAVISION JAPAN INC.	Japan	Sale of medical equipment	2,736	2,736	198	100.00%	45,842	19,805	Not required to disclose
AQUAMAX CORPORATION	Autanmax Vision Corporation	CA, USA	Sale of medical equipment	17,098	-	6,000,000	100.00%	15,076	(2,101)	Not required to disclose
FUYANG TECHNOLOGY CORPORATION	FUYANG FLEX HOLDING LTD.	Cayman Islands	Investment holding and commercial affairs	1,357,292	1,357,292	44,000,000	100.00%	240,818	(320,793)	Not required to disclose
ASROCK INCORPORATION	ASROCK RACK Incorporation	Taipei	Manufacture and sale of computer related	291,278	291,066	19,479,035	62.05%	387,739	316,192	Not required to disclose
“	ASIAROCK TECHNOLOGY LIMITED	Virgin Islands	Investment holding	1,320,886	1,320,886	40,000,000	100.00%	3,563,486	106,141	Not required to disclose
“	Leader Insight Holdings Ltd.	Virgin Islands	Investment holding	71,559	71,559	2,100,000	100.00%	35,743	57,493	Not required to disclose
“	ASRock Industrial Computer Corporation	Taipei	Manufacture and sale of computer related	239,683	235,822	23,895,700	66.96%	344,649	76,944	Not required to disclose
“	Yabo Trading Co., Ltd.	HongKong	International trade	551	551	150,000	100.00%	552	-	Not required to disclose
ASIAROCK TECHNOLOGY LIMITED	ASROCK EUROPE B.V.	Nijmegen, NETHERLANDS	Sale of data storage devices and electronic materials	5,528	5,528	200,000	100.00%	577,095	99,007	Not required to disclose
“	CalRock Holdings, LLC.	CA, USA	Rentling offices	56,993	56,993	2,000,000	100.00%	62,515	(1,035)	Not required to disclose
“	Orbweb Inc. (BVI)	Virgin Islands	Installation of computer equipment and sale of computer related product.	28,497	28,497	4,000,000	27.59%	-	(22,375)	Not required to disclose
Leader Insight Holdings Ltd.	First place International Ltd.	Virgin Islands	Investment holding	58,418	58,418	2,050,000	100.00%	35,700	57,493	Not required to disclose
First place International Ltd.	ASROCK AMERICA, INC.	CA, USA	Sale of data storage devices and electronic	56,993	56,993	2,000,000	100.00%	34,744	57,492	Not required to disclose
Lumens Digital Optics Inc. (Lumens Optics)	Lumens Integration Inc.	CA, USA	Purchase and sale on computer product and computer related product.	34,509	34,509	1,222,000	100.00%	58,798	36,365	Not required to disclose
“	Lumens Digit Image Inc.	Samoa	Investment holding	7,124	7,124	250,000	100.00%	8,151	(9,481)	Not required to disclose
ASUSPOWER CORPORATION	CASETEK HOLDINGS LIMITED(CAYMAN)	Cayman Islands	Investment holding	10,054,907	10,054,907	245,016,988	58.87%	18,515,289	1,265,617	Not required to disclose
PEGAIRON TECHNOLOGY SERVICE INC.	PEGAIRON SERVICOS DE INFORMATICA LTDA.	Brasil	Repairing service	18,523	18,523	-	100.00%	7,157	(1,279)	Not required to disclose
“	CASETEK HOLDINGS LIMITED	Virgin Islands	Investment holding and commercial affairs	4,670,599	4,670,599	115,375,668	100.00%	6,244,207	637,768	Not required to disclose
CASETEK HOLDINGS LIMITED	SLITEK HOLDINGS LIMITED	Samoa	Investment holding and commercial affairs	34,481	34,481	1,210,000	100.00%	2,691	(10,854)	Not required to disclose
“	KAEDAR HOLDINGS LIMITED	HongKong	Investment holding and commercial affairs	712,413	712,413	25,000,000	100.00%	1,235,674	54,980	Not required to disclose
“	KAEDAR TRADING LTD.	Samoa	Investment holding and commercial affairs	142,483	142,483	5,000,000	100.00%	585,355	47,942	Not required to disclose
AMA PRECISION INC.	AMA Holdings Limited	Samoa	Investment holding	169,744	169,744	-	-	-	-	Not required to disclose
“	Azure Wave Holding (Samoa) Inc.	Samoa	Investment holding	1,888,113	1,585,683	60,177,000	100.00%	1,693,858	297,289	Not required to disclose
“	EZWAIVE TECHNOLOGIES, INC.	New Taipei City	Information product service industry	5,015	5,015	500,000	100.00%	(22,396)	(714)	Not required to disclose
“	AZURE LIGHTING TECHNOLOGIES, INC.	New Taipei City	Sale of electronic materials	25,000	25,000	2,000,000	100.00%	32,115	2,259	Not required to disclose
“	Azurewave Technologies (USA) INC.	CA, USA	Market development	19,820	19,820	650,000	100.00%	1,802	1,096	Not required to disclose
CASETEK HOLDINGS LIMITED(CAYMAN)	RHI L International Limited	Samoa	Investment holding	28,516,563	26,236,843	815,499,000	100.00%	36,576,223	300,261	Not required to disclose
“	RHI KUAN METAL CORPORATION	Taipei	Sales of iron and aluminum products	287,291	287,291	30,000,000	100.00%	704,584	178,156	Not required to disclose
“	APLUS PRECISION LIMITED	Cayman Islands	Investing and trading	916,295	916,295	38,300,000	100.00%	483,855	20,098	Not required to disclose
“	MEGA MERIT LIMITED	Samoa	Trading activities	28,497	28,497	1,000,000	100.00%	33,949	163,721	Not required to disclose
“	CASETEK SINGAPORE PTE. LTD.	Singapore	Trading activities	20,802	20,802	730,000	100.00%	899,671	958,047	Not required to disclose
“	UNITED NEW LIMITED	Samoa	Investing and trading	1,091,416	1,091,416	38,300,000	100.00%	483,855	20,098	Not required to disclose
APLUS PRECISION LIMITED	Rteng USA, Inc.	CA, USA	Market Research	6,554	6,554	230,000	100.00%	7,901	307	Not required to disclose

Note 1 : It was written off in the second quarter of 2020.

Note 2 : Based on the consideration of the Group's reorganization, delisting application of PEGA VISION HOLDINGS CORPORATION had been completed on September 2, 2020.

Note 3 : Income and expenses for each statement of comprehensive income are translated at average exchange rates of 2020; the others are translated at the spot exchange rate on the financial statement date.

Notes to the Non-Consolidated Financial Statements

Table 9: Information on investments in Mainland China
December 31, 2020

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

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan as of January 1, 2020	Amount remitted from Taiwan to Mainland China / Amount remitted		Accumulated amount of remittance from Taiwan as of December 31, 2020	Net income of investee for the year ended December 31, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2020 (Note2, (2))	Book value of investments in Mainland China as of December 31, 2020	Accumulated amount of investment income remitting back to Taiwan as of December 31, 2020
					Remitted to Mainland China	Remitted back to Taiwan						
MAINTeK COMPUTER (SUZHOU) CO., LTD. (Note 5)	Manufacture, develop and research and sale of power supplier, new electronic component, computer case, and computer system. Repair of laptop, motherboard and related product.	6,514,015 USD 228,590,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	5,038,181 USD 176,800,000	-	-	5,038,181 USD 176,800,000	2,686,628 USD 90,725,545	100%	2,686,628 USD 90,725,545	28,319,526 USD 993,789,609	-
PROTEK (SHANGHAI) LTD.	Develop and research, manufacture, assemble, repair, sale and design of satellite communication equipment, satellite navigation receive equipment and essential component. Sale of cellphone, medium and large sized computer, portable computer, printing machine and electrical component.	8,776,922 USD 308,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	8,776,922 USD 308,000,000	-	-	8,776,922 USD 308,000,000	5,450,561 USD 184,061,587	100%	5,450,561 USD 184,061,587	36,445,591 USD 1,278,949,715	-
PROTEK COMPUTER (SUZHOU) (Note 7)	Develop and research, manufacture and sale of new type of precision electrical component, circuit board and related product. The company also provides after sale service.	4,750,367 USD 166,700,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	1,295,060 USD 45,446,280	-	-	1,295,060 USD 45,446,280	(221,341) (USD 7,474,540)	68.67%	(151,985) (USD 5,132,438)	396,646 USD 13,919,117	-
COTEK ELECTRONICS	Develop, manufacture and sale of new electrical component, plugs and corresponding precision mold. The company also provides after sale service.	2,408,217 USD 81,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	1,966,359 USD 69,000,001	-	-	1,966,359 USD 69,000,001	(34,399) (USD 1,161,632)	100%	(34,399) (USD 1,161,632)	1,498,917 USD 52,596,535	-
RUNTOP (SHANGHAI) CO., LTD.	Manufacture and sale of computer components, digital automatic data processing machine, accessories of multimedia computer, power supplier, network switch and data machine.	199,476 USD 7,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	300,481 USD 10,544,482	-	-	300,481 USD 10,544,482	(7,879) (USD 266,067)	100%	(7,879) (USD 266,067)	156,915 USD 5,506,478	-
POWTEK (SHANGHAI) LTD.	Sale of computer motherboard, computer, laptop, service machine and computer related items. The company also provides after sale service.	227,972 USD 8,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	374,601 USD 13,145,510	-	-	374,601 USD 13,145,510	178,614 USD 6,031,683	100%	178,614 USD 6,031,683	1,135,794 USD 39,857,323	-
DIGITEK (CHONGQING) LTD.	Research and development, manufacture, sale of satellite communication equipment, satellite navigation receive equipment, cellphone, internet related equipment, computer, video decoding equipment, car-used electrical equipment and component. The company also provides export, proxy, repair services.	1,396,329 USD 49,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	1,396,329 USD 49,000,000	-	-	1,396,329 USD 49,000,000	1,029,582 USD 34,768,275	100%	1,029,582 USD 34,768,275	6,227,849 USD 218,547,874	-
PEGAGLOBE (KUNSHAN) CO., LTD.	Manufacture of satellite navigation receiving equipment, cellphone, core equipment, internet detection equipment, large and medium sized computer, easy to carry computers, high end service equipment, large volume light driver and their component.	5,528,321 USD 194,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	5,528,321 USD 194,000,000	-	-	5,528,321 USD 194,000,000	2,553,460 USD 86,228,547	100%	2,553,460 USD 86,228,547	13,752,917 USD 482,617,743	-
CASETEK COMPUTER (SUZHOU)	Manufacture, development and research and sale of computer, computer system and its component. The company also provides after sale service.	1,595,804 USD 56,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	1,595,804 USD 56,000,000	-	-	1,595,804 USD 56,000,000	516,741 USD 17,449,963	100%	516,741 USD 17,449,963	2,784,900 USD 97,727,798	-
KAIDAR ELECTRONICS (KUNSHAN) CO., LTD.	Manufacture of plastic injection products.	498,689 USD 17,500,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	698,366 USD 24,507,092	-	-	698,366 USD 24,507,092	54,938 USD 1,855,202	100%	54,938 USD 1,855,202	1,181,396 USD 41,457,597	-

Notes to the Non-Consolidated Financial Statements

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan as of January 1, 2020	Amount remitted from Taiwan to Mainland China /Amount remitted to Taiwan		Accumulated amount of remittance from Taiwan as of December 31, 2020	Net income of investee for the year ended December 31, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2020 (Note2, (2))	Book value of investments in Mainland China as of December 31, 2020	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2020
					Remitted to Mainland China	Remitted back to Taiwan						
CORE-TEK (SHANGHAI) LIMITED	Research, manufacture and sale of laptop components and precision equipment. Design non-metal molds and electronic devices. The company also provides after sale service and consulting service.	341,958 USD 12,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	341,958 USD 12,000,000	-	-	341,958 USD 12,000,000	2,727 USD 92,101	100%	2,727 USD 92,101	204,521 USD 7,177,069	-
KAI-CHUAN ELECTRONICS (CHONGQING) CO., LTD.	Research and develop, manufacture and inspect computer and implication system. Manufacture molds, precision molds, plastic components. Sale of automatic products.	284,965 USD 10,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	284,965 USD 10,000,000	-	-	284,965 USD 10,000,000	25,198 USD 850,907	100%	25,198 USD 850,907	302,197 USD 10,604,691	-
Zhangjiagang East High-tech LTD.	Process, sale and transportation of steel.	170,979 USD 6,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	34,196 USD 1,200,000	-	-	34,196 USD 1,200,000	(54,151) USD 1,828,631	20%	(10,830) USD 365,726	1,468 USD 51,504	-
FUYANG ELECTRONICS (SUZHOU) CO., LTD. (Note 13)	Research and develop, manufacture, test, repair and sale of Multilayer flexible board and computer number signal processor.	1,253,846 USD 44,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	1,253,846 USD 44,000,000	-	-	1,253,846 USD 44,000,000	(320,624) USD 10,827,253	67.22%	(215,524) USD 7,278,080	238,535 USD 8,370,684	-
HONGJIE (SHANGHAI) PACKING LIMITED (Note 14)	Manufacture of all kinds of paper boxes, paper materials, paper plastics, cushioning material, tray, etc.	142,483 USD 5,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	26,581 USD 932,769	-	-	26,581 USD 932,769	-	-	-	-	-
HONGJIE (SUZHOU) PACKING LIMITED (Note 14)	Manufacture of all kinds of paper boxes, paper materials, paper plastics, cushioning material, tray, etc.	379,288 USD 13,309,984	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	171,713 USD 6,025,762	-	-	171,713 USD 6,025,762	-	-	-	-	-
Suzhou Esilite Packaging LTD. (Note 14)	Manufacture of all kinds of paper boxes, paper materials, paper plastics, cushioning material, tray, etc.	145,332 USD 5,100,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	32,969 USD 1,156,954	-	-	32,969 USD 1,156,954	-	-	-	-	-
HONGJIE (CHONGQING) PACKING LIMITED (Note 14)	Manufacture of all kinds of paper boxes, paper materials, paper plastics, cushioning material, tray, etc.	14,248 USD 500,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	2,180 USD 76,500	-	-	2,180 USD 76,500	-	-	-	-	-
Hongruiheng (Chengdu) packaging LTD. (Note 12)	Manufacture of all kinds of paper boxes, paper materials, paper plastics, cushioning material, tray, etc.	74,376 USD 2,610,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	18,038 USD 633,000	-	-	18,038 USD 633,000	-	-	-	-	-
Heilongjiang Hongjie Packaging LTD. (Note 11)	Manufacture of all kinds of paper boxes, paper materials, paper plastics, cushioning material, tray, etc.	70,101 USD 2,460,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	12,618 USD 442,800	-	-	12,618 USD 442,800	-	-	-	-	-
Suzhou Lianshuo Electronics LTD. (Note 6)	Manufacture of plugs	199,032 USD 6,984,441	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	218,176 USD 7,656,224	-	-	218,176 USD 7,656,224	-	-	-	-	-
Shanghai Yidong Electronics LTD. (Note 8)	Research and develop, manufacture and sale of portable micro computer, laptop and related products.	883,392 USD 31,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	558,531 USD 19,600,000	-	-	558,531 USD 19,600,000	-	-	-	-	-
Jinhong Precision Mold (Suzhou) Co., Ltd. (Note 10)	Design, process, sale and manufacture of non-metal molds. Manufacture and sale of precision molds, standard molds, plastic and hardware.	25,647 USD 900,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	48,871 USD 1,715,000	-	-	48,871 USD 1,715,000	-	-	-	-	-
Honghua Technology (Suzhou) LTD. (Note 9)	Manufacture, research and develop, process non-metal molds, precision molds, standard molds, hardware components, new version of photoelectric trigger, disk driver and their components. Manufacture of number camera, essential components and providing after sale service.	182,378 USD 6,400,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	89,365 USD 3,136,000	-	-	89,365 USD 3,136,000	-	-	-	-	-

Notes to the Non-Consolidated Financial Statements

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan as of January 1, 2020	Amount remitted from Taiwan to Mainland China		Accumulated amount of remittance from Taiwan as of December 31, 2020	Net income of investee for the year ended December 31, 2020 (direct or indirect)	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2020 (Note 2, (2))	Book value of investments in Mainland China as of December 31, 2020	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2020
					Remitted to Mainland China	Remitted back to Taiwan						
KAI HE COMPUTER ACCESSORY (SUZHOU) CO., LTD (Note 19)	Designing, manufacturing and selling electronic components and providing after-sales services, idle equipments leasing, commission agency, trading services, relevant corresponding services, and surface processing for the aforementioned products.	1,538,811 USD 54,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	1,538,811 USD 54,000,000	-	-	1,538,811 USD 54,000,000	14,053 USD 474,548	100%	14,053 USD 474,548	487,742 USD 17,115,854	-
RI TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD. (Note 19)	Designing, manufacturing and selling electronic components and providing after-sales services, idle equipments leasing, commission agency, trading services and their relevant corresponding services.	4,416,929 USD 154,999,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	4,416,929 USD 154,999,000	-	-	4,416,929 USD 154,999,000	173,244 USD 5,850,333	100%	173,244 USD 5,850,333	8,502,447 USD 298,368,105	-
RI PRO PRECISION MODEL (SHANGHAI) CO., LTD. (Note 19)	Designing, manufacturing and selling electronic components and providing after-sales services, idle equipments leasing, commission agency, trading services and their relevant corresponding services.	85,490 USD 3,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	85,490 USD 3,000,000	-	-	85,490 USD 3,000,000	6,004 USD 202,744	100%	6,004 USD 202,744	16,685 USD 585,510	-
RI MING (SHANGHAI) CO., LTD. (Note 19)	Designing, manufacturing and selling electronic components and providing after-sales services, idle equipments leasing, commission agency, trading services and their relevant corresponding services.	2,878,147 USD 101,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	2,878,147 USD 101,000,000	-	-	2,878,147 USD 101,000,000	356,881 USD 12,051,627	100%	356,881 USD 12,051,627	10,267,023 USD 360,290,651	-
SHENG RUI ELECTRONIC TECHNOLOGY (SHANGHAI) LIMITED (Note 19)	Designing, manufacturing and selling electronic components and providing after-sales services, idle equipments leasing, commission agency, trading services, relevant corresponding services, and surface processing for the aforementioned products.	284,965 USD 10,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	284,965 USD 10,000,000	-	-	284,965 USD 10,000,000	377,901 USD 12,761,436	100%	377,901 USD 12,761,436	750,208 USD 26,326,331	-
RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD. (Note 19)	Designing, manufacturing and selling electronic components and providing after-sales services, idle equipments leasing, commission agency, trading services and their relevant corresponding services.	142,483 USD 5,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	142,483 USD 5,000,000	-	-	142,483 USD 5,000,000	194,038 USD 6,552,540	100%	194,038 USD 6,552,540	5,365,638 USD 188,291,126	-
RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD (Note 19)	Designing, manufacturing and selling electronic components and providing after-sales services, idle equipments leasing, commission agency, trading services, relevant corresponding services, and surface processing for the aforementioned products.	6,269,230 USD 220,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	6,269,230 USD 220,000,000	-	-	6,269,230 USD 220,000,000	(2,804,119) (USD 94,693,136)	100%	(2,804,119) (USD 94,693,136)	(4,313,836) (USD 151,381,273)	-
RI KAI COMPUTER ACCESSORY CO., LTD. (Note 19)	Designing, manufacturing and selling electronic components and providing after-sales services, idle equipments leasing, commission agency, trading services and their relevant corresponding services.	3,087,588 USD 108,349,735	The investment is the surplus from investing in Mainland China.	- USD 0	-	-	- USD 0	2,100,580 USD 70,935,092	100%	2,100,580 USD 70,935,092	7,274,647 USD 255,282,097	-

2. Limitation on investment in Mainland China

Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020 (Note 16 and 19)		Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) (Note 15 and 19)		Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 4)	
30,279,960	USD 1,062,585,218	34,821,371	USD 1,221,952,546	119,364,312	

Notes to the Non-Consolidated Financial Statements

US dollar exchange rate : year end exchange rate 28.4965 ; average exchange rate 29.6127

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

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

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

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

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

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

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

Note 6 : Suzhou Lianshuo Electronics LTD. has completed liquidation process. As of December 31, 2020, the funds have not been remitted.

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

Note 8 : The Group has disposed of shares of Indesed Holdings Limited(indirectly invested in Shanghai Yiding Electronics LTD.). As of December 31, 2020, the funds have not been remitted.

Note 9 : Honghua Technology (Suzhou) LTD. has completed liquidation process. As of December 31, 2020, the funds have not been remitted.

Note10 : The Group has disposed shares of Jinzhong Precision Mold Industrial (Suzhou) Co., Ltd. . As of December 31, 2020, the funds have not been remitted.

Note 11 : The Group has disposed shares of Heilongjiang Hongjie Packaging LTD. . As of December 31, 2020, the funds have not been remitted.

Note 12 : Hongruiheng (Chengdu) packaging LTD. has completed liquidation process. As of December 31, 2020, the funds have not been remitted.

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

Note 14 : The Group has disposed all shares of E-Packaging. As of December 31, 2020, the funds have not been remitted.

Note 15 : Due to the reinvestment of the Group's investee, China renewable Energy Fund, LP (CREF), in Mainland China, the Group increased its line of credit to USD14,144,172, with the approval from the Investment Commission of MOEA.

Note 16 : The difference of USD7,566,844 between the accumulated amounts of remittance from Taiwan to Mainland China as of December 31, 2020 was the actual amount of investment in Mainland China made by China Renewable Energy Fund, LP(CREF).

Note 17 : The company, which hasn't contributed yet, applied for the approval of the capital contribution of Pegaglobe Investment(Jiangsu)Co.,Ltd. resulting in the contribution amount, approved by the Investment Commission of MOEA, increased by USD 100,000,000.

Note 18 : CASETEK COMPUTER (SUZHOU) CO., LTD. remitted USD20,000,000 to CASETEK HOLDINGS LIMITED. the remittance have not been remitted back to Taiwan as of December 31, 2020

Note 19 : Due to the merger of CASETEK HOLDINGS LIMITED (CAYMAN), the Group made a disclosure on the information on investment in mainland China of the merged company. However, the information will not be included in the amount of outward investment from Taiwan to Mainland China and the investment amount approved by the Investment Commission of MOEA since the related quota submitted to the Investment Commission of MOEA has not been approved.

PEGATRON CORPORATION
Statement of Accounts Receivable
December 31, 2020
(Expressed in thousands of New Taiwan Dollars)

<u>Client name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Related party			
PEGAGLOBE (KUNSHAN) CO., Ltd.	Loan	\$ 94,709,929	
PROTEK (SHANGHAI) Ltd.	"	93,386,147	
DIGITEK (CHONGQING) Ltd.	"	15,441,939	
MAINTEK COMPUTER (SUZHOU) CO., LTD.	"	14,762,095	
Other (Note)	"	<u>10,175,856</u>	
Subtotal		<u>228,475,966</u>	
Non-related party			
A	"	98,292,314	
B	"	37,585,714	
C	"	12,435,384	
Other (Note)	"	<u>35,919,813</u>	
Subtotal		184,233,225	
Less: Allowance for impairment		<u>(33,535)</u>	
Subtotal		<u>184,199,690</u>	
Total		<u><u>\$ 412,675,656</u></u>	

Note: The year-end balance of each client doesn't exceed 5 % of the account balance.

PEGATRON CORPORATION

Statement of Inventory

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Item	Amount		Note
	Cost	Net realized value	
Merchandise	\$ 32,957,593	32,607,599	
Finished goods	668,258	716,578	
Work in process	333,076	332,909	
Raw material	2,521,470	2,436,964	Replacement cost has been used as the market price of usual inventory, and net realizable value has been used as the market price of obsolete inventory.
Total	36,480,397	<u><u>36,094,050</u></u>	
Less: Allowance for inventory market decline and obsolescence	<u>(649,064)</u>		
Net total	<u><u>\$ 35,831,333</u></u>		

PEGATRON CORPORATION
Statement of Other Financial Assets
December 31, 2020
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Bank savings	Deposits for custom duties and Deposits with maturity over three months	\$ <u><u>32,988,093</u></u>	

PEGATRON CORPORATION

Statement of Changes in Investments Accounted for Using the Equity Method

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Name of investee	Beginning Balance		Addition		Decrease		Investment income or loss	Translation adjustment	Capital surplus	Cash Dividend	Unrealized gain or loss of financial instruments	Retained earnings	Re-measurement of defined benefit plans	Realized gross margin	Ending Balance		Market Value or Net Assets Value		Collateral		
	Shares (in thousand)	Amount	Shares (in thousand)	Amount	Shares (in thousand)	Amount									Shares (in thousand)	Amount	Unit price	Total amount			
ASUSPOWER INVESTMENT CO., LTD.	932,845	\$ 15,348,149	-	-	-	-	987,784	(161,381)	54,000	(527,073)	141,212	(26,222)	(1,190)	-	932,845	15,815,279	16.95	15,815,279	None		
ASUS INVESTMENT, LTD.	979,255	\$ 15,996,091	-	-	-	-	944,586	(179,371)	97,675	(381,132)	9,806	(21,044)	(3,970)	-	979,255	16,462,641	16.81	16,462,641	"		
ASUSTEK INVESTMENT CO., LTD.	951,278	14,510,988	-	-	-	-	280,975	(108,014)	70,650	(280,000)	-	(28,166)	(1,506)	-	951,278	14,444,927	15.18	14,444,927	"		
UNIHAN HOLDING LTD.	199,110	6,982,282	-	-	29,000	835,722	644,136	7,503	-	(542,070)	-	-	-	-	170,110	100,009	6,256,129	36.78	6,256,129	"	
AMA PRECISION INC.	33,500	435,048	-	-	-	-	(3,742)	459	-	-	-	-	-	-	33,500	100,009	431,765	12.89	431,765	"	
AZURE WAVE TECHNOLOGIES, INC.	35,750	378,959	-	-	-	-	72,270	(19,235)	2	-	-	-	(11)	-	35,750	23,769	431,985	28.20	1,008,150	"	
PEGATRON HOLDING LTD.	961,906	80,513,032	-	-	-	-	11,785,957	(4,336,993)	-	-	-	-	-	-	961,906	100,009	87,961,996	91.45	87,961,996	"	
PEGATRON USA, INC.	50	18,336	-	-	-	-	150	(913)	-	-	-	-	-	-	50	100,009	17,573	351.46	17,573	"	
Pegatron Holland Holding B.V.	-	2,826,764	-	-	-	-	(5,317)	42,266	-	-	-	-	-	7,444	-	100,009	2,871,157	-	2,871,157	"	
CASETEK HOLDINGS LIMITED (CAYMAN)	4,809	383,016	-	-	-	-	14,596	2,246	1,426	(4,858)	-	-	-	-	4,809	1,169	396,426	87.30	419,826	"	
PEGATRON SERVICE AUSTRALIA PTY LTD.	6,000	134,640	-	-	-	-	43,798	9,393	-	-	-	-	-	-	6,000	100,009	187,831	31.31	187,831	"	
PT. PEGATRON TECHNOLOGY INDONESIA	40	1,127,261	-	-	-	-	133,393	(61,066)	-	-	-	-	-	-	40	99,999	1,199,588	300.83	1,203,333	"	
PEGATRON TECHNOLOGY HAI PHONG COMPANY LIMITED	-	-	-	178,755	-	-	(67,582)	(5,229)	-	-	-	-	-	-	-	-	105,944	-	105,944	"	
PEGATRON VIETNAM COMPANY LIMITED	-	-	-	870,094	-	-	(5,817)	(14,980)	-	-	-	-	-	-	-	-	849,297	-	849,297	"	
Pegatron Technology India Private Limited	-	-	54,995	215,713	-	-	(3,294)	(1,181)	-	-	-	-	-	-	-	54,995	100,009	211,238	3.84	211,238	"
PEGASUS ACE LIMITED	-	-	100	3	-	-	(3)	-	-	-	-	-	-	-	100	100,009	-	-	-	"	
Total	-	\$ 138,654,566	-	1,264,565	-	835,722	14,821,890	(4,826,096)	223,753	(1,735,133)	151,018	(75,432)	(6,677)	7,444	-	-	147,643,776	-	-	-	

PEGATRON CORPORATION

Statement of Short-term Loan

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

<u>Type</u>	<u>Ending Balance</u>	<u>Contract Period</u>	<u>Interest Rate</u>	<u>Collateral</u>	<u>Note</u>
Unsecured bank loans	\$ <u><u>59,130,238</u></u>	2020.11.12~2021.03.17	0.30%~4.25%	None	

PEGATRON CORPORATION

Statement of Account Payable

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

<u>Vendor name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Related party			
PEGAGLOBE (KUNSHAN) CO., LTD	Loan	\$ 108,888,894	
PROTEK (SHANGHAI) LTD	"	35,448,023	
DIGITEK (CHONGQING) LTD	"	12,594,314	
Other (Note)	"	<u>7,746,204</u>	
Subtotal		<u>164,677,435</u>	
Non-related party			
A	"	96,169,776	
Other (Note)	"	<u>119,073,523</u>	
Subtotal		<u>215,243,299</u>	
Total		<u><u>\$ 379,920,734</u></u>	

Note: The year-end balance of each vendor doesn't exceed 5% of the account balance.

PEGATRON CORPORATION
Statement of Operating Revenue
For the year ended December 31, 2020
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Quantity</u>	<u>Amount</u>	<u>Note</u>
Sales revenue :			
3C electronic products	180,168 thousand units	\$ 1,204,891,593	Note 1
Others		<u>41,889,912</u>	Note 2
		<u>\$ 1,246,781,505</u>	

Note 1: 3C electronic products contain information technology products, consumer electronic products, and communication products.

Note 2: Others contain repair revenue, service revenue, and others.

PEGATRON CORPORATION
Statement of Operating Costs
For the year ended December 31, 2020
(Expressed in thousands of New Taiwan Dollars)

Item	Amount	
	Subtotal	Total
Cost of sales from manufacturing		
Raw material, January 1		\$ 1,687,643
Add: Purchase (Note1)		19,683,933
Transferred-in		12,211,641
Less: Transferred (includes amount transferred to each expense and loss) (Note1)		(644,225)
Raw material, December 31		(2,521,470)
Direct labor		760,630
Manufacturing expenses		<u>2,882,625</u>
Cost of manufacturing		34,060,777
Add: Work in process, January 1		319,155
Less: Transferred (includes amount transferred to each expense and loss) (Note1)		(103,212)
Work in process, December 31		<u>(333,076)</u>
Cost of finished goods		33,943,644
Add: Finished goods, January 1		259,013
Less: Transferred (includes amount transferred to each expense and loss) (Note1)		(344,443)
Finished goods, December 31		<u>(668,258)</u>
Cost of self-manufactured products		33,189,956
Merchandise, January 1	29,596,926	
Add: Purchase (Note1)	2,364,977,583	
Less: Transferred (includes amount transferred to each expense and loss) (Note1)	(1,165,167,218)	
Merchandise, December 31	<u>(32,957,593)</u>	<u>1,196,449,698</u>
Cost of goods sold		1,229,639,654
Other business costs		(1,031,376)
Allowance for inventory obsolescence		30,425
Loss on disposal of inventory		<u>104,303</u>
Operating costs		<u><u>\$ 1,228,743,006</u></u>

Note1: The product is processed by subsidiary and sold back to the Company. The number includes the sold back price of the product.

PEGATRON CORPORATION
Statement of Operating Expenses
For the year ended December 31, 2020
(Expressed in thousands of New Taiwan Dollars)

Item	Sales	Administration	Research and Development	Total
Salary and wages expenses	\$ 1,193,102	1,680,321	6,562,262	9,435,685
Rent expense	69	2,542	1,856	4,467
Premium	41,333	136,900	20,892	199,125
Traveling expense	8,144	7,324	42,150	57,618
Transportation expense	141,238	1,576	10,581	153,395
Utilities expense	6,044	8,717	43,401	58,162
Insurance expense	123,335	79,276	372,332	574,943
Expected credit loss	10,763	-	8	10,771
Depreciation expense	22,214	100,421	251,255	373,890
Amortization	2,414	14,153	26,419	42,986
Employee benefit	56,040	52,697	323,017	431,754
Pension	34,551	37,695	200,234	272,480
Examination expense	5,449	1,415	305,452	312,316
Professional service fees	61,028	125,064	33,028	219,120
Miscellaneous purchase	32,562	16,146	75,706	124,414
Office supplies	49,275	3,105	48,026	100,406
Research and development expense	-	-	326,075	326,075
Rework expense	17,106	76	2,105	19,287
Storage expense	221,930	-	-	221,930
Importation expense	73,565	64	2,006	75,635
Maintenance expense	20,015	18,952	26,309	65,276
Donation	-	129,432	-	129,432
Exportation expense	38,974	191	4,051	43,216
Other	27,270	64,884	163,704	255,858
	\$ 2,186,421	2,480,951	8,840,869	13,508,241

PEGATRON CORPORATION
Statement of Manufacturing Expenses
For the year ended December 31, 2020
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>	<u>Note</u>
Salary and wages expenses	\$ 1,154,163	
Rent expense	450	
Utilities expense	74,211	
Insurance expense	152,926	
Depreciation expense	498,921	
Amortization	56,431	
Employee benefit	185,315	
Pension	47,457	
Professional service fees	42,082	
Miscellaneous purchase	160,849	
Office supplies	49,439	
Import expense	89,576	
Outsource processing expense	38,463	
Processing expense	49,357	
Rework expense	5,467	
Transportation expense	7,434	
Storage expense	114,541	
Other	155,543	
	<u>\$ 2,882,625</u>	

Pegatron Corporation



T.H. Tung, Chairman



