

PEGATRON
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2021

ANNUAL REPORT

TWSE 4938

Printed on March 4th, 2022

Taiwan Stock Exchange Market Observation Post System

<http://mops.twse.com.tw>

PEGATRON Annual Report is available at

<http://www.pegatroncorp.com/investorRelation/annualReports>

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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).

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1. Letter to Shareholders

Dear Shareholders,

After the global outbreak of the COVID-19 pandemic and its ensuing severe impact on economic activities and daily life, in 2021 countries around the world actively promoted vaccination rate. Europe & US have gradually lifted lockdowns and relaxed border controls, people's lives have returned to normal and economic activities have gradually recovered under the financial stimulus and quantitative easing policies. However, as we observe from recent global economic trends, the pandemic has been prolonged due to the rapid spread of the Omicron variant, which will affect the pace of global economic growth due to the uneven distribution of vaccines and the inconsistent epidemic prevention measures. Looking ahead to 2022, the global economy is expected to be affected by the pandemic, vaccine coverage and epidemic prevention policies still. The disruption of industrial supply chains, shipping logistics and labor shortages caused by the pandemic during the past, as well as the possible tightening of monetary policies in countries around the world due to rising inflation, will bring a new wave of challenges to global economic growth. Pegatron's consolidated revenue declined in 2021 compared to the previous year due to the shortage of components and the severe labor market, which was exacerbated by the weaker end demand for some products. However, the overall consolidated profit was still higher than the previous year due to the stable operation of key subsidiaries and strong demand from new and existing businesses in the recent year. The Company's operating results for last year and the outlook for this year are summarized as follows.

Financial Performance

The consolidated revenue of 2021 was NT\$1,263.7 billion, a decrease of NT\$135.6 billion from NT\$1,399.3 billion in 2020, representing a 9.69% decline, with a gross margin of 3.69%. Net income after tax attributable to owners of the parent company was NT\$20.5 billion, a slight increase from NT\$20.2 billion in 2020, and earnings per share after tax was NT\$7.71. Regarding the operating performance of 2021, although the end demand for communication products was under expectation, computing products continued to benefit from the pandemic, and new models of consumer electronic products contributed to the revenue for the year. This, coupled with the strong business and demand for capacity of our key subsidiaries, contributed positively to our overall operational performance. The revenue shares of communication products remained the highest among the three main product segments, and there was no significant change in the revenue share of the three segments compared to 2020.

Note: The financial forecast for 2021 was not disclosed, therefore, no budget achievement results are available.

Technical Capability and Operating Highlights

In the past few years, Pegatron has been actively investing in the research and development of IoT, AI, 5G and automotive related technologies and product designs. The IoT and AI business have been scaled up and deployed in the smart manufacturing field. In the area of AR/VR software

and hardware integration development, the Company has further developed technologies of higher resolution, contrast, and wider view with slim, ultra-light, and ergonomic design. The Company further expanded applications to diverse fields such as life sciences and medical care. In the scope of 5G enterprise network development, we have completed the development of 5G R15 NSA split 8.0 base station system based on the O-RAN architecture and 3GPP R15 standard, which will be applied to smart factories in the future. In addition, in the field of automotive technology, the Company continues to develop next-generation automotive computers, multi-screen intelligent cockpits and multi-module vehicle-to-everything(V2X) gateways. The Company is also engaged in the design and production of electric vehicle wall charger to promote the popularization of EVs and the realization of carbon reduction and self-driving technology. With years of extensive experience in R&D and manufacturing of core information and communication technologies, and the development of 5G enterprise networks, Pegatron will combine edge computing, cloud computing and hybrid cloud, and expand applications in emerging fields such as AR/VR, V2X, smart manufacturing and smart poles through virtualization and container technologies.

In terms of operations, as the global pandemic is still unpredictable and the supply and demand of capacity in the industry supply chain is not yet stable; this increases the uncertainty of end-market demand and shipment performance. Pegatron will continue to observe and work closely with customers and suppliers to pay close attention to the supply of components and make the most appropriate allocation of production capacity. Meanwhile, Pegatron has been actively finetuning its global deployment production capacity in recent years, and continues to build and expand new production bases in Vietnam, India, and North America. The Company will continue to adjust production capacity relocation according to market and customer demand to improve overall production efficiency.

Awards and Sustainability

As a global corporate citizen, Pegatron is committed to fulfilling its corporate social responsibility by complying the United Nations Sustainable Development Goals (SDGs) and responding to sustainability issues of concern to stakeholders actively. Facing the growing urgency of climate change, Pegatron has incorporated the risks and opportunities of climate change into its management, and announced Science-Based Targets (SBTs) and implemented green manufacturing by improving energy and water efficiency, strengthening waste control and environmentally friendly design of products. The results of implementation present through participation in the Carbon Disclosure Project (CDP). While PEGATRON continues to expand its overseas plants, its carbon emissions per unit of revenue have been decreasing for three consecutive years since its peak in 2017, with a total carbon reduction of 22%. This further demonstrates Pegatron's determination to combine optimized operations with carbon reduction. In addition, Pegatron has joined the Responsible Business Alliance (RBA) to promote sustainable supply chains, requiring suppliers to implement occupational safety and health (OSH) standards and labor human rights management in accordance with international initiatives and customer regulations. The Company has been selected as a constituent of the FTSE4Good Taiwan

Sustainability Index for nine consecutive times and will continue to optimize its ESG performance and work closely with its value chain to achieve sustainable benefits.

Outlook

Looking ahead to 2022, the returning to work in office in the post-pandemic era will help boost business demand, and the Windows 11 upgrade is expected to stimulate demand for enterprise and high-end consumer models. However, supply of key components needs to be monitored closely. After a full year of significant revenue contribution from consumer electronics products, mainly driven from new model launched by game console customers, the Company expects to maintain shipment momentum this year. The overall revenue contribution from smart home related devices is also expected to grow steadily with the expansion of product lines and the launch of new models. For communication products, the Company will continue to optimize its product portfolio and improve our management and production efficiency to stabilize capacity utilization during the peak and low season under the existing capacity scale. In the area of automotive electronics, in addition to the significant growth in production and sales of our major customer last year, which simultaneously drove our shipment performance, we expect to further increase the contribution of automotive products to our overall revenue this year driven by business expansion of our existing customers and acquiring new customers.

As the global economy and market demand are still affected by the global pandemic, and the industry as a whole is facing challenges such as supply chain disruptions, transportation and logistics bottlenecks, and the global energy crisis, Pegatron will not only strengthen its operations and supply chain management, but also continue its global production capacity optimization plan, expand and integrate its manufacturing bases according to end market and customer needs to finetune overall production efficiency, and continue to optimize product mix, develop products with high-end technology, and increase the production automation ratio to enhance the Group's overall profitability.

Finally, on behalf of all the employees of Pegatron, we would like to thank all the shareholders for their support and encouragement. We will continue to strengthen our core competitiveness and enhance the value of the Company by leveraging our years of extensive experience in operations and product assembly, with the hope that our shareholders, customers and employees will share the fruitful results of the Company's operations.

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 for the 2009 CSR Report based on Global Reporting Initiative G3 format. ● 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. |

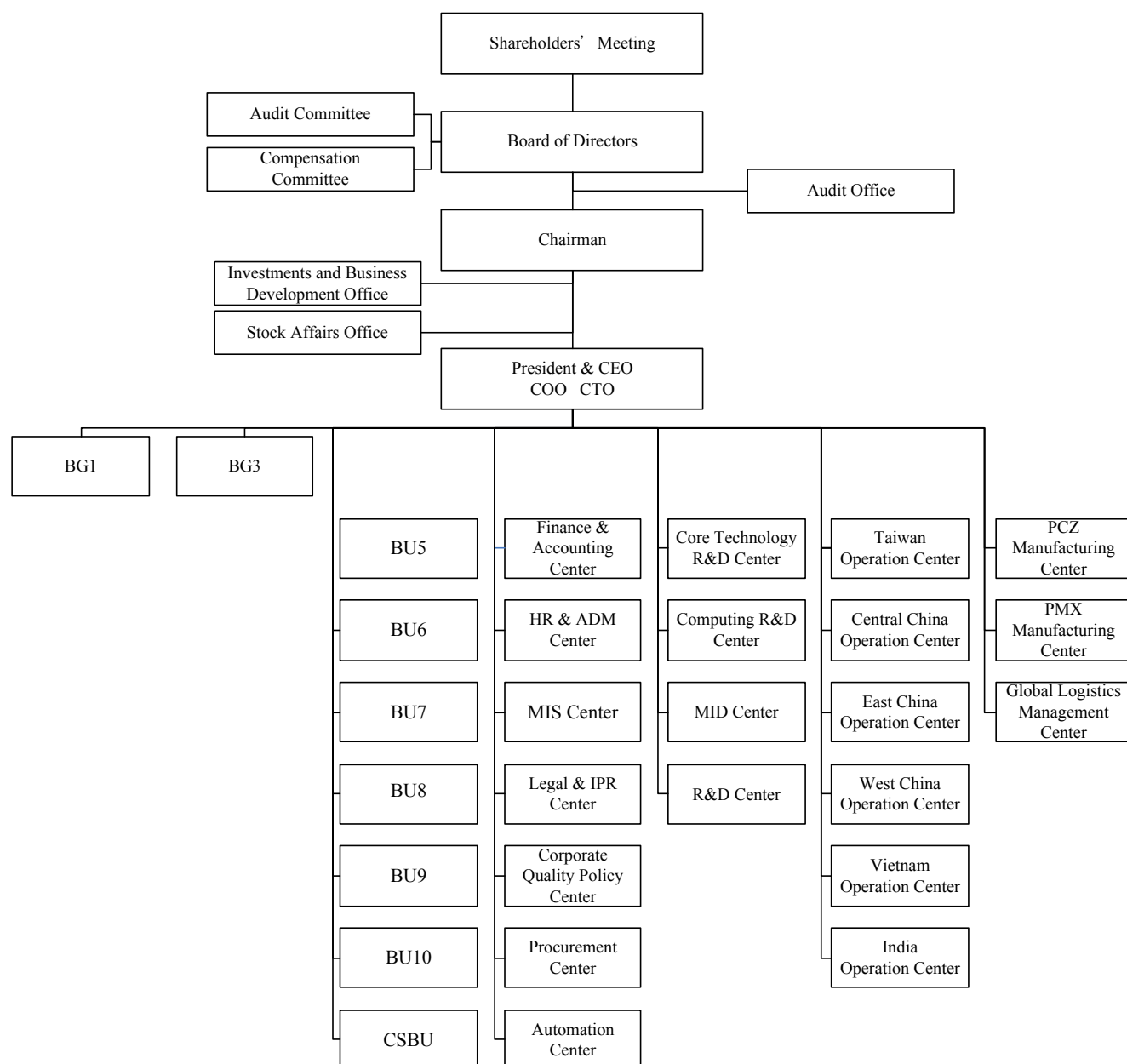
| | |
|-----------|---|
| Aug 2020 | <ul style="list-style-type: none"> • The Company's Board of Directors approved a reverse triangular merger between the wholly-owned subsidiary Pegasus Ace Limited and Casetek Holdings Limited (Cayman). The consideration for the merger was paid by the Company to Casetek's 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. |
| July 2021 | <ul style="list-style-type: none"> • Issuance of 7,574,000 shares for Employee Restricted Stock Award and paid-in capital increased to NT\$26,704 million. |
| Dec 2021 | <ul style="list-style-type: none"> • The Company issued unsecured corporate bonds (110-1) of NT\$8.9 billion. |

3. Corporate Governance

3.1 Organization Structure

3.1.1 Organization Chart

As of 02/28/2022



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, development and services of Automotive products |
| Business Unit 9 | Design, manufacturing and services of metal casings and mold for products |
| Business Unit 10 | Design, manufacturing and services of system products and peripheral products such as industrial PCs, industrial tablets, handheld devices |

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

As of 02/28/2022

| Title / Name | Nationality | Gender and Age | Date First Elected | Term (Years) | Date Elected | Shareholding when Elected | | Current Shareholding (Note 3) | | Spouse & Minor Shareholding | | Shareholding by Nominee Arrangement | | Experience (Education) | Selected Current Positions |
|-----------------------------------|-------------|----------------|--------------------|--------------|--------------|---------------------------|------|-------------------------------|------|-----------------------------|------|-------------------------------------|---|--|---|
| | | | | | | Shares | % | Shares | % | Shares | % | Shares | % | | |
| Chairman T.H. Tung (Note 1) | R.O.C | Male 61 | 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 of Kinsus Interconnect Technology Corp. Chairman of Pegavision Corp. | Chairman and CSO of Pegatron Corp. Chairman of Kinsus Investmet Co., Ltd. Chairman of Lumens Digital Optics Inc. Chairman of Asus Investment Co., Ltd. Chairman of Asustek Investment Co., Ltd. Chairman of Ri-Kuan Metal Corporation Chairman of Aquamax Corporation Chairman of FacialBeau International Corporation Chairman of FISFISA Media Inc. Independent Director of PChome online Inc. Director of Pegavision Corp. Director of Asrock Incorporation Director of Kinsus Interconnect Technology Corp. Director of FuYang Technology Corp. Director of Casetek Holdings Limited (Cayman) Director of Pegatron Holding Ltd. Director of Unihan Holding Ltd. Director of Magnificent Brightness Ltd. Director of Casetek Holdings Ltd. Director of Protek Global Holdings Ltd. Director of Digitek Global Holdings Ltd. Director of Kinsus Corp.(USA) Ltd. Director of Pegatron Holland Holding B.V. Director of Powtek Holdings Limited Director of Cotek Holdings Limited Director of Grand Upright Technology Limited Director of Aslink Precision Co., Ltd Director of Q Place Creative Inc. Director of The Alliance Cultural Foundation Director of Hanguang Education Foundation Director of Taipei Computer Association Supervisor of National Performing Arts Center |
| | | | | | | | | | | | | | | | |

| Title / Name | Nationality | Gender and Age | Date First Elected | Term (Years) | Date Elected | Shareholding when Elected | | Current Shareholding (Note 3) | | Spouse & Minor Shareholding | | Shareholding by Nominee Arrangement | | Experience (Education) | Selected Current Positions |
|------------------------------|-------------|----------------|--------------------|--------------|--------------|---------------------------|------|-------------------------------|------|-----------------------------|------|-------------------------------------|---|--|----------------------------|
| | | | | | | 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 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 Director of Lovely Taiwan Foundation Vice Chairman and Deputy CSO of Pegatron Corp. Chairman of AzureWave Technologies, Inc. Chairman of Casetek Holdings Limited (CAYMAN) Chairman of FuYang Technology Corp. Chairman of Azure Lighting Technologies, Inc. Chairman of Pegatron Technology India Private Limited Director of Asus Investment Ltd. Director of Asustek Investment Ltd. Director of Asustek Investment Ltd. Director of Pegatron Czech s.r.o. Director of Pegatron USA Director of Azwave Holdings(SAMOA)INC. Independent Director of GCS Holdings, Inc. Director of Alcor Micro Corp. Director of Epoch Foundation | |
| Vice Chairman Jason Cheng | R.O.C | Male 62 | 05/18/2010 | 3 | 06/21/2019 | 4,439,773 | 0.17 | 5,019,773 | 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 | |

| Title / Name | Nationality | Gender and Age | Date First Elected | Term (Years) | Date Elected | Shareholding when Elected | | Current Shareholding (Note 3) | | Spouse & Minor Shareholding | | Shareholding by Nominee Arrangement | | Experience (Education) | Selected Current Positions |
|-----------------------|-------------|----------------|--------------------|--------------|--------------|---------------------------|------|-------------------------------|------|-----------------------------|------|-------------------------------------|---|--|---|
| | | | | | | Shares | % | Shares | % | Shares | % | Shares | % | | |
| Director S.J. Liao | R.O.C | Male 72 | 06/21/2019 | 3 | 06/21/2019 | 2,018,856 | 0.08 | 3,219,856 | 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. Chairman of Pegatron Vietnam Company Limited Chairman of Pegatron Technology HAI PHONG Company limited Chairman of Kinsus Interconnect Technology Corp. President of Pegatron Japan Inc. Director of AMA Precision Inc. Director of Asuspowers Corporation Director of Asuspowers Investment Co., Ltd. Director of KAEDAR Electronics(KUNSHAN) Co.,Ltd. Director of Pirotek Holdings Ltd (Cayman) Director of Pirotek Holdings Ltd Director of PIOTEK (HK) TRADING LIMITED Director of Kinsus Holding (Samoa) Limited Director of Kinsus Holding (Cayman) Limited Executive Director of KAI CHUAN Electronics(CHONGQING) Co., Ltd. Supervisor of FuYang Technology Corp. |
| Director C.I. Chia | R.O.C | Male 67 | 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 Airiti Inc. |

| Title / Name | Nationality | Gender and Age | Date First Elected | Term (Years) | Date Elected | Shareholding when Elected | | Current Shareholding (Note 3) | | Spouse & Minor Shareholding | | Shareholding by Nominee Arrangement | | Experience (Education) | Selected Current Positions |
|-----------------------|-------------|----------------|--------------------|--------------|--------------|---------------------------|---|-------------------------------|---|-----------------------------|---|-------------------------------------|---|---|--|
| | | | | | | Shares | % | Shares | % | Shares | % | Shares | % | | |
| Director C.V. Chen | R.O.C | Male 77 | 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 Director of Lee and Li Foundation Director of Asia Cement Corporation Adjunct Professor of Law at Soochow University |
| | | | | | | - | - | - | - | - | - | - | - | | |
| Director T.K. Yang | R.O.C | Male 67 | 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 Private Equity Fund Co., Ltd. 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. Limited Director of TTY Biopharm Company Director of CHIEN KUO Construction Co., LTD. Director of Airti Inc. |
| | | | | | | - | - | - | - | - | - | - | - | | |

| Title / Name | Nationality | Gender and Age | Date First Elected | Term (Years) | Date Elected | Shareholding when Elected | | Current Shareholding (Note 3) | | Spouse & Minor Shareholding | | Shareholding by Nominee Arrangement | | Experience (Education) | Selected Current Positions |
|---|-------------|----------------|--------------------|--------------|--------------|---------------------------|------|-------------------------------|------|-----------------------------|---|-------------------------------------|---|--|--|
| | | | | | | Shares | % | Shares | % | Shares | % | Shares | % | | |
| Director DAI-HE Investment Co., Ltd. Rep. : S. Chi | R.O.C | Male 74 | 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 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 Visiting Professor, University of Zagreb, Croatia | 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 NTU Economic Research Academic Foundation |

| Title / Name | Nationality | Gender and Age | Date First Elected | Term (Years) | Date Elected | Shareholding when Elected | | Current Shareholding (Note 3) | | Spouse & Minor Shareholding | | Shareholding by Nominee Arrangement | | Experience (Education) | Selected Current Positions |
|---|-------------|----------------|--------------------|--------------|--------------|---------------------------|------|-------------------------------|------|-----------------------------|------|-------------------------------------|---|--|---|
| | | | | | | Shares | % | Shares | % | Shares | % | Shares | % | | |
| Director HONG-YE Investment Co., Ltd. Rep. : E.L. Tung (Note 2) | R.O.C | Female 29 | 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 75 | 05/18/2010 | 3 | 06/21/2019 | - | - | - | - | 130,000 | 0.00 | - | - | B.S., Statistics, National Chengchi University Master degreee in Statistics, National Chengchi University Deputy General Manager of China Development Industrial Bank Manager of Far Eastern Textile Ltd. Electrical Engineering, National Taipei Institute of Technology President & GM of Havix Electronics Co., Ltd. | Independent Director of Standard Foods Corporation Director of Polytronic Technology Corp. |
| Independent Director C.P. Hwang | R.O.C | Male 61 | 06/21/2016 | 3 | 06/21/2019 | 80,745 | 0.00 | 80,745 | 0.00 | 1,108,202 | 0.04 | - | - | President & GM of Havix Electronics Co., Ltd. | |

| Title / Name | Nationality | Gender and Age | Date First Elected | Term (Years) | Date Elected | Shareholding when Elected | | Current Shareholding (Note 3) | | Spouse & Minor Shareholding | | Shareholding by Nominee Arrangement | | Experience (Education) | Selected Current Positions |
|----------------------------------|-------------|----------------|--------------------|--------------|--------------|---------------------------|---|-------------------------------|---|-----------------------------|---|-------------------------------------|---|--|--|
| | | | | | | Shares | % | Shares | % | Shares | % | Shares | % | | |
| Independent Director C.S. Yen | R.O.C. | Male 74 | 05/18/2010 | 3 | 06/21/2019 | - | - | - | - | - | - | - | - | 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 Children's Hearing Foundation Director of Paul Chiang Arts & Cultural Foundation Director of GUO MIN-XING Tourism Development Foundation | 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 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: Current shareholding included the employee restricted stocks, which are under the custody of the Trust

Major Shareholders of the Institutional Shareholders

As of 02/28/2022

| 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 02/28/2022

| 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

3.2.2.1 Disclosure of Professional Qualifications of the Board Directors and Independence of Independent Directors

As of 02/28/2022

| Criteria Name | Professional Qualification and Experiences | Independence Criteria | Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director |
|------------------|---|--|---|
| T.H. Tung | <ul style="list-style-type: none"> ● Been one of the co-founders and served as vice chairman of Asus. After division of Asus brand-name business and OEM/ODM business in 2008, Mr. Tung served as the Chairman of Pegatron Corp. until now. Be committed to promoting technology innovation and has accumulated experience for over 30 years. ● Not been a person of any conditions defined in Article 30 of the Company Law. | <ul style="list-style-type: none"> ● As the management Team of the Company and its affiliates, and a director of its affiliates. ● As the top 10 shareholders of the company. ● Around 3.79% of the Company's outstanding shares held by him and his spouse. ● Be relative with Ms.E.L. Tung within second degree of kinship. ● Not a director, supervisor and employee of a specified company. | 1 |
| Jason Cheng | <ul style="list-style-type: none"> ● With expertise in both chip design and motherboard R&D. Served as general manager of OEM business group and deputy general manager of Asus, President and CEO and current vice chairman of Pegatron Corp. Familiar with DMS business and has accumulated experience for over 30 years. ● Not been a person of any conditions defined in Article 30 of the Company Law. | <ul style="list-style-type: none"> ● As the management Team of the Company and its affiliates, and a director of its affiliates. ● Around 0.19% of the Company's outstanding shares held by him and his spouse. ● Not be relative with other board members within second degree of kinship. ● Not a director, supervisor and employee of a specified company. | 1 |
| S.J. Liao | <ul style="list-style-type: none"> ● Served as Chief Procurement Officer of Asus and Pegatron Corp., and Chief Operating Officer of Pegatron Corp. and current President and CEO of Pegatron Corp. Familiar with factory operations, procurement and other businesses for over 40 years. ● Not been a person of any conditions defined in Article 30 of the Company Law. | <ul style="list-style-type: none"> ● As the management Team of the Company and a director of its affiliates. ● Around 0.12% of the Company's outstanding shares held by him and his spouse. ● Not be relative with other board members within second degree of kinship. ● Not a director, supervisor and employee of a specified company. | 0 |

| Criteria Name | Professional Qualification and Experiences | Independence Criteria | Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director |
|------------------|---|---|---|
| C.I. Chia | <ul style="list-style-type: none"> ● Served as Vice President of Citibank, N.A. Taipei Branch and President of individual financial services group, Bank SinoPac. With expertise in finance and areas of venture capital. Over 30 years of experience in financial industry. ● Not been a person of any conditions defined in Article 30 of the Company Law. | <ul style="list-style-type: none"> ● Not be the management Team of the Company or any of its affiliates. ● Not a spouse, relative within the second degree of kinship, served as a director, supervisor or employee of the Company or any of its affiliates. ● Less than 0.01% of the Company's outstanding shares held by him and his spouse. ● Not be relative with other board members within second degree of kinship. ● Not a director, supervisor and employee of a specified company. ● Not a professional individual who provides auditing or other services including commercial, legal, financial, accounting services to the Company or any of its affiliates in the past two years. | 1 |
| C.V. Chen | <ul style="list-style-type: none"> ● Been a qualified lawyer with rich legal literacy, practical and teaching experience. As a senior partner of Lee and Li Attorneys-At-Law and adjunct Professor of Law at Soochow University at present. Over 40 years in his practice, and expertise in transnational legal dispute resolution. ● Not been a person of any conditions defined in Article 30 of the Company Law. | <ul style="list-style-type: none"> ● Not be the management Team of the Company or any of its affiliates. ● Not a spouse, relative within the second degree of kinship, served as a director, supervisor or employee of the Company or any of its affiliates. ● No shareholding of the Company held by him and his spouse. ● Not be relative with other board members within second degree of kinship. ● Not a director, supervisor and employee of a specified company. ● In the past two years, the remuneration for the Company's legal services obtained by the law firm where he served was approximately NT\$5,892 thousands. | 0 |

| Criteria Name | Professional Qualification and Experiences | Independence Criteria | Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director |
|------------------|--|---|---|
| T.K. Yang | <ul style="list-style-type: none"> Served as Associate Professor of MBA at National Chengchi University and held several important positions in government and financial institutions. With expertise in business management, areas of investment bank and venture capital. Over 30 years of experience in government, commerce and education. Not been a person of any conditions defined in Article 30 of the Company Law. | <ul style="list-style-type: none"> Not be the management Team of the Company or any of its affiliates. Not a spouse, relative within the second degree of kinship, served as a director, supervisor or employee of the Company or any of its affiliates. No shareholding of the Company held by him and his spouse. Not be relative with other board members within second degree of kinship. Not a director, supervisor and employee of a specified company. Not a professional individual who provides auditing or other services including commercial, legal, financial, accounting services to the Company or any of its affiliates in the past two years. | 0 |
| S. Chi | <ul style="list-style-type: none"> Served as Dean of School of Management at National Central University and Department Chair of economics, National Taiwan University, and held several important positions in government and financial institutions. As a Chair Professor of Shin Hsin University and Soochow University at present. Familiar with government financial policies and have rich teaching experience. With expertise in economic development strategies and industrial development. Over 40 years of experience in government, commerce and education. Not been a person of any conditions defined in Article 30 of the Company Law. | <ul style="list-style-type: none"> Not be the management Team of the Company or any of its affiliates. Not a spouse, relative within the second degree of kinship, served as a director, supervisor or employee of the Company or any of its affiliates. No shareholding of the Company held by him and his spouse. Not be relative with other board members within second degree of kinship. Not a director, supervisor and employee of a specified company. Not a professional individual who provides auditing or other services including commercial, legal, financial, accounting services to the Company or any of its affiliates in the past two years. As a juristic-person director defined in Article 27 of the Company Law. | 3 |

| Criteria Name | Professional Qualification and Experiences | Independence Criteria | Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director |
|------------------|---|---|---|
| E. L. Tung | <ul style="list-style-type: none"> Specializes in communication management. Not been a person of any conditions defined in Article 30 of the Company Law. | <ul style="list-style-type: none"> Not be the management Team of the Company or any of its affiliates. Not a spouse, relative within the second degree of kinship, served as a director, supervisor or employee of the Company or any of its affiliates. She holds around 0.12% of the Company's outstanding shares. Be relative with the Chairman, Mr. T.H. Tung, within second degree of kinship. Not a director, supervisor and employee of a specified company. Not a professional individual who provides auditing or other services including commercial, legal, financial, accounting services to the Company or any of its affiliates in the past two years. As a juristic-person director defined in Article 27 of the Company Law. | 0 |
| C. B. Chang | <ul style="list-style-type: none"> Served as Deputy General Manager of China Development Industrial Bank. With expertise in finance, industry research and areas of venture capital. Over 40 years of experience in business management and financial industry. Not been a person of any conditions defined in Article 30 of the Company Law. | <ul style="list-style-type: none"> Not be the management Team of the Company or any of its affiliates. Not a spouse, relative within the second degree of kinship, served as a director, supervisor or employee of the Company or any of its affiliates. He and his spouse hold less than 0.01% of the Company's outstanding shares. Not be relative with other board members within second degree of kinship. Not a director, supervisor and employee of a specified company. Not a professional individual who provides auditing or other services including commercial, legal, financial, accounting services to the Company or any of its affiliates in the past two years. | 1 |

| Criteria Name | Professional Qualification and Experiences | Independence Criteria | Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director |
|------------------|---|--|---|
| C.P. Hwang | <ul style="list-style-type: none"> ● Served as the independent director of Kinsus Interconnect Technology Corp. and also been the President and General Manager of Havix Electronics Co., Ltd. Over 30 years of experience in electronic industry risks and performance management. ● Not been a person of any conditions defined in Article 30 of the Company Law. | <ul style="list-style-type: none"> ● Not be the management Team of the Company or any of its affiliates. ● Not a spouse, relative within the second degree of kinship, served as a director, supervisor or employee of the Company or any of its affiliates. ● He and his spouse hold around 0.04% of the Company's outstanding shares. ● Not be relative with other board members within second degree of kinship. ● Not a director, supervisor and employee of a specified company. ● Not a professional individual who provides auditing or other services including commercial, legal, financial, accounting services to the Company or any of its affiliates in the past two years. | 0 |
| C.S. Yen | <ul style="list-style-type: none"> ● Served as Country Manager of American Express Inc. Taiwan, Group President of Landis Hotels and Resorts. Been the Chairman of The Alliance Cultural Foundation and Junyi School for Innovative Learning. With expertise in business management. Over 40 years of experience in service industry and education. ● Not been a person of any conditions defined in Article 30 of the Company Law. | <ul style="list-style-type: none"> ● Not be the management Team of the Company or any of its affiliates. ● Not a spouse, relative within the second degree of kinship, served as a director, supervisor or employee of the Company or any of its affiliates. ● No shareholding of the Company held by him and his spouse. ● Not be relative with other board members within second degree of kinship. ● Not a director, supervisor and employee of a specified company. ● Not a professional individual who provides auditing or other services including commercial, legal, financial, accounting services to the Company or any of its affiliates in the past two years. | 0 |

3.2.2.2 Diversity and Independence of the Board

Diversity of Board Members

The Company's fifth Board of Directors encompass diverse professional backgrounds and are composed of 11 Directors, including one female Director, taking into account gender, professional background and experience. The Board is composed of members with backgrounds in technology, finance, industry and academe, with areas of expertise covering computer telecommunications, electrical engineering, electronic product applications, business management, law, media management, industrial economics and public interest management and generally possesses the knowledge, skills and qualities necessary to perform their duties. They possess the ability to make judgements about operations, accounting, finance, knowledge of the industry, leadership capabilities, as well as an international market perspective.

The Directors are fully composed of Taiwanese nationals, with 27.27% of the Directors being employees of the Company, 18.18% being employees of subsidiaries and 72.73% being non-employees. One Director is under the age of 40, five are between 40 and 70 and five are over 70.

The diversity of the Company's Board members has been implemented in accordance with the "Corporate Governance Best Practice Principles" and the "Procedures for the Election of Directors." The current Board members have different qualifications and provide advice to the Company based on their respective expertise. The composition of the Board of Directors shall be determined by taking diversity into consideration and formulating an appropriate policy on diversity based on the company's business operations, operating dynamics, and development needs, including but not limited to the criteria of basic criteria and values, professional knowledge and skills, etc. This ensures the Board of Directors have a diversity of perspectives and strengthens the functions of the Board. In addition to the foregoing, the Company also places emphasis on gender equality in the composition of the Board of Directors, which should include at least one member of each gender and will continue to strive to increase the percentage of female Directors in the future .

| 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 |
|--------------------------|-----------|-------------|-----------|-----------|-----------|-----------|--------|-----------|------------|------------|----------|
| Diversity | | | | | | | | | | | |
| Gender | Male | Male | Male | Male | Male | Male | Male | Female | Male | Male | Male |
| Employee of Pegatron | V | V | V | | | | | V | | | |
| Below 40 | | | | | | | | | | | |
| Age | V | V | V | V | V | V | V | | | | |
| Between 40-70 | | | | | | | | | | | |
| Above 70 | | | | | | | | | | | |
| Business Management | V | V | V | V | V | V | V | V | V | V | V |
| Technology | V | V | V | V | | V | | | V | V | |
| Finance | | | | V | | V | V | | V | | |
| Commerce | V | V | V | V | V | V | V | | V | V | V |
| Law | | | | | V | | | | | | |
| Communication Management | | | | | | | | V | | | |
| Industry Knowledge | V | V | V | V | V | V | V | V | V | V | V |

Management Goals of Diversity :

| Management Goals | Implementation Status |
|---|-----------------------|
| Less than half of the directors should be management team of the Company. | Yes |
| The composition of the board of directors should have at least one member of different genders. | Yes |

Independence of the Board :

The 11 Directors of the Company include 3 independent Directors, accounting for 27.27% of the total number of Directors. All three independent directors meet the independence requirements of Article 14-2 of the Securities and Exchange Act and the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies." All Directors maintain their independence within the scope of their duties and are not directly or indirectly interested parties to the Company. A declaration of independence from each of the independent Directors has also been obtained during their election and terms of office and the three independent Directors are not related to each other as spouses or relatives within the second degree of kinship.

More than half of the members of the Board of Directors of the Company do not concurrently serve as employees or managerial officers, and only Mr. Tung Tzu-Hsien, the Chairman and Ms. Tung Ai-Lin, a Director, are related to each other within two degrees. As more than half of the Directors are not related to each other by spousal relationships or second degree of kinship, the Board of Directors of the Company is deemed independent in accordance with the above.

3.2.3 Board of Directors Training Record

| Title | Name | Date | Institute | Course | Period (hours) |
|---------------|-------------|------------|---|--|----------------|
| Chairman | T.H. Tung | 2021/04/26 | The Taiwan Corporate Governance Association | Motivate the digital resilience of enterprises - discussion on emergency response and recovery from Ransomware | 3 |
| | | 2021/09/16 | | Corporate sustainability development-"Environmental Protection" and Legal Compliance | 3 |
| | | 2021/10/28 | | Analysis of ethical corporate management, CSR and ESG cases | 3 |
| | | 2021/11/11 | | Learn about related party transactions, extraordinary transactions and insider trading from real cases | 3 |
| Vice Chairman | Jason Cheng | 2021/09/16 | The Taiwan Corporate Governance Association | Corporate sustainability development-"Environmental Protection" and Legal Compliance | 3 |
| | | 2021/11/11 | | Learn about related party transactions, extraordinary transactions and insider trading from real cases | 3 |
| Director | S.J. Liao | 2021/09/16 | The Taiwan Corporate Governance Association | Corporate sustainability development-"Environmental Protection" and Legal Compliance | 3 |
| | | 2021/11/11 | | Learn about related party transactions, extraordinary transactions and insider trading from real cases | 3 |
| Director | C.I. Chia | 2021/04/29 | The Taiwan Corporate Governance Association | Corporate Management : From CSR to ESG | 3 |
| | | 2021/09/16 | | Corporate sustainability development-"Environmental Protection" and Legal Compliance | 3 |
| | | 2021/11/11 | | Learn about related party transactions, extraordinary transactions and insider trading from real cases | 3 |
| Director | C.V. Chen | 2021/09/16 | The Taiwan Corporate Governance Association | Corporate sustainability development-"Environmental Protection" and Legal Compliance | 3 |
| | | 2021/11/11 | | Learn about related party transactions, extraordinary transactions and insider trading from real cases | 3 |

| Title | Name | Date | Institution | Course | Period (hours) |
|----------------------|--|-------------|---|--|-----------------------|
| Director | T.K. Yang | 2021/09/16 | The Taiwan Corporate Governance Association | Corporate sustainability development-"Environmental Protection" and Legal Compliance | 3 |
| | | 2021/11/11 | | Learn about related party transactions, extraordinary transactions and insider trading from real cases | 3 |
| Director | DAI-HE Investment Co., Ltd. Rep.: S. Chi | 2021/09/16 | The Taiwan Corporate Governance Association | Corporate sustainability development-"Environmental Protection" and Legal Compliance | 3 |
| | | 2021/11/11 | | Learn about related party transactions, extraordinary transactions and insider trading from real cases | 3 |
| Director | HONG-YE Investment Co., Ltd. Rep.: E.L. Tung | 2021/09/16 | The Taiwan Corporate Governance Association | Corporate sustainability development-"Environmental Protection" and Legal Compliance | 3 |
| | | 2021/11/11 | | Learn about related party transactions, extraordinary transactions and insider trading from real cases | 3 |
| Independent Director | C.B. Chang | 2021/09/16 | The Taiwan Corporate Governance Association | Corporate sustainability development-"Environmental Protection" and Legal Compliance | 3 |
| | | 2021/11/11 | | Learn about related party transactions, extraordinary transactions and insider trading from real cases | 3 |
| Independent Director | C.P. Hwang | 2021/09/16 | The Taiwan Corporate Governance Association | Corporate sustainability development-"Environmental Protection" and Legal Compliance | 3 |
| | | 2021/11/11 | | Learn about related party transactions, extraordinary transactions and insider trading from real cases | 3 |
| Independent Director | C.S. Yen | 2021/09/16 | The Taiwan Corporate Governance Association | Corporate sustainability development-"Environmental Protection" and Legal Compliance | 3 |
| | | 2021/11/11 | | Learn about related party transactions, extraordinary transactions and insider trading from real cases | 3 |

3.2.4 Introduction of the Management Team

As of 02/28/2022

| Title / Name | Nationality | Gender | On-board Date | Current Shareholding (Note 3) | | Spouse & Minor Shareholding | | Shareholding by Nominee Arrangement | | Experience (Education) | Selected Current Positions | Note |
|--------------------------------|-------------|--------|---------------|-------------------------------|------|-----------------------------|------|-------------------------------------|---|--|---|------|
| | | | | Shares | % | Shares | % | Shares | % | | | |
| CSO 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 Chairman of Kinsus Interconnect Technology Corp. Chairman of Pegavision Corp. | Refer to Introduction of Board of Directors | |
| Deputy CSO Jason Cheng | R.O.C. | Male | 01/01/2008 | 5,019,773 | 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 | 3,219,856 | 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 | |

| Title / Name | Nationality | Gender | On-board Date | Current Shareholding (Note 3) | | 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 | 720,000 | 0.03 | - | - | - | - | 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. Chairman of PEGATRON ELECTRONICS INC. Chairman of PEGATRON TECHNOLOGY TEXAS INC. | |
| Senior Vice President Hsu-Tien Tung | R.O.C | Male | 08/01/2008 | 540,000 | 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 | 868,949 | 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 | 1,645,630 | 0.06 | - | - | - | - | Ph. D. Electrical Engineering, University of Southern California Master degree in Electrical Engineering, University of Southern California Bachelor degree in 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 3) | | 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 | Male | 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. 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. | Male | 08/01/2008 | 628,309 | 0.02 | 309,000 | 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 | Male | 08/01/2008 | 1,242,278 | 0.05 | 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. | Male | 02/01/2008 | 561,213 | 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. | Male | 01/17/2022 | 967 | 0.00 | - | - | - | - | Bachelor degree in Mechanical Engineering National Taiwan Institute of Technology Associate Vice President of ASUS | None | Note 1 |

| Title / Name | Nationality | Gender | On-board Date | Current Shareholding (Note 3) | | 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 | 692,624 | 0.03 | 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 Director of AzureWave Technologies, Inc. President and CEO of AzureWave Technologies, Inc. Chairman of AzureWave Technologies (Shanghai) Inc. Chairman of AzureLighting Technologies (Yangzhou) Inc. Chairman of Aigale Corporation | Note 2 |
| Vice President Tian-Bao Chang | R.O.C | Male | 08/01/2008 | 1,034,101 | 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 CORE-TEK (SHANGHAI) LIMITED Director of CHONGQING ZUANSUO TRADING CO.,LTD. | |
| Vice President Chih-Hsiung Chen | R.O.C | Male | 07/10/2010 | 868,609 | 0.03 | 200,000 | 0.01 | - | - | Master degree in Electrical Engineering Tufts University Vice President of ASUS | None | |
| Vice President Hsi-Wen Lee | R.O.C. | Male | 08/01/2012 | 591,390 | 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 3) | | 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 | 901,795 | 0.03 | 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 | 1,040,000 | 0.04 | - | - | - | - | Master degree in Business Administration, University of St. Thomas Vice Chairman of OFCO Industrial 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 Eslite 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 | 608,000 | 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 | 291,000 | 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 3) | | 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 | 440,028 | 0.02 | - | - | - | - | Ph.D. of Power Mechanical Engineering, National Tsing Hua University Master degree in Power Mechanical Engineering, National Tsing Hua University Section Manager of OES/ITRI Deputy Director of ASUS Senior Director of Unihan Corp. | Supervisor of KAI CHUAN Electronics (Chongqing) Co., Ltd. Director of Luxcase Precision Technology (YanCheng) Co., Ltd. Director of Zhangjiagang Dongbu High Technology Metal Products Co.,Ltd. | |
| Corporate Governance Officer Chieh-Tsung Chen | R.O.C | Male | 06/21/2019 | 895,893 | 0.03 | 1,122,199 | 0.04 | - | - | Master degree in Management, Tamkang University Senior Associate Vice President of Kinsus Interconnect Technology Corp. Director of Starlink Electronics Corp. | 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 | 478,000 | 0.02 | - | - | - | - | 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 | None | |

Note 1: Mr. Shih-Chi Hsu was appointed Vice President on January 17th, 2022.

Note 2: Mr. Kuang-Chih Cheng resigned from the management team and took on a new internal position, effective from 1st May, 2021.

Note 3: Current shareholding included the employee restricted stocks, which are under the custody of the Trust.

3.2.5 Remuneration and Compensation Paid to Directors, the President, and Vice President

3.2.5.1 Remuneration Paid to Director

| Title/ Name | | Remuneration | | | | | | 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) | | | | | | | |
| | | 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 | Stock | | | | | |
| Chairman T.H. Tung | | | | | | | | | | | | | | | | | | | | | |
| Vice Chairman Jason Cheng | | | | | | | | | | | | | | | | | | | | | |
| Director S.J. Liao | | | | | | | | | | | | | | | | | | | | | |
| Director C.I. Chia | 0 | 937 | 0 | 0 | 106,010 | 122,546 | 0 | 3 | 0.52% | 0.60% | 91,416 | 97,830 | 0 | 0 | 22,000 | 0 | 42,085 | 0 | 1.07% | 1.28% | 0 |
| Director C.V. Chen | | | | | | | | | | | | | | | | | | | | | |
| Director T.K. Yang | | | | | | | | | | | | | | | | | | | | | |
| Director DAI-HE Investment Co., Ltd. Rep: S. Chi | | | | | | | | | | | | | | | | | | | | | |

| 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 | | | Employee Compensation (G) | | | | Total remuneration (A+B+C+D+E+F+G) as a % of net income | | Compensation from non-paid to directors consolidated affiliates |
|--|----------------------|--------------------------------|-------------------------------|--------------------------------|-------------------------------------|--------------------------------|---|--------------------------------|--|--------------------------------|--------------------------------|--------------------------------|---|--------------------------------|---------------|--------------------------------|--------------------------------|--------------------------------|---------------|---|--------------------------------|---|
| | Base Compensation(A) | | Severance Pay and Pensions(B) | | Compensation to Directors(C) (Note) | | Allowances(D) | | Base Compensation, Bonuses, and Allowances (E) | | Severance Pay and Pensions (F) | | From all consolidated entities | | From Pegatron | | From all consolidated entities | | From Pegatron | From all consolidated entities | 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 | 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 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 | Same as Above |
| Independent Director C.B. Chang | | | | | | | | | | | | | | | | | | | | | | |
| Independent Director C.P. Hwang | 0 | 0 | 0 | 0 | 30,690 | 30,690 | 0 | 540 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.15% | 0.15% | 0 |
| Independent Director C.S. Yen | | | | | | | | | | | | | | | | | | | | | | |
| <div>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: In accordance with Article 26-1 of Company's Articles of Incorporation, the remuneration to directors should not exceed 0.7% of the Company's annual profit. The allocation of remuneration should take into consideration the overall operation and performance of the Company, each director's degree of participation and responsibilities in the operation of the company, and the performance evaluation results from the Board and functional committee.</div> <div>2. 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</div> <div>Note: The amount stated above is on pro forma basis and not the actual remuneration paid to directors.</div> | | | | | | | | | | | | | | | | | | | | | | |

| 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.I. Chia | C.I. Chia | C.I. Chia | C.I. Chia |
| | C.V. Chen | C.V. Chen | C.V. Chen | C.V. Chen | C.V. Chen |
| | T.K. Yang | T.K. Yang | T.K. Yang | T.K. Yang | T.K. Yang |
| | DAI-HE Investment Co., Ltd.: S. Chi | DAI-HE Investment Co., Ltd.: S. Chi | DAI-HE Investment Co., Ltd.: S. Chi | DAI-HE Investment Co., Ltd.: S. Chi | DAI-HE Investment Co., Ltd.: S. Chi |
| | HONG-YE investment Co., Ltd.: E.L. Tung | HONG-YE investment Co., Ltd.: E.L. Tung | HONG-YE investment Co., Ltd.: E.L. Tung | HONG-YE investment Co., Ltd.: E.L. Tung | HONG-YE investment Co., Ltd.: E.L. Tung |
| NT\$10,000,000(Included) ~ NT\$15,000,000(Excluded) | C.B. Chang | C.B. Chang | C.B. Chang | C.B. Chang | C.B. Chang |
| | C.P. Hwang | C.P. Hwang | C.P. Hwang | C.P. Hwang | C.P. Hwang |
| | C.S. Yen | C.S. Yen | C.S. Yen | C.S. Yen | C.S. Yen |
| | T.H. Tung | T.H. Tung | T.H. Tung | T.H. Tung | T.H. Tung |
| NT\$15,000,000 (Included)~ NT\$30,000,000(Excluded) | Jason Cheng S.J. Liao | Jason Cheng S.J. Liao | Jason Cheng S.J. Liao | 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 | T.H. Tung | T.H. Tung |
| Over NT\$100,000,000 | - | - | - | - | - |
| Total | 11 | 11 | 11 | 11 | 11 |

3.2.5.2 Compensation Paid to President and Vice President

Unit: N I \$ 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 | | | |
| CSO | | | | | | | | | | | | | |
| T.H. Tung | | | | | | | | | | | | | |
| Deputy CSO | | | | | | | | | | | | | |
| 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 | 104,096 | 113,275 | 0 | 0 | 218,652 | 234,511 | 96,250 | 0 | 116,335 | 0 | 2.04% | 2.26% | 240 |
| En-Bair Chang | | | | | | | | | | | | | |
| Vice President | | | | | | | | | | | | | |
| Shih-Chi Hsu (Note 1) | | | | | | | | | | | | | |
| Vice President | | | | | | | | | | | | | |
| Kuang-Chih Cheng (Note 2) | | | | | | | | | | | | | |
| 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 | | | | | | | | | | | | | |

| 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 | | |
| Chief Technology Officer and Senior Vice President Chung Yu Huang | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
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| | | | | | | | | | | | | | |
| Chief Financial Officer and Vice President Shaing-Shaing Wu | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| Vice President Chen-Yu Feng Deputy Chief Operating Officer and Vice President Chiu-Tan Lin | 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 | |
| | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| Vice President Ting-Pang Huang | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| Vice President Shyh-Heh Hwang | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| Vice President Yi-Yung Wu | | | | | | | | | | | | | |

Note1: Mr. Shih-Chi Hsu was appointed Vice President on January 17th, 2022.

Note2: Mr. Kuang-Chih Cheng resigned from the management team and took on a new internal position, effective from 1st May, 2021.

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

3.2.5.3 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 (%) |
|--|-----------------------------|------------------------------------|---------|---------|---|
| CSO | T.H. Tung | 0 | 102,850 | 102,850 | 0.50% |
| Deputy CSO | 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(Note 2) | | | | |
| 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 | | | | |
| Corporate Governance Officer | Chieh-Tsung Chen | | | | |
| Accounting Officer | Ju-Hui Hsieh | | | | |

Note1: Mr. Shih-Chi Hsu was appointed Vice President on January 17th, 2022.

Note2: Mr. Kuang-Chih Cheng resigned from the management team and took on a new internal position, effective from 1st May, 2021.

3.2.5.4 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 2020: NT\$20,207,598 thousand dollars

Net Income of year 2021: NT\$20,545,643 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 |
| 2020 | 560,895 | 585,006 | 2.78% | 2.89% |
| 2021 | 555,698 | 623,846 | 2.70% | 3.04% |

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 2.78% and 2.89% in 2020 and 2.70% and 3.04% in 2021, 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 the Company's Articles of Incorporation, the remuneration to directors should not exceed 0.7% of the company's annual profit. Reasonable remuneration should be given while taking into consideration the overall operation and performance of the Company, each director's degree of participation and responsibilities in the operation of the company, and the performance evaluation results from the Board and functional committee. The Compensation Committee will hold regular evaluations concerning the reasonability of the compensation policies. Furthermore, remunerations to the management team are determined based on their responsibilities, performance, and the industry compensation level. Whereas variable bonuses comprehensively take into consideration the operating

performance of the Company and an individual's performance. The performance of an individual is evaluated based on their profitability, growth and operational efficiency.

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 2021. 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 | 6 | 1 | 85.7% | - |
| 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 | 6 | 1 | 85.7% | - |
| 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 2021. | | | | | |
| 2. There were no recusals of directors due to conflict of interest in 2021. | | | | | |
| 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 2021Y Board Evaluation in 1st quarter 2022, and will report the result of evaluation to Board of Directors on March 10th, 2022.

| Evaluation Cycle | Evaluation Period | Evaluation Scale | Evaluation Approach | Evaluation Content | Evaluation Result |
|------------------|-----------------------|--|---|---|--|
| Once a year | 2021.1.1 – 2021.12.31 | 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 quality of decisions made by committee 4. Composition of the committee and election of its members 5. Internal control | <p>Self evaluation of Board members :</p> <p>All Board members are actively engaged and have evaluated competent.</p> <p>Self evaluation of Board of Directors :</p> <p>The Board of Directors has complied with corporate governance.</p> <p>Self evaluation of Audit and Compensation committee :</p> <p>All members approve of the implementation and efficiency.</p> |

3.3.2 Audit Committee

A total of 6 (A) meetings of the audit committee were held in 2021. 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:

1. 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 2021.
2. There were no recusals of independent directors due to conflicts of interests in 2021.
3. Descriptions of the communications between the independent directors, the internal auditors, and the independent auditors, and Audit Committee's key tasks in 2021:
In 2021, internal auditors and independent auditors have a private conference with independent directors, and discussed the internal audit report and findings of financial report auditing.

Also, 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. 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, major investments and related party transaction, and independence of external auditors 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 |
|------------|--|---|-------------------------------|----------------------------|
| 2021.01.28 | 1. 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" | None | None | Approved |
| 2021.03.25 | 1. Business report and financial statements of year 2020 2. Earnings distribution of year 2020 3. The evaluation report for the independence of external Auditor 4. Pegatron's Internal Control System Statement of 2020Y | None | None | Approved |
| 2021.08.10 | 1. The 2nd quarter 2021 consolidated financial report | None | None | Approved |
| 2021.09.16 | 1. The sale of machinery equipment to subsidiary Pegatron Technology India Private Limited | None | None | Approved |
| 2021.11.11 | 1. To expand the manufacturing sites in north America, estimated expense is around USD164 million 2. The total compensation for external auditor in year 2021 3. The plan of internal auditing in year 2022. | 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.

3.3.3.1 Members of Compensation Committee:

As of 12/31/2021

| Title | Criteria | | Professional Qualification and Experiences | Independence Criteria | Number of Other Public Companies in Which the Individual is Concurrently Serving a Member of Compensation Committee |
|---------------------------------|------------|--|--|--|---|
| | Name | | | | |
| Independent Director (Chairman) | C.S. Yen | | Please refer to Page 18, the table 3.2.2 | Please refer to Page 18, the table 3.2.2 | 0 |
| Independent Director | C.B. Chang | | Please refer to Page 18, the table 3.2.2 | Please refer to Page 18, the table 3.2.2 | 1 |
| Independent Director | C.P. Hwang | | Please refer to Page 18, the table 3.2.2 | Please refer to Page 18, the table 3.2.2 | 0 |

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 2021. 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 2021: | | | | |
| | Date | Agenda | Disagreements from Independent Directors | Responses to Disagreements | Resolution Circumstance |
| | 2021.01.28 | 1. The year-end bonus for managerial officers in year 2020. | None | None | Approved |
| | 2021.03.25 | 1. Appropriated remuneration of 2020Y for employees and directors. | None | None | Approved |
| | 2021.05.11 | 1. The eligible employees list of 2020Y restricted shares program, total number of granted shares is 7,589,000. | None | None | Approved |
| | 2021.08.10 | 1. Adjustment of managerial officers' salary in year 2021 2. Distribution of Directors' remuneration in 2020 | None | None | Approved |
| | 2021.09.16 | 1. The Performance bonus for managerial officers in year 2021 | 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 | |
| 3. Structure of Board of Directors and its responsibility (1) If the Board develop diversified policies, concrete management goal, and execute? | | | <p>November 11, 2021 the Company arranged a three-hour class named "Learn about related party transactions, extraordinary transactions and insider trading from real cases" for a total of 14 incumbent directors and managers who attended BOD meeting, to disseminate regulations related to insider trading.</p> <p>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.</p> | |
| (2) If the Company established any other functional committee in addition to Compensation Committee, Audit Committee as required by law? | √ | | <p>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.</p> | None |
| (3) If the Company established methods and procedures to assess the performance of the Board and conduct | √ | | <p>The Company established methods and procedures for board of directors' performance assessments and conduct</p> | |

| Item | Implementation Status | | | Non-implementation and its reason(s) |
|--|-----------------------|---|---|--------------------------------------|
| | Y | N | Summary | |
| assessment on annual basis? If the result of the assessment will be reported to the Board and taken into considerations for individual remuneration nomination purpose? | | | assessment on annual basis. The performance evaluation results in 2021 will be reported to the Board before the end of the first quarter of 2022. 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 and competence of CPA based on KPMG's Statement of Independence and items stated in Article 47 of Certified Public Accountant Act and No.10 of The Norm of Professional Ethics for Certified Public Accountant. Should the result of evaluation indicate compliance with the independence standard of the Company that such an individual is qualified to act as CPA for the Company. The results of relevant evaluation will be submitted to the Audit Committee and Board meeting for review and approval. Please refer to "Note 1" for the criteria of independence evaluation. | |
| 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 | 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 11th meeting on June 21, 2019. The Board appointed Mr. Chieh-Tsung Chen as the "Corporate Governance Officer". Mr. Chen has been in | None |

| Item | Implementation Status | | | Non-implementation and its reason(s) |
|-----------|-----------------------|---|--|--------------------------------------|
| | Y | N | Summary | |
| meetings? | | | <p>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 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 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 2021".</p> | |

| Item | Implementation Status | | | Non-implementation and its reason(s) |
|---|-----------------------|---|--|---|
| | Y | N | Summary | |
| 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)? | 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 2021, the directors have completed the training courses in accordance with Directions for the Implementation of Continuing Education for Directors 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</p> | the Company is not able to disclose financial reports and monthly revenue ahead of its regulated disclosure date. |
| | | | <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 2021, the directors have completed the training courses in accordance with Directions for the Implementation of Continuing Education for Directors 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</p> | None |

| Item | Implementation Status | | | Non-implementation and its reason(s) |
|------|-----------------------|---|--|--------------------------------------|
| | Y | N | Summary | |
| | | | <p>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 CSO, 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 in 2019 during the term of office, and then serves as Chairman of Kinsus Interconnect Technology Corp since 2021. 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 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> | |

| Item | Implementation Status | | | Non-implementation and its reason(s) |
|--|-----------------------|---|---|--------------------------------------|
| | Y | N | Summary | |
| | | | <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> <p>7. The company routinely reports on the Intellectual Property management plan to the board of directors, the latest reporting date is November 11, 2021. The plan list is as follow:</p> <p>(1) The major products of our patent applications are computers, mobile devices, networking devices, manufacturing equipment, wearables, and automotive electronics corresponds to the development of the company.</p> <p>(2) As of October 25, 2021, we got 2516 patents granted by the official patent office of various countries.</p> <p>(3) Conduct patent evaluation and control maintain cost from the perspective of the company as a whole by operating with the internal patent management system.</p> <p>(4) Implement IP relevant training courses.</p> | |
| 9. If the Company had a structure in place to manage risks associated with communication security, established communication security policy, its implementation plan, and invested resources in management of information security? | 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</p> | None |

| Item | Implementation Status | | | Non-implementation and its reason(s) |
|---|-----------------------|---|---|--------------------------------------|
| | Y | N | Summary | |
| | | | <p>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 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 | | The Company reported to the Board of Directors in January 2022 regarding the result of self-evaluation and the feasibility of its improvement plans to rectify non-compliance items under the commercial practices. | None |

Note 1: Assessment criteria of accountant's independence

| Assessment | Independence(Y/N) |
|---|-------------------|
| 1. The designated accountant does not have direct or indirect financial interest relationship with the Company. | Y |
| 2. The designated accountant does not have a financing or guarantee relationship with the Company or any director of the Company. | Y |
| 3. The designated accountant does not take into account the possible loss of the client to affect his/her auditing task. | Y |
| 4. The designated accountant does not have close business relationship or potential employment relationship with the Company. | Y |
| 5. The designated accountant does not have contingent fees related to his/her auditing task. | Y |
| 6. The company does not engage the same CPA without replacement for 7 years consecutively. | Y |
| 7. The designated accountant does / did not currently/ in the recent two years serve as a director, supervisor, or manager of the Company or play a role having significant influence on the audit case. | Y |
| 8. The non-audit service that the firm of the designated accountant offered to the Company does not have direct influence on any important items of the audit case. | Y |
| 9. The designated accountant does not promote or act as an intermediate for the shares or other securities issued by the Company. | Y |
| 10. The designated accountant does not serve as the advocate of the Company nor as the representative of the Company to mediate the dispute between the Company and any third party. | Y |
| 11. The designated accountant does not have kinship with any director, or manager of the Company or the person having significant influence on the audit service. | Y |
| 12. No former partner of the designated accountant serves as a director, or manager of the Company or in a position having significant influence on the audit case within one year after relieved of his/her office. | Y |
| 13. The designated accountant did not receive any gift or present of great value from the Company or any director, or manager of the Company. | Y |
| 14. The designated accountant did not accept any inappropriate selection of accounting policies or inappropriate disclosure, or reduce the extent of work performed inappropriately, being pressured to reduce auditing fee | Y |

Note 2: The Corporate Governance Officer Training Records

| Date | Institute | Course | Period (hours) |
|------------|---|---|----------------|
| 09/16/2021 | The Taiwan Corporate Governance Association | Corporate sustainability development-"Environmental Protection" and Legal Compliance | 3 |
| 10/06/2021 | Securities & Futures Institute | Discussion on the responsibility of directors and supervisors from illegal cases in the securities market | 3 |
| 10/07/2021 | Securities & Futures Institute | Discussion on cases of financial statement fraud | 3 |
| 11/11/2021 | The Taiwan Corporate Governance Association | Learn about related party transactions, extraordinary transactions and insider trading from real cases | 3 |

3.3.5 Implementation of Sustainable Development and Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies”

| 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 has carried out a risk assessment on environmental, social, and corporate governance issues in accordance with the materiality principle. The identification results and relevant control measures are disclosed in the annual sustainability report. The Company formulates risk management strategy and procedures, and the documents are publicly disclosed on the official website.</p> <p>1. Risk Management Strategy: Through the establishment and implementation of a risk management mechanism, the company keeps abreast of internal and external issues and environmental changes. Operational impact analysis is also implemented and potential challenges are addressed. At the same time, the company regularly self-examines the company's resilience, in order to realize the commitment of the company's sustainable operation and protect the best rights and interests of customers and stakeholders.</p> <p>2. Risk Management Procedures: The company's risk management process includes risk identification, analysis, assessment, disposal, monitoring, and disclosure. The PureCSR Committee holds regular meetings every year and invites members and working groups of each unit to evaluate potential risk issues of environmental, social, and</p> | None |

| Item | Implementation Status | | | Non-implementation and its reason(s) |
|--|-----------------------|---|--|--------------------------------------|
| | Y | N | Summary | |
| | | | corporate governance. The risk assessment should include the frequency of occurrence, degree of impact, degree of control, etc. The results should be regularly reported to the board of directors. | |
| 2. If the Company established and implement governance structure of sustainable development, and a part time or full time unit to execute corporate sustainable development projects, which the Board supervise and authorized top management to overlook? | V | | PEGATRON's corporate social responsibility is planned, operated, and implemented by PureCSR (PEGATRON's Corporate Social Responsibility) Steering Committee, which is led by CEO and authorized by its board of directors. The committee members consist of relevant units, including COO and representatives from Corporate Quality Policy Center (CQPC), Human Resource & Administration Center (HR & ADM), Procurement Center, Customer Service Business Unit (CSBU), Finance & Accounting Center, Legal & IPR(Intellectual Property Right) Center, Business Units and CSR representatives of Operation Centers and Manufacturing Centers. All members identify their fields' stakeholders according to their job functions and respond to stakeholders' concerns in daily operations. Cross unit issues are discussed in PureCSR Steering Committee meeting to reach consensus among related units. CSR implementation status is periodically reported to the CEO and submitted to the Company's board for decision making on economic, environmental, and social major topics every year. | 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 | | (1)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. | 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>The certificates have been publicly disclosed on the company's official website.</p> <p>(2) The company improves energy efficiency by evaluating the operation efficiency of various production lines, introducing energy-saving equipment or technologies, and eliminating high energy consumption equipment. In addition, significant non-productive electricity consumption is managed and controlled, and power usage for daily operations is optimized through the management of lighting and air conditioning systems. In addition, the company's entire product life cycle, from product design, raw material use, production process to waste disposal, is taken reducing environmental impact into its main consideration. Under the premise of meeting customer product specifications and quality requirements, the company maximizes the selection of recycled materials with low environmental impacts.</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>(3) After the assessment, the short-term risks of climate change to the company include different carbon reduction requirements for individual customers and carbon trading cost. Long-term risks include regulatory requirements for renewable energy, energy sources and the stability of their supply. Therefore, the company monitors carbon emissions and electricity consumption through greenhouse gas inventory and energy monitoring mechanism. On the other hand, the company actively plans renewable energy construction or purchase plans to mitigate climate risks and grasp potential opportunities.</p> | None |

| 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 greenhouse gas emission, water usage and waste management? | V | | <p>(4) Since 2010, the company has disclosed greenhouse gas emissions, water consumption, and the total weight of waste in the annual sustainability report. The data in 2021 will be updated in the 2021 sustainability report.</p> <p>Greenhouse gas emissions (tons of CO2e) in the past two years: 602,956 (2019), 599,078 (2020) Water consumption (cubic meters) in the past two years: 6,495,180 (2019), 5,592,151 (2020) Total weight of waste in the past two years (metric tons): 77,089 (2019), 106,604 (2020)</p> <p>The Company considers the reduction of carbon emission, greenhouse gas emission, water usage and waste management, and enacts the PureCSR Policy.</p> <p>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 all natural resources, and actively prevent pollution. 3. Reduce environmental impact and safety and health risks. 4. Satisfy customer requirements and become an entirely green enterprise. 5. Enable company-wide promotion of corporate social responsibility. 6. Promote program engagement of all employees and continuously improve it. | |

| Item | Implementation Status | | | Non-implementation and its reason(s) |
|---|-----------------------|---|--|--------------------------------------|
| | Y | N | Summary | |
| 4. Social Issues (1) If the Company followed relevant laws, and internationally recognized human rights principal, and established appropriate management policies and procedures? | V | | <p>(1) 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 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 main programs is as follows:</p> <ol style="list-style-type: none"> 1. We participate in the initiatives raised 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. 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. | None |
| (2) If the Company establish channel for employee grievance, and solve it with care? | V | | <p>(2) The company has established an all-around communication channel, including setting up an employee suggestion box (i-PEGA BOX), service hotlines of various departments, a dedicated line for employee assistance programs, etc. Also, dedicated personnel are responsible for replying to comments and tracking the progress. Overseas factories also have employee psychological consulting hotlines and a grievance mechanism. Furthermore, employee representative meetings and employee interviews are</p> | None |

| Item | Implementation Status | | | Non-implementation and its reason(s) |
|--|-----------------------|---|--|--------------------------------------|
| | Y | N | Summary | |
| (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>held regularly to solve various problems and complaints raised by employees timely and effectively.</p> <p>(3) The company has established an occupational safety and health management system according to ISO 45001 (Occupational Safety and Health Management Standards) and has obtained third-party certification. These certificates are publicly disclosed on the company's official website. The company continues to promote and create a safe and healthy working environment through risk assessment, improvement of the operational environment, daily inspection, and audit activities. It also provides health examinations in compliance with laws and regulations, including establishing first-aid personnel and infirmaries, employs nursing staff engaged in labor health services, and is committed to reducing potential hazards. And regularly implement safety and health education and trainings for employees to prevent occupational disasters.</p> | None |
| (4) If the Company provided career planning, relevant training and skill development for employees? | V | | <p>(4) 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</p> | |

| Item | Implementation Status | | | Non-implementation and its reason(s) |
|--|-----------------------|---|---|--------------------------------------|
| | Y | N | Summary | |
| (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 | | activities. (5) 1. The compensation, paid leaves, and benefits of the Company are comply with or better than the laws, for example, the Company offers 7 additional days of paid leave. 2. The Articles of Incorporation states the principle of accrued employee compensation. In addition, company operating results, team and individual work performance are appropriately reflected in employees' compensation. | None |
| (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 etc. and established relevant consumer and customer protection policy and grievance channel? | V | | (6) The company mainly produces products designed by branded companies, so the marketing and labeling of products are implemented in accordance with international regulations and customer requirements. Customer complaints are handled according to internal procedures and customer requirements, and promptly replied to customers. | |
| (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 | | (7) The company has joined the Responsible Business Alliance (RBA) and requires suppliers to abide by its code of conduct. 1. Before dealing with a new supplier, the company evaluates whether the supplier have a record of being harmful to the environment and society. Through the pre-evaluation, the company can avoid dealing with suppliers who violate its social responsibility policy. Also, the suppliers were required to sign the "Pegatron Supplier Responsible Business Alliance Code of Conduct Agreement" stipulated by the company. The code | |

| Item | Implementation Status | | | Non-implementation and its reason(s) |
|--|-----------------------|---|--|--------------------------------------|
| | Y | N | Summary | |
| | | | <p>includes environmental, health and safety, labor, ethics, and other standards.</p> <p>2. The company encourages major suppliers to participate in the RBA Validated Audit Process (VAP). Through the objective perspective of a third party, it helps to check the overall sustainable performance of the supply chain. The company also conducts electronic questionnaire audits or on-site audits on major suppliers every year.</p> <p>3. The company has conducting conflict minerals investigations in the supply chain since 2012. Direct suppliers are required to disclose the sources of conflict minerals contained in their products to ensure that the metals do not come from high-risk areas.</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>The company issues its sustainability report every year in accordance with the GRI standards issued by the Global Sustainability Standards Committee and is externally verified by a third-party verification organization in accordance with AA1000 AS (2008) and the GRI sustainability reporting standards. The annual sustainability report is publicly disclosed on the company's official website and Market Observation Post System.</p> | None |
| 6. If the Company established any guideline of corporate sustainable development in accordance with "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies"? To achieve the goal of sustainable development, the company has formulated the Corporate Social Responsibility Practice Principles of Pegatron Technology Co., Ltd. in accordance with "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies". 3rd version of Corporate Social Responsibility Practice Principles was approved by the board of directors in 2019 and publicly disclosed on the company's official website and Market Observation Post System. The implementation status is consistent with the principle. | | | | |

7. Other material information that helps to understand the operation of corporate sustainable development:

For the implementation and performance of the company's sustainable development, please refer to the annual sustainability report and official website.
Corporate Social Responsibility Practice Principles is also published on the official website.

Sustainability reports: <https://cht.pegatroncorp.com/csr/view/id/5>

CSR performance on Official website: <https://cht.pegatroncorp.com/csr/view/id/1>

Corporate Social Responsibility Practice: http://www.pegatroncorp.com/investorRelation/majorInternalPolicies/lang/zh_TW

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. Implementation of Ethical Corporate Management in 2021 was reported to the Board of Directors on November 11, 2021. Please refer to Note 1 for "The implementation in 2021". | |
| (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. | |

| Items | Implementation Status | | | Non-implementation and its reason(s) |
|--|-----------------------|---|--|--------------------------------------|
| | Y | N | Summary | |
| (5) If the Company organized training and awareness programs on ethical corporate management to internal and external parties? | V | | The Company presents Ethical Corporate Management during new employee orientation. In 2021, 728 employees attended the course and around 182 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 | None |

| Items | Implementation Status | | Non-implementation and its reason(s) |
|---|-----------------------|---|---|
| | Y | N | |
| | | | 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. |
| 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? None. | | | |
| 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)? None. | | | |

Note1: The implementation in 2021 is as follows:

| | |
|-------------|---|
| Suppliers | All suppliers are required to sign a "Statement of Integrity" which stipulated the contractual liability for the violation of ethical conduct. 2,658 of 2,704 Suppliers signed "Statement of Integrity", the signing rate is 98.30%. In 2021, 152 of 163 new suppliers signed a "Statement of Integrity", the signing rate is 93.25%. |
| Training | The Company presents about 'Ethical Corporate Management' during new employee orientations. 728 new employees in 2021 attended the course and around 182 hours was spent on hosting this introductory course. |
| Commitment | All of management team and 741 new employees in 2021 "signed Acknowledgement of Honesty, Integrity and Confidentiality". |
| Disseminate | The Company sets 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 the management team. The content of the website is to be updated from time to time. |

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 71.
- 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 10, 2022

Based on the findings of self-assessment, Pegatron Corporation states the following with regard to its internal control system in 2021:

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, 2021, 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 2021 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 10, 2022 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 2021 Annual General Shareholder Meeting was held in Taipei on August 4, 2021. At the meeting, shareholders presented in person or by proxy approved the following agendas:

(1) The 2020 Business Report and Financial Statements

(2) The proposal of 2020 Earning Distribution

Implementation status : Ex-dividend record date was on July 6, 2021. Cash dividend date was distributed on July 29, 2021 and cash dividends per share was NT\$4.48877769.

(3) Approve of Amendment to the Procedures for Election of Directors

Implementation status : Executed revised procedures accordingly.

3.3.11.2 Major Resolutions of Board Meetings

| Date | Major resolutions | Disagreements from Independent Director | Responses to disagreements |
|------------|--|---|----------------------------|
| 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 |
| 03.25.2021 | <ul style="list-style-type: none"> ● Approved the appropriated remuneration of 2020Y for employees and directors. ● Approved 2020Y business report and financial statements. ● Approved earnings distribution of year 2020. ● Approved Pegatron's Internal Control System Statement of 2020Y ● Approved the evaluation report for the independence of external Auditor ● Approved Pegatron's 'Corporate Social Responsibility Practice Principles'. ● Approved to amend Pegatron's 'Procedures for Election of Directors'. ● Approved the scheduling of 2021 Annual Shareholders' Meeting. | None | None |
| 05.11.2021 | <ul style="list-style-type: none"> ● Approved the 1st quarter 2021 consolidated financial report ● Approved the eligible employees list of 2020Y restricted shares program, total number of granted shares is 7,589,000. | None | None |
| 07.08.2021 | <ul style="list-style-type: none"> ● Approved to reschedule the 2021 Annual Shareholders' Meeting. | None | None |
| 08.10.2021 | <ul style="list-style-type: none"> ● Approved the 2nd quarter 2021 consolidated financial report ● Approved the adjustment of managerial officers' salary in year 2021 ● Approved the distribution of Directors' remuneration in 2020 | None | None |
| 09.16.2021 | <ul style="list-style-type: none"> ● Approved the sale of machinery equipment to subsidiary Pegatron Technology India Private Limited. ● Approved to issue the corporate bond under the limit of NTD 20,000 millions ● Approved the performance bonus for managerial officers in year 2021. | None | None |
| 11.11.2021 | <ul style="list-style-type: none"> ● Approved to expand the manufacturing sites in north America, estimated expense is around USD164 million. ● Approved the 3rd quarter 2021 consolidated financial report ● Approved the total compensation for external auditor in year 2021 ● Approved the plan of internal auditing in year 2022 | None | None |
| 01.20.2022 | <ul style="list-style-type: none"> ● Approved the year-end bonus for managerial officers in year 2021. | 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 2021 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 Information Regarding CPA Fees

Unit: NT\$ thousands

| CPA Firm | CPA | Auditing Period | Auditing Fees | Non-Auditing Fees | Total | Remark |
|----------|----------------|----------------------------|---------------|-------------------|--------|--|
| KPMG | Kuo-Yang Tseng | Jan 1, 2021 ~ Dec 31, 2021 | 10,390 | 3,636 | 14,026 | Non-auditing services include R&D investment tax credit, master file, CBC report and tax consultant. |
| | Chi-Lung Yu | Jan 1, 2021 ~ Dec 31, 2021 | | | | |

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:

3.7.1 Information on Net Change in Shareholding

Unit: Share

| Title | 2021(Note 3) | | 01/01/2022-02/28/2022(Note 3) | |
|--|-----------------------------|-------------------------------------|-------------------------------|-------------------------------------|
| | Holding Increase (Decrease) | Pledged Holding Increase (Decrease) | Holding Increase (Decrease) | Pledged Holding Increase (Decrease) |
| Chairman and CSO T.H. Tung | - | - | - | - |
| Vice Chairman and Deputy CSO Jason Cheng | 80,000 | - | - | - |
| Director, President and CEO S.J. Liao | 80,000 | - | - | - |
| 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. | - | - | - | - |
| Chief Operating Officer and Senior Vice President Te-Tzu Yao | (1,101,109) | - | - | - |
| Senior Vice President Hsu-Tien Tung | 40,000 | - | - | - |
| Chief Technology Officer and Senior Vice President Chung Yu Huang | 40,000 | - | - | - |
| Senior Vice President of RD & Engineering Pei-Chin Wang | 31,000 | - | - | - |
| Deputy Chief Operating Officer and Vice President Chiu-Tan Lin | - | - | - | - |
| Vice President Chen-Yu Feng | (168,000) | - | - | - |
| Vice President Kuo-Yen Teng | 3,000 | - | - | - |

| Title | 2021(Note 3) | | 01/01/2022-02/28/2022(Note 3) | |
|---|-----------------------------|-------------------------------------|-------------------------------|-------------------------------------|
| | Holding Increase (Decrease) | Pledged Holding Increase (Decrease) | Holding Increase (Decrease) | Pledged Holding Increase (Decrease) |
| Vice President Tsung-Jen Ku Lai | 80,000 | - | (9,000) | - |
| Vice President En-Bair Chang | 40,000 | - | - | - |
| Vice President Shih-Chi Hsu(Note 1) | - | - | - | - |
| Vice President Kuang-Chih Cheng(Note 2) | (7,000) | - | - | - |
| Vice President Tian-Bao Chang | 11,000 | - | (10,000) | - |
| Vice President Ming-Tung Hsu | 60,000 | - | (8,000) | - |
| Chief Financial Officer and Vice President Shaing-Shaing Wu | 60,000 | - | - | - |
| Vice President Chih-Hsiung Chen | (230,000) | - | - | - |
| Vice President Hsi-Wen Lee | 67,000 | - | - | - |
| Vice President Ting-Pang Huang | (32,000) | - | (50,000) | - |
| Vice President Shyh-Heh Hwang | 6,000 | - | - | - |
| Vice President Yi-Yung Wu | 10,000 | - | - | - |
| Corporate Governance Officer Chieh-Tsung Chen | 60,000 | - | - | - |
| Accounting Officer Ju-Hui Hsieh | 55,000 | - | - | - |

Note 1: Mr. Shih-Chi Hsu was appointed Vice President on January 17th, 2022. Holding Increase (Decrease) of 2022 is from the on-board date to February 28, 2022.

Note 2: Mr. Kuang-Chih Cheng resigned from the Management Team and took on a new internal position, effective from 1st May, 2021. Holding Increase (Decrease) of 2021 is from January 1th, 2021 to resignation date.

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

3.7.2 Information of Shares Transferred:

| Name | Reason of the Transfer | Transfer Date | Transferee | Relation with the Transferee | Shares | Transfer price |
|------------------|------------------------|---------------|----------------|------------------------------|---------|----------------|
| Chih-Hsiung Chen | Gifting | 2021/04/28 | Wei-Chieh Chen | Daughter | 30,000 | - |
| Kuo-Yen Teng | Gifting | 2021/06/18 | Hao-Li Teng | Son | 32,000 | - |
| Chih-Hsiung Chen | Gifting | 2021/07/21 | Rong-Mei Liao | Spouse | 200,000 | - |

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 : 07/06/2021

| 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 | 16.80 | - | - | - | - | Jonney Shih | Chairman of Asustek Computer Inc. | - |
| T.H.Tung | 94,417,309 | 3.54 | 6,074,490 | 0.23 | - | - | - | - | - |
| Jonney Shih | 67,032,290 | 2.51 | - | - | - | - | Asustek Computer Inc. | Chairman | - |
| Ted Hsu | 56,353,713 | 2.11 | - | - | - | - | - | - | - |
| Silchester International Investors International Value Equity Trust | 54,460,000 | 2.04 | - | - | - | - | - | - | - |
| Fubon Life Insurance Co., Ltd | 54,051,000 | 2.02 | - | - | - | - | - | - | - |
| CTBC Bank in Custody for Pegatron Corporation | 51,513,200 | 1.93 | - | - | - | - | - | - | - |
| Morgan Stanley & Co. International Plc | 44,628,334 | 1.67 | - | - | - | - | - | - | - |
| Cathay United Bank in Custody for Expert Union Limited Investment account | 38,505,000 | 1.44 | - | - | - | - | - | - | - |
| Government of Singapore | 38,187,106 | 1.43 | - | - | - | - | - | - | - |

3.9 Long-Term Investment Ownership

Unit: thousand shares; %; As of 12/31/2021

| 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. | 991,906 | 100.00 | - | 0 | 991,906 | 100.00 |
| Unihan Holding Ltd. | 170,110 | 100.00 | - | 0 | 170,110 | 100.00 |
| AzureWave Technologies, Inc. | 35,750 | 23.76 | 13,697 | 9.1 | 49,447 | 32.86 |
| Casetek Holdings Limited (Cayman) | - | 100.00 | - | 0 | - | 100.00 |
| 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 | 1,099,890 | 99.99 | 110 | 0.01 | 1,100,000 | 100.00 |
| Pegatron Technology Texas Inc. | - | 100.00 | - | 0 | - | 100.00 |
| Pegatron Electronics Inc. | 1 | 100.00 | - | 0 | 1 | 100.00 |

4. Capital and Shares

4.1 Capital and Shares

4.1.1 Type of Stock

As of 03/04/2022

| Share Type | Authorized Capital | | | Remarks |
|--------------|--------------------|------------------|---------------|---------|
| | Issued Shares | Un-issued Shares | Total Shares | |
| Common Share | 2,668,875,806 | 331,124,194 | 3,000,000,000 | Listed |

4.1.2 Share Capital

As of 03/04/2022

| 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. |
| 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 1 |
| 06/2021 | 10 | 3,000,000 | 30,000,000 | 2,662,788 | 26,627,877 | Cancelling employee restricted stocks of NT\$860 thousand | - | Note 2 |
| 07/2021 | 10 | 3,000,000 | 30,000,000 | 2,670,362 | 26,703,617 | Issuing employee restricted stocks of NT\$75,740 thousand | - | Note 3 |
| 09/2021 | 10 | 3,000,000 | 30,000,000 | 2,669,531 | 26,695,311 | Cancelling employee restricted stocks of NT\$8,306 thousand | - | Note 4 |
| 12/2021 | 10 | 3,000,000 | 30,000,000 | 2,669,132 | 26,691,316 | Cancelling employee restricted stocks of NT\$3,995 thousand | - | Note 5 |
| 03/2022 | 10 | 3,000,000 | 30,000,000 | 2,668,876 | 26,688,758 | Cancelling employee restricted stocks of NT\$2,558 thousand | - | Note 6 |

Note 1: 01/04/2021 Jin So Son Tzi No. 10901243690

Note 2: 06/09/2021 Jin So Son Tzi No. 11001089350

Note 3: 07/12/2021 Jin So Son Tzi No. 11001108390

Note 4: 09/27/2021 Jin So Son Tzi No. 11001153670

Note 5: 12/17/2021 Jin So Son Tzi No. 11001221530

Note 6: 03/01/2022 Jin So Son Tzi No. 11101030990

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

Record Date : 07/06/2021; Units: share

| Item | Government Agencies | Financial Institutions | Other Juridical Person | Domestic Natural Persons | Foreign Institutions & Natural Persons | Total |
|------------------------|---------------------|------------------------|------------------------|--------------------------|--|---------------|
| Number of Shareholders | 4 | 25 | 514 | 195,368 | 1,068 | 196,979 |
| Shareholding (shares) | 9 | 166,228,109 | 692,759,129 | 1,058,700,701 | 752,673,708 | 2,670,361,656 |
| Percentage | 0 | 6.22 | 25.94 | 39.65 | 28.19 | 100.00 |

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

Record Date : 07/06/2021

| Class of Shareholding (Unit : Share) | Number of Shareholders | Shareholding (Shares) | Percentage |
|--------------------------------------|------------------------|-----------------------|------------|
| 1 ~ 999 | 53,057 | 13,956,364 | 0.52 |
| 1,000 ~ 5,000 | 117,525 | 238,963,027 | 8.95 |
| 5,001 ~ 10,000 | 14,660 | 115,882,347 | 4.34 |
| 10,001 ~ 15,000 | 3,999 | 51,294,667 | 1.92 |
| 15,001 ~ 20,000 | 2,479 | 46,145,525 | 1.73 |
| 20,001 ~ 30,000 | 1,929 | 49,696,180 | 1.86 |
| 30,001 ~ 40,000 | 847 | 30,504,460 | 1.14 |
| 40,001 ~ 50,000 | 591 | 27,653,320 | 1.04 |
| 50,001 ~ 100,000 | 962 | 69,561,213 | 2.60 |
| 100,001 ~ 200,000 | 370 | 52,276,778 | 1.96 |
| 200,001 ~ 400,000 | 205 | 56,973,269 | 2.13 |
| 400,001 ~ 600,000 | 91 | 44,776,552 | 1.68 |
| 600,001 ~ 800,000 | 41 | 28,597,855 | 1.07 |
| 800,001 ~ 1,000,000 | 38 | 34,144,666 | 1.28 |
| over 1,000,001 | 185 | 1,809,935,433 | 67.78 |
| Total | 196,979 | 2,670,361,656 | 100.00 |

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

4.1.6 List of Major Shareholder

Record Date : 07/06/2021

| Shareholder's Name | Shareholding | |
|--|--------------|------------|
| | Shares | Percentage |
| Asustek Computer Inc. (Representative: Jonney Shih) | 448,506,484 | 16.80 |
| T.H.Tung | 94,417,309 | 3.54 |
| Jonney Shih | 67,032,290 | 2.51 |
| Ted Hsu | 56,353,713 | 2.11 |
| Silchester International Investors International Value Equity Trust | 54,460,000 | 2.04 |
| Fubon Life Insurance Co., Ltd | 54,051,000 | 2.02 |
| CTBC Bank in Custody for Pegatron Corporation | 51,513,200 | 1.93 |
| Morgan Stanley & Co. International Plc | 44,628,334 | 1.67 |
| Cathay United Bank in Custody for Expert Union Limited Investment account | 38,505,000 | 1.44 |
| Government of Singapore | 38,187,106 | 1.43 |

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 | 2020 | 2021 | 01/01/2022- 03/04/2022 |
|--|-----------|---------------|---------------------------|
| Market Price per Share | | | |
| Highest Market Price | 71.50 | 84.50 | 71.00 |
| Lowest Market Price | 46.90 | 63.50 | 68.30 |
| Average Market Price | 63.99 | 70.19 | 69.72 |
| Net Worth per Share | | | |
| Before Distribution | 61.06 | 62.32 | - |
| After Distribution | 56.56 | Undistributed | - |
| Earnings per Share | | | |
| Weighted Average Shares (thousand shares) | 2,614,021 | 2,666,276 | - |
| Diluted Earnings Per Share | 7.73 | 7.71 | - |
| Dividends per Share | | | |
| Cash Dividends | 4.5 | Undistributed | - |
| Stock Dividend | | | |
| • Dividends from Retained Earnings | - | - | - |
| • Dividends from Capital Surplus | - | - | - |
| Accumulated Undistributed Dividends | - | - | - |
| Return on Investment | | | |
| Price / Earnings Ratio | 8.28 | 9.10 | - |
| Price / Dividend Ratio | 14.22 | Undistributed | - |
| Cash Dividend Yield Rate | 7.03% | Undistributed | - |

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 2021 dividend distribution at its meeting on March 10, 2022. The proposal will become effective according to the relevant regulations, upon the approval of shareholders at the Annual General Shareholders' Meeting on June 15, 2022.

Unit: NT\$

| Items | Amount | |
|--|----------|------------------|
| | Subtotal | Total |
| Beginning Retained Earnings | | 26,423,186,497 |
| Add: Net Profit After Tax | | 20,545,642,434 |
| Add: Gain on Re-measurement of Defined Benefits Plans | | 8,678,832 |
| Add: Expiration of Restricted Stock to Employees | | 73,836,685 |
| Add: Disposal of Investments in Equity Instruments Measured at Fair Value Through Other Comprehensive Income | | 20,319,276 |
| Minus: Changes in equity of associates and joint ventures accounted for using equity method | | (409,874,882) |
| Distributable Net Profit | | 46,661,788,842 |
| Minus: Special Reserve Appropriated | | (5,052,647,535) |
| Minus: 10% Legal Reserve | | (2,023,860,235) |
| Minus: Cash Dividend | | (13,343,302,780) |
| Unappropriated Retained Earnings | | 26,241,978,292 |

4.1.9 Impact to 2021 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 2021 resolved by the Board of Directors

a. Proposed remuneration to employees and remuneration to directors.

| | Amount (NT\$) |
|---------------------------|---------------|
| Remuneration to Employees | 1,605,000,000 |
| Remuneration to Directors | 159,000,000 |

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 2021.

4.1.10.4 Distribution of remuneration to employees and remuneration to directors in 2020 resolved by the Annual Shareholders Meeting on Aug. 4, 2021

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

Above cash bonus and compensation, being approved by the Board, has been expensed under the Company's 2020 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 03/04/2022 ; 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, 02/22/2022) | | |
| 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) | Domestic Unsecured Bond (110-1) |
| Issuance Date | 2020/10/21 | 2021/01/08 | 2021/12/02 |
| Denomination | NT\$1,000,000 | | |
| Offering Price | At Par | | |
| Total Amount | NT\$5,000,000,000 | NT\$3,500,000,000 | NT\$8,900,000,000 |
| Coupon | 0.65% p.a. | Tranche A: 0.43% p.a. Tranche B: 0.58% p.a. | Tranche A: 0.56% p.a. Tranche B: 0.65% 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 | Tranche A: 5 years Maturity: 2026/12/02 Tranche B: 7 years Maturity: 2028/12/02 |
| Guarantor | None | | |
| Trustee | Taipei Fubon Commercial Bank Co., Ltd | | |
| Underwriter | Hua Nan Commercial Bank , Ltd. | Hua Nan Commercial Bank , Ltd. | Yuanta Securities Co., 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) | Domestic Unsecured Bond (110-1) |
| Repayment | Bullet | | |
| Outstanding | NT\$5,000,000,000 | NT\$3,500,000,000 | NT\$8,900,000,000 |
| Redemption or Early Repayment Clause | None | | |
| Covenants | None | | |
| Credit Rating | twAA- (Taiwan Ratings Corporation, 02/22/2022) | | |
| 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 Depository Receipts:

As of 03/04/2022

| 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. |
| Depository Institute | | | Citibank Taiwan Limited |
| Outstanding GDSs (as of December 31, 2021) | | | 253,331 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\$) | 2021 | Max. | US\$14.50 |
| | | Min. | US\$11.50 |
| | | Average | US\$12.60 |
| | As of March 4, 2022 | Max. | US\$12.90 |
| | | Min. | US\$12.30 |
| | | Average | US\$12.53 |

4.5 Employee Stock Option: None.

4.6 Employee Restricted Stocks

4.6.1 Issuance of Employee Restricted Stocks

As of 02/28/2022

| Type of Restricted Shares | First Grant of 2020 | Second Grant of 2020 |
|---|---|----------------------|
| Approval Date by the Authority | 2020/08/12 | |
| Grant Date | 2020/12/08 | 2021/06/11 |
| Number of Employee Restricted Stock Granted | 52,411,000 | 7,574,000 |
| Price of Issuance | NT\$10 | |
| Percentage of Employee Restricted Stocks to Outstanding Common Shares | 1.96% | 0.28% |
| 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 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>Employee Performance Criteria :</p> <ol style="list-style-type: none"> 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. 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. Upon the third 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, | |

| Type of Restricted Shares | First Grant of 2020 | Second Grant of 2020 |
|---|---|--|
| | <p>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 38,025,000 shares delivered to the Trust | A total of 7,513,000 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(Note 1) | 1,720,500 | 61,000 |
| Number of Employee Restricted Stocks Free from Custody | 12,681,500 | 0 |
| Number of Employee Restricted Stocks under Custody | 38,009,000 | 7,513,000 |
| Number of Employee Restricted Stocks under Custody to Outstanding Common Shares (%) | 1.42% | 0.28% |
| 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\$1,942,194 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 and NT\$973,188 thousands in 2020 and 2021. The annually expensed amount is estimated at NT\$466,033 thousands, NT\$180,159, NT\$63,489 thousands and NT\$3,020 thousands in 2022, 2023, 2024 and 2025 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 2,668,660,556 shares, is estimated at NT\$0.10, NT\$0.36, NT\$0.17, NT\$0.07, \$0.02 and NT\$0 in 2020, 2021, 2022, 2023, 2024 and 2025 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 02/28/2022; 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 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 (%) |
| Management Team | CSO | T.H. Tung | | | | | | | | | | |
| | Deputy CSO | 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 | Tian-Bao Chang | | | | | | | | | | |
| | Vice President | Ming-Tung Hsu | | | | | | | | | | |
| | Vice President | Chih-Hsiung Chen | 10,210,000 | 0.38 | 2,232,500 | 10 | 22,325,000 | 0.08 | 7,977,500 | 10 | 79,775,000 | 0.30 |
| | 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 | | | | | | | | | | |
| | 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 Free from Custody 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 | 4,136,000 | 0.16 | 851,250 | 10 | 8,512,500 | 0.03 | 3,284,750 | 10 | 32,847,500 | 0.13 |
| | Associate Vice President | Shing-Jung Kuo | | | | | | | | | | |
| | Associate Vice President | Li-Ling Chao | | | | | | | | | | |
| | Special Assistant | Kuang-Chih Cheng (Note 2) | | | | | | | | | | |
| | Associate Vice President | Li-Sheng Tsai | | | | | | | | | | |
| | Associate Vice President | Che-Yen Lai | | | | | | | | | | |

Note 1: Employees who granted the same number of options are being listed.

Note 2: Mr. Kuang-Chih Cheng resigned from the management team and took on a new internal position, effective from 1st May, 2021. The New position is shown in the table above.

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; %

| <div>Year</div> <div>Major Product</div> | 2020 | | 2021 | |
|--|---------------|--------|---------------|--------|
| | Amount | % | Amount | % |
| 3C Products | 1,268,191,173 | 90.63 | 1,184,260,120 | 93.71 |
| Other | 131,141,733 | 9.37 | 79,460,0623 | 6.29 |
| Total | 1,399,332,906 | 100.00 | 1,263,720,182 | 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) with designs mainly using Alder Lake, AMD Ryzen 5000 (Barcelo)/ 6000 (Rembrandt)...etc and next generation platforms for different operating systems, while meeting market demands for customization and innovating gaming / creator / thin & light product lines with new features.
- b. Developing “commercial” & “educational” systems (Desktop / AIO / Notebook PC) with designs mainly using Intel Alder Lake / Jasper Lake / next generation platforms, AMD Ryzen 3000 (Dali/ Pollock), ARM platforms, etc.
- c. Developing server products mainly using Intel next generation XEON SP/ XEON E, AMD EPYC SP5/SP6 (Genoa), etc.
- d. Utilizing mmWave technology to develop vehicle in-cabin monitoring system. The system could perform detection of personnel seating and vital signs. Under the premise of privacy protection, it could detect driver drowsiness or distraction or baby to be recklessly left in the car to enhance driving safety and baby safety in a car.
- e. 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.
- f. Developing AI deep-learning-based indoor positioning technology to allow navigation in rooms with low-cost mobile components, which is applicable to AR glasses, robots, and wearable devices.
- g. Developing vision-based autonomous driving SLAM technology and AI software implementation without the need of LiDAR.
- h. Upgrade the OS of Qualcomm SD660 platform ruggedized LTE phone to Android 11.
- i. Leading in the development of Qualcomm SDX65 platform based 5G mobile hotspots, getting GCF/PTCRB conformance certification
- j. Bring up and developing modem software of Android IOT wearable devices using Qualcomm SM7125 with SW ODM co-working models.
- k. Developing Pegatron 5G RAN BWP (bandwidth part) switching feature and

performing RAN performance verification and issue debugging in terms of RRC/RLC and UE.

- l. Developing LTE and GNSS feature of AWS FreeRTOS platform, especially AWS MQTT connection over LTE, and GNSS trajectory optimization using sensor fusion with Gyro/Accelerator.
- m. Developing WiFi/BT/NFC/UWB software on Android Wearable OS watch using Qualcomm SW5100 platform.
- n. 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 other related charging protocols, to serve EVs with various charging protocols.
- o. Developing 5G DU with Intel Ice-Lake D platform, 1-port 100G and 8-port 10G or 1-port 100G and 4-port 25G are configurable, including L1 accelerator, BMC and GPS, SyncE/ PTP time synchronization designs.
- p. Developing a router with Intel C3338R CPU, having 3-port LAN, 1-port WAN and 1-port selectable as LAN or WAN. Building a MCU to adjust the power-up timing with specific heat dissipation to become a fanless router.
- q. Developing a new generation of MoCA and 2.5Gbps/10Gbps 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.
- r. Developing enterprise 10G-PON fiber optical modem, using Cortina's newest chipset, providing 10Gbps LAN and Dual-band Wi-Fi (2.4G/5G/6G).
- s. Developing FWA 5G NSA/SA dual mode CPE, backwards compatible to 4G network. This product with 8 antenna supports 4x4MIMO and carrier aggregation, WIFI6 dual band, 2.5Gbps ethernet, also equipped with VOLTE to provide better voice quality. The speed of 5G internet is 10~100 times faster than 4G internet, and the latency is also much lower. It is suitable for 4K resolution live sport game broadcast, 8K high resolution video streaming, AR, VR application and 5G telesurgery, telemedicine.
- t. Developing AI set-top boxes with 4K resolution support, adapting new generation of Broadcom SoC combined with audio hardware solutions, using built-in Wi-Fi 6 technologies to connect all smart home appliances and smart devices (such as home appliances, door lock, cameras, speakers, etc.) It is also capable of using

built-in microphone technologies to control smart home appliances with voice, or sending real-time images from an outdoor camera back to set-top boxes when watching TV at the same time, and then set-top boxes displaying the image on the TV, creating a convenient and safe home environment.

- u. Developing high-speed multiple RF modules Telematics and multi-Giga automotive ethernet Gateway, not only enables connected-car services including eCall (Emergency Call), remote vehicle diagnosis and remote control, fleet management and real-time traffic information, etc. but also serves as a hub that securely and reliably interconnects and processes data across heterogeneous vehicle networks and plays a role as a communication bridge between the various Electronic Control Units and sensors to make journeys safer
- v. Researching E-cockpit with multiple displays, including flat/curve panel, and various human machine interface to improve the immersive (feeling) and better user experience. Software defined cockpit can update by OTA to re-configure functions that improve new driving experience and meet different needs. It also creates product differentiation and whole new user experience.

5.1.2 Industry Overview

5.1.2.1 Progress and Development of the Industry

a. Computing Industry

According to IDC, total PC shipment (including notebook PCs, desktop PCs and workstations) for 2021 increased by 15.0% compared to the previous year. The shipment was the highest since 2012. Even though component shortage, restrictions from logistics and transportation caused the PC market to have a shortage of supply at the beginning of the year, the PC shipments of the overall industry still had double-digit growths for two consecutive years due to the pandemic driving the concepts of work from home (WFH) and remote learning, which caused the increase in demand for consumer and educational notebooks. However, as education markets of developed countries have gradually become saturated, the demand for consumer models has also decreased, countries have gradually lifted restrictions and people have returned to their posts, therefore, the focus on PC shipments will shift towards commercial type and emerging markets. In addition, problems such as the shortage in component supplies, bottleneck in shipping and logistics, and the increase in production costs due to the increased oil prices have become even more severe due to the war between Russia and Ukraine. IDC estimates that the PC shipments for 2022 will remain steady and that the compound

annual growth rate (CAGR) of PC for 2021 to 2026 will be 0.3%.

b. Communication Industry

According to IDC, the global smartphone shipment for 2021 was approximately 1.36 billion units, which increased by 5.8% compared to the 1.285 billion units in the previous year. As for 2022, since most brands have shifted the focus of their development towards 5G technology, this will drive the replacement to 5G smartphones. IDC estimates that smartphones have the chance to grow by 1.6% YoY in 2022, in which 5G smartphones will make up 54% of the overall shipment and the YoY growth will further increase to 3.2% in 2023. However, the impact on logistics and the shortage of components due to the pandemic was particularly evident in the shipment performance of mid/low-end 4G phones. IDC estimates that the compound annual growth rate (CAGR) of smartphone shipments for 2021 to 2026 will be approximately 2.3%.

As governments in various countries open up spectrums, mobile network operators are also gradually expanding their 5G coverages and the penetration rate of LTE/5G networks is also increasing year after year. In addition, remote control and remote work have become the new norms of enterprises due to the impact of the pandemic, and this further drove the demand for private LTE/5G networks. IDC estimates that the profits from the infrastructure of global private LTE/5G networks for 2021 to 2026 will increase from USD \$1.796 billion to USD \$8.274 billion and its compound annual growth rate (CAGR) will be approximately 43.3%.

c. Consumer Electronics Industry

Tablets, game consoles and IoT devices are the major revenue contributors in Consumer Electronics segment. According to IDC, the overall shipment of tablets in 2021 was approximately 168 million units, which increased by approximately 3% compared to 2020. Even though the overall growth rate has slowed down due to the gradual saturation of the education markets, and the decrease in consumer and entertainment demands compared to the previous year, the YoY performance still grew positively for two consecutive years for the first time since 2014. In the mid to long run, even though the remote office demands from the post-pandemic era will drive the shipment of commercial and detachable tablet computers, the overall demand for tablet computers will still decrease as the pandemic slows down. IDC estimates that the compound annual growth rate (CAGR) of the overall shipment for 2021 to 2026 will be approximately -1.5%.

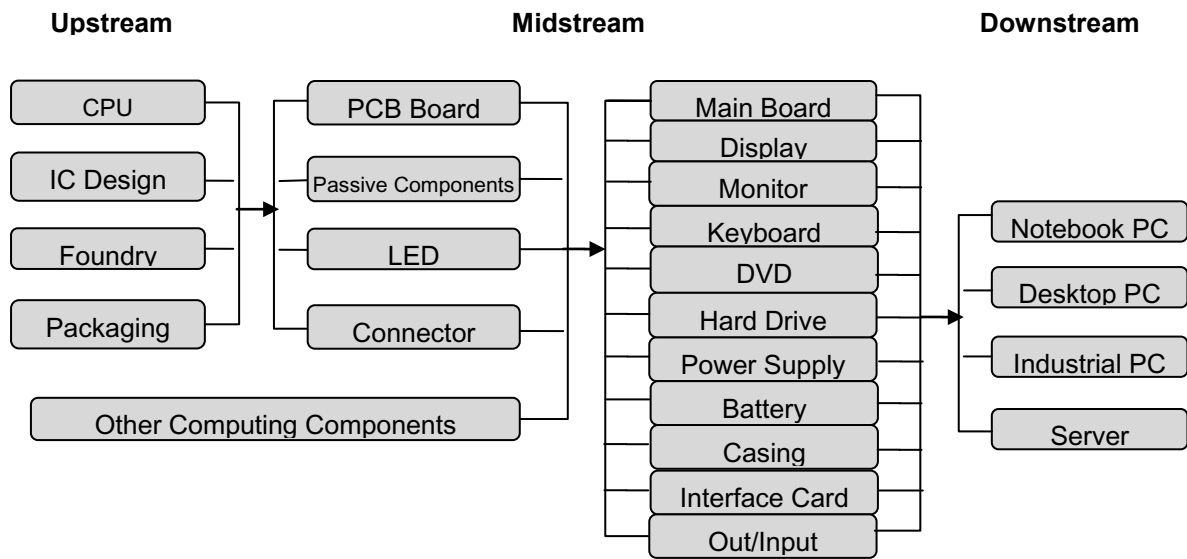
According to the data from IDC, the overall shipment of game consoles for 2021 was approximately 46.1 million units, and this was mainly because of the new

products that Sony and Microsoft launched, respectively, at the end of 2020, and the OLED models released by Nintendo. These launches drove the overall shipment of game consoles. Although there were negative factors, including the shortage of components and obstructed logistics, the overall shipment still increased by approximately 27.3% compared to the previous year. IDC expects Nintendo's announcement on the launch of the next generation of the Switch in the fourth quarter of 2023 to drive another wave of growth. IDC estimates that the compound annual growth rate (CAGR) of the shipment of game consoles for 2021 to 2025 will be approximately 4.9%.

According to the statistics from IDC, the amount of spending for the worldwide Internet of Things (IoT) was approximately USD \$754.3 million in 2021, which increased by 6.7% compared to the previous year. Among smart home devices, the growth rate of lighting devices, home monitoring devices and smart speakers will have double-digit increase YoY. The smart home monitoring devices benefited from the constantly innovating applications, more affordable prices and the diversified value-added services. These factors drove the overall performance of smart home monitoring devices. IDC estimates that the overall global shipment of smart home monitoring devices for 2022 to be 208 million units and the YoY growth rate will be 11.6%. The global shipment of wearable devices was 81.3 million units in 2021, which increased by 9.5% compared to the previous year. This was mainly driven by the increase in product variety, innovative applications of existing devices and decreasing prices. IDC estimates that the compound annual growth rate (CAGR) of the overall spending for the global Internet of Things (IoT) from 2021 to 2025 will be approximately 11.4%.

In addition, due to factors such as the enhancing of carbon emission policies, regulating the production proportion of new energy vehicles in various automobile manufacturers and increasing the purchase subsidies in different countries, the global shipment of electric vehicles was approximately 6.39 million units in 2021, with an annual growth rate as high as 103%. Market research institutions have estimated that as various regional markets have already announced mid/long-term industrial policies for electric vehicles, the time for the ban on production and sales of fuel vehicles is getting closer; therefore, there will still be high levels of growth for electric vehicles in the three major markets: China, Europe and the US. Emerging markets have also launched incentive plans for the production and sales of electric vehicles in order to stimulate transformation in the manufacturing and consumption aspects. The compound annual growth rate (CAGR) for the global sales of electric vehicles in the next few years is expected to have high levels of double-digit growth.

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 & faster connectivity speed. 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, vehicle-to-everything (V2X) and metaverse, etc. It is expected to stimulate another wave of growth in computing, consumer and communication segments.

Over the past two years, the COVID-19 pandemic has not only driven the sales growth of laptops and tablets due to the increased demand for work, study and entertainment from home, but also accelerated the penetration of 5G networks and infrastructure coverage. The high speed and low latency characteristics of 5G networks and mmWave technology will further promote the diversification of applications, such as innovative wearable devices and further expanded to smart cities and smart manufacturing. The technology is expected to enhance user experience through the integration of network technology and consumer electronic products. In addition, the open and standardized interface of 5G O-RAN not only allows the standardization and

interoperability of components manufactured by radio equipment suppliers, but also expands the application of mobile communications and provides more diverse product and service solutions.

Driven by the global policy trends towards reducing carbon emissions and strengthening environmental protection, the global market for electric vehicles is growing. Among them, hybrid vehicles (HEV) are the mainstay of sales volume because drivers do not need to change driving patterns completely. However, with the global policy promotion of energy saving and carbon reduction, pure electric vehicles (BEV) have gradually become more prominent and are expected to surpass HEV in terms of market share in the future. 5G technology is also gradually applied to self-driving cars and V2X-related functions. It is expected that the stability of network connectivity will continue to improve the safety and interactivity of EVs, further stimulating end market demand.

5.1.2.4 Market Competition

The ongoing consolidation of computing, communications, and consumer electronics markets has formed ODM ecosystem with large scale players gaining most of the market share. However, in recent years, mainland China manufacturers have gradually stepped into the downstream ODM industry from upstream components, breaking the dominance of Taiwanese companies. Therefore, how assembly ODMs can provide customers with complete turnkey solutions, create a competitive niche, and increase the added value of their products by developing software and hardware, industrial design and vertical integration capabilities will be the key factor to retaining or increasing orders from major international brands to sustain continued revenue growth. In addition, the COVID-19 pandemic continues to impact the global financial market and supply chain, which is exacerbated by inflation, logistics bottlenecks, energy crises and geopolitical conflicts have also brought uncertainty to the global industry and market. As long as OEM players can respond quickly, strengthen operations and supply chain management, and adjust their production capacity according to customer demand, while leveraging their expertise in assembly management to achieve proper allocation of resources and production costs control, this will be another key capability to maintain competitive advantage. The Company currently adopts an ODM / EMS model for three major product segments (computing, communication and consumer electronics). In addition to assisting our brand customers to enhance the efficiency of production, we need to reduce costs at the same time while our customer expanding global distribution channels. In addition to these capabilities, design and manufacturing and hardware and software integration services will become the key success factors for acquiring customers.

5.1.3 Research and Development

5.1.3.1 Research and Development Expense in Recent Year

Unit: NT\$ thousands; %

| Items | 2020 | 2021 |
|-----------------|---------------|---------------|
| R&D Expense (A) | 16,681,735 | 15,711,475 |
| Net Revenue (B) | 1,399,332,906 | 1,263,720,182 |
| (A)/(B) % | 1.19 | 1.24 |

5.1.3.2 Research and Development Accomplishments in the Recent Year

| Year | Achievement in Research and Development |
|------|---|
| 2021 | <ol style="list-style-type: none"> Developed a 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 smart operation applications such as best match, capacity simulation, schedule optimization, Etc. Developed face detection and 2D/3D face recognition based on deep learning technologies, the recognition works even with medical facial masks on. The technology is applicable to face detection on smart albums, AR glasses, electronic doorbells, IP cameras, and Notebook PCs. Developed AI edge computing neural networks, which is two times faster than other leading solutions in the world and applicable to smart albums, AR glasses, robots, electronic doorbells, IP cameras, and Notebook PCs. Developed AI non-visual neural networks by training with Wi-Fi, mmWave, ultra-sound, and G-sensor data to identify different entities such as people, objects, and environments which is applicable to smart albums, AR glasses, robots, and Notebook PCs. Developing an AI deep learning technology to recognize emotion and swap faces , which provides perfect remote communication and social experience by mobile phones, Notebook PCs, or video conference. Keep developing the latest commercial and thin & light laptop/scalable mini desktop PC in 2021, with Intel's Alder Lake-P platform and 5G connection and AI application features. Developed commercial AIO PC in 2021, with Intel's latest Alder Lake-S platform. 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. Utilizing mmWave radar technologies to perform vehicle range and velocity detection and combining the latest C-V2X technology to form a network connection among companions travelled on personal transportation equipment. It will realize the instant information sharing |

| | |
|--|--|
| | <p>of certain safety precautions and companions' personal status to enhance the safety, security, and companion traveling scenarios</p> <p>10. 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.</p> <p>11. 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. 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>12. Developed WiFi-6E dual-band and tri-band (2.4G/5G/6G), 802.11ax high-speed wireless network sharing devices. These antennas 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>13. Developing next generation of IP phones with PoE, NFC, Wi-Fi, BT functions, adopting new Broadcom OMEGA SoC, and equipped with circular or strip multi-color LEDs to show the status of the IP phone.</p> <p>14. 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. In the past, 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>15. 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) which improves stability and reliability of the entire system.</p> <p>16. 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> <p>17. Developed automotive infotainment system, along with smart phone connectivity, including Apple Carplay, Android Auto, which provides wireless video streaming and voice assistance services. The system used the latest In-Cell display, and integrates touch, gesture controls and haptic feedback for human-machine interface, providing drivers</p> |
|--|--|

| | |
|--|---|
| | <p>the most intuitive driving experience.</p> <p>18. Developing ruggedized 2-in-1 tablet of Intel Tiger Lake platform running Windows 10/11 Professional operating system with integrated barcode scanner and WiFi 6/6E, 4G LTE, as well as 5G connectivity. IP65 & C1D2 rating. Integrated in Keyboard Dock as 2-in-1 Laptop platform.</p> <p>19. Developing ruggedized tablet of Intel Tiger Lake platform running Windows 10/11 Professional operating system with integrated barcode scanner and WiFi 6, as well as 5G connectivity. IP65 & C1D2 rating.</p> <p>20. Developing 14-inch semi-ruggedized (IP52 rating) NB with Intel Tiger Lake platform running Windows 11 Professional operating system with integrated barcode scanner and WiFi 6/6E, discrete GPS, and both WWAN 5G/4G connectivity.</p> <p>21. Developing 13.3 inch fully-ruggedized (IP65 rating) NB with Intel Tiger Lake platform running Windows 11 Professional operating system with integrated barcode scanner and WiFi 6/6E, discrete GPS, and both WWAN 5G/4G connectivity.</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; %

| | | 2020 | | 2021 | |
|-----------------|-----------------|---------------|--------|---------------|--------|
| | | Amount | % | Amount | % |
| Domestic | | 95,105,765 | 6.80 | 113,834,859 | 9.01 |
| Export | Asia | 107,683,176 | 7.70 | 70,309,540 | 5.56 |
| | Europe | 602,818,642 | 43.08 | 569,680,413 | 45.08 |
| | America | 526,476,490 | 37.62 | 460,398,005 | 36.43 |
| | Others | 67,248,833 | 4.80 | 49,497,365 | 3.92 |
| | Subtotal | 1,304,227,141 | 93.20 | 1,149,885,323 | 90.99 |
| Total | | 1,399,332,906 | 100.00 | 1,263,720,182 | 100.00 |

5.2.1.2 Market Share

According to market research, notebook PC ODM/EMS companies in Taiwan accounted for 180 million units of notebook PCs in 2021, around 73% of total global shipment volume. This included 72.2 million units from Quanta, 54.7 million units from Compal, 25.4 million units from Wistron, 17.6 million units from Inventec and 10.5 million units from Pegatron. Notebook PCs manufactured by Pegatron accounted for 4.23% 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.

For the outlook in 2022, computing segment is expected to see a surge in demand with employees increasingly returning to offices in the post-pandemic era, which will help boost business demand. The replacement of computer OS systems to Windows 11 is

expected to further stimulate demand for both business and high-end consumer models, although changes in component supply needs to be cautiously monitored. In the post-pandemic new normal, consumer electronic segment is expected to increase in demand for smart home devices, smart wearable devices and V2X systems. As long as end-consumer behavior changes, the manufacturers will expand their product lines and product offerings. In communications segment, smartphones are expected to see growth in sales volume as the adoption of 5G technology and specifications continue to evolve. However, the development of the global COVID-19 pandemic, economic factors and supply chain status, still pose uncertainties for future end-user demand and the Company needs to monitor industry and market changes closely.

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 7,835. 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.

d. Vehicle Products

Products that can be used for traditional vehicle & electric vehicle, such as infotainment, Telematics Control Unit, Car Computer, ECU & wall charger, etc.

5.2.3 Supply of Major Material

| Major Raw Materials | Source of Supply | Supply Situation |
|---------------------|---------------------------------|------------------|
| Display | X Company 、J Company | Stable |
| Chipset | X Company 、R Company | Stable |
| System Module | X Company 、Q Company | Stable |
| Mechanical Parts | X Company 、T Company 、I Company | Stable |
| CPU | J Company 、Z 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 | 2020 | | | | 2021 | | | |
|------|---------------------|---------------|--------|----------------------|---------------------|---------------|--------|----------------------|
| | Company Name | Amount | % | Relation with Issuer | Company Name | Amount | % | Relation with Issuer |
| 1 | X Company (Note1) | 659,060,909 | 50.50 | None | X Company (Note1) | 511,825,195 | 45.47 | None |
| 2 | J Company (Note 1) | 108,805,107 | 8.34 | None | J Company (Note 1) | 131,757,964 | 11.7 | None |
| 3 | Z Company (Note 1) | 65,585,199 | 5.02 | Shareholder | Z Company (Note 1) | 76,872,548 | 6.83 | Shareholder |
| | Others | 471,747,208 | 36.14 | - | Others | 405,207,941 | 36.00 | - |
| | Net Total Purchases | 1,305,198,423 | 100.00 | - | Net Total Purchases | 1,125,663,648 | 100.00 | - |

Note 1: In 2020 and 2021., 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 | 2020 | | | | 2021 | | | |
|------|-----------------|---------------|--------|----------------------|-----------------|---------------|--------|----------------------|
| | Company Name | Amount | % | Relation with Issuer | Company Name | Amount | % | Relation with Issuer |
| 1 | A Company | 853,146,423 | 60.97 | None | A Company | 693,898,568 | 54.91 | None |
| 2 | B Company | 164,480,895 | 11.75 | None | B Company | 211,258,433 | 16.72 | None |
| | Others | 381,705,588 | 27.28 | - | Others | 358,563,181 | 28.37 | - |
| | Net Total Sales | 1,399,332,906 | 100.00 | - | Net Total Sales | 1,263,720,182 | 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 | 2020 | | | 2021 | | |
|---|------|----------|----------|------------|----------|----------|------------|
| | | Capacity | Quantity | Amount | Capacity | Quantity | Amount |
| 3C Products | | 13,404 | 9,875 | 12,344,859 | 14,337 | 10,348 | 15,982,145 |
| Others | | - | - | 20,316,608 | - | - | 25,302,634 |
| Total | | 13,404 | 9,875 | 32,661,467 | 14,337 | 10,348 | 41,284,779 |

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 | 2020 | | | | 2021 | | | |
|--|------|----------|------------|----------|---------------|----------|------------|----------|---------------|
| | | Domestic | | Export | | Domestic | | Export | |
| | | Quantity | Amount | Quantity | Amount | Quantity | Amount | Quantity | Amount |
| 3C Products | | 10,041 | 92,444,051 | 170,127 | 1,112,447,542 | 10,009 | 96,860,096 | 150,477 | 1,011,649,962 |
| Others | | - | 1,525,830 | - | 40,364,082 | - | 1,095,467 | - | 58,527,577 |
| Total | | 10,041 | 93,969,881 | 170,127 | 1,152,811,624 | 10,009 | 97,955,563 | 150,477 | 1,070,177,539 |

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 | | 2020 | 2021 | As of 03/04/2022 |
|--------------------------|--------------------------|--------|--------|------------------|
| Number of Employees | Others | 4,199 | 4,846 | 4,850 |
| | R&D | 3,963 | 3,812 | 3,830 |
| | Total | 8,162 | 8,658 | 8,680 |
| Average Age | | 36.9 | 37.3 | 37.5 |
| Average Years of Service | | 7.2 | 7.2 | 7.3 |
| Education | Ph.D. | 0.25% | 0.24% | 0.24% |
| | Masters | 35.59% | 33.03% | 32.73% |
| | Bachelor's Degree | 55.38% | 55.34% | 55.30% |
| | Senior High School | 7.95% | 10.38% | 10.63% |
| | Below Senior High School | 0.83% | 1.01% | 1.10% |

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 2021 and as of the date of this annual report, the Company does not incur any loss or receive any significant penalty for environmental pollution. (Significant penalty means the penalty amount of that case is over NT 1,000,000.) 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 which is in compliance with the legal requirements. Waste handling 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 the 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..., etc.

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 106,000 training hours in 2021. The average training hour is above 16 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. 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 Management of Information Security

a. Corporate Information Security Governance Organization

To fulfill the demands for our customers and achieve corporate sustainability, Pegatron Corporation established information security organization to unify the making and execution of policies along with risk assessment, internal audit and regulatory compliance. The planning and execution of information security operations with the implementation of information security policies include the following:

- Review issues relate to information security
- Interdepartmental coordination and integrations.
- Ensure that goals and policies of information security meet the strategy of organization.
- Maintenance and management of information security.
- Emergency incidents response.
- Audit of information security.

b. Information Security Policy

Pegatron Corporation has issued information security policies to regulate and clarify the process of operations.

The policy includes below domain:

Information security organization and responsibilities, Personnel safety and management, Information assets management, Physical and environmental security management, Communication and Operations Management, Network security management, System access control, System development and maintenance, Business continue management, Internal audit.

c. Corporation information security managements and improvements.

To effectively implement information security managements, we have passed the ISO/IEC 27001:2013 certification in May 2019. Based on the PDCA cycle, we regularly review operations, assess the risk, conduct Business Continuity Planning drill and internal audit, etc.

d. Specific management solutions.

High-Availability: We have built additional server room; its infrastructures are also based on the concept of High-Availibity to prevent single point of failure. Aside from physical facilities, the structure of its core networks and external connections are also based on the

same concept of High-Availability.

Network Security:

- Implement NGFW, IPS and mail security portal to prevent cyber attack and malicious mail.
- Implement network segmentation and enhance access control to optimize network flow and prevent Lateral Movements.

Endpoint Security

- Using inventory management system to effectively seize the status of assets.
- Install anti-virus software to engage real-time protection, regular scanning and updating virus pattern.
- Restrict software installation and the usage of portable storage devices.

Data Security:

- Introduce DRM mechanism for protection and access control to protect confidential documents.
- Introduce encryption mechanism for data in-transit.

Security Awareness:

- Employees received information security training.
- Conduct Phishing mail drill regularly.

e. Major information security incidents:

There have been no major information security incidents in recent years and till this document was printed.

5.7 Important Contracts

As of 03/04/2022

| 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 |
| Lease Agreement | TRIOCEAN INDUSTRIAL CORPORATION CO., LTD. | 09/16/2021~ 10/15/2026 | Lease the building from TRIOCEAN INDUSTRIAL as the factory | None |
| Real Estate Purchase Agreement | Koo Foundation Sun Yat-Sen Cancer Center | 06/11/2021 | Purchase the land from Koo Foundation | None |
| Software Purchase Agreement | Acer e-Enabling Service Business Inc. | 12/01/2019 ~ 11/30/2022 | Purchase of Microsoft operating system and the related software | None |
| License Agreement | Microsoft Ireland Operations Limited. | 12/01/2019 ~ 11/30/2022 | License of Microsoft Office system and the related software | None |
| Construction Engineering Agreement | JONY AIR CONDITIONING ENGINEERING CO., LTD. | 08/19/2021~ 01/27/2022 | Reconstruction for the infrastructure in Taoyuan-2 factory | None |
| Construction Engineering Agreement | JONY AIR CONDITIONING ENGINEERING CO., LTD. | 11/14/2020~ 03/20/2021 | Reconstruction for the electrical & air conditioning in Taoyuan-3 factory | 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. | 01/01/2021~12/31/2021 | 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) | | | | |
|-------------------------------|---------------------|------------------------------------|-------------|--------------|--------------|---------------|
| | | 2017 | 2018 | 2019 | 2020 | 2021 |
| Current assets | | 395,398,572 | 482,805,097 | 475,833,911 | 582,130,864 | 564,850,826 |
| Funds & Investments | | 503,718 | 246,423 | 256,093 | 351,450 | 22,534,158 |
| Property, plant and equipment | | 78,075,271 | 87,605,762 | 80,248,760 | 83,385,274 | 69,736,530 |
| Intangible assets | | 1,497,234 | 1,475,872 | 1,297,891 | 386,975 | 208,186 |
| Other assets | | 12,760,824 | 12,217,461 | 12,883,138 | 18,092,046 | 19,440,663 |
| Total assets | | 488,235,619 | 584,350,615 | 570,519,793 | 684,346,609 | 676,770,363 |
| Current liabilities | Before Distribution | 291,327,147 | 370,401,314 | 345,586,659 | 444,312,180 | 428,588,053 |
| | After Distribution | 301,781,799 | 379,542,893 | 357,335,222 | 456,295,111 | Undistributed |
| Non-current liabilities | | 17,184,662 | 27,502,518 | 31,687,621 | 41,093,907 | 53,915,433 |
| Total liabilities | Before Distribution | 308,511,809 | 397,903,832 | 377,274,280 | 485,406,087 | 482,503,486 |
| | After Distribution | 318,966,461 | 407,045,411 | 389,022,843 | 497,389,018 | Undistributed |
| Equity | | 145,975,738 | 150,028,838 | 157,665,062 | 162,594,581 | 166,604,545 |
| Share capital | | 26,140,906 | 26,123,773 | 26,110,919 | 26,628,737 | 26,691,316 |
| Capital surplus | | 79,897,751 | 80,676,330 | 81,052,101 | 83,008,347 | 83,321,308 |
| Retained earnings | Before Distribution | 49,976,468 | 51,627,273 | 61,799,379 | 69,970,357 | 78,226,029 |
| | After Distribution | 39,521,816 | 42,485,694 | 50,050,816 | 57,987,426 | Undistributed |
| Other equity interest | | (10,037,445) | (8,393,564) | (11,294,337) | (17,012,860) | (21,631,550) |
| Treasury stock | | (1,942) | (4,974) | (3,000) | - | (2,558) |
| Non-controlling interests | | 33,748,072 | 36,417,945 | 35,580,451 | 36,345,941 | 27,662,332 |
| Total Equity | Before Distribution | 179,723,810 | 186,446,783 | 193,245,513 | 198,940,522 | 194,266,877 |
| | After Distribution | 169,269,158 | 177,305,204 | 181,496,950 | 186,957,591 | 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) | | | | |
|---|------------------------------------|---------------|---------------|---------------|---------------|
| | 2017 | 2018 | 2019 | 2020 | 2021 |
| Operating revenues | 1,193,808,515 | 1,340,002,031 | 1,366,287,326 | 1,399,332,906 | 1,263,720,182 |
| Gross profit | 46,669,889 | 40,768,545 | 45,105,358 | 49,604,249 | 46,573,368 |
| Results from operating activities | 18,998,696 | 11,930,623 | 16,906,266 | 19,062,736 | 16,854,460 |
| Non-operating income and expenses | 1,414,354 | 3,125,644 | 8,561,639 | 10,380,547 | 11,271,382 |
| Profit before tax | 20,413,050 | 15,056,267 | 25,467,905 | 29,443,283 | 28,125,842 |
| Profit (loss) from continuing operations | 16,014,772 | 11,116,099 | 18,284,108 | 22,419,552 | 25,027,094 |
| Profit (loss) from discontinued operations | - | - | - | - | - |
| Profit (loss) | 16,014,772 | 11,116,099 | 18,284,108 | 22,419,552 | 25,027,094 |
| Other comprehensive income (after tax) | (5,878,122) | 1,776,451 | (4,023,062) | (4,814,250) | (3,267,163) |
| Comprehensive income | 10,136,650 | 12,892,550 | 14,261,046 | 17,605,302 | 21,759,931 |
| Profit (loss), attributable to owners of parent | 14,682,988 | 11,114,866 | 19,317,741 | 20,207,598 | 20,545,643 |
| Profit (loss), attributable to non-controlling interests | 1,331,784 | 1,233 | (1,033,633) | 2,211,954 | 4,481,451 |
| Comprehensive income, attributable to owners of parent | 9,241,061 | 13,096,757 | 15,889,966 | 15,462,872 | 17,354,177 |
| Comprehensive income, attributable to non-controlling interests | 895,589 | (204,207) | (1,628,920) | 2,142,430 | 4,405,754 |
| Basic earnings per share | 5.66 | 4.25 | 7.40 | 7.73 | 7.71 |

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) | | | | |
|-------------------------------|---------------------|------------------------------------|-------------|--------------|--------------|---------------|
| | | 2017 | 2018 | 2019 | 2020 | 2021 |
| Current assets | | 380,463,314 | 560,145,033 | 576,874,914 | 509,195,078 | 565,204,693 |
| Funds & Investments | | 122,190,881 | 129,941,116 | 138,654,566 | 147,643,776 | 177,850,696 |
| Property, plant and equipment | | 4,722,912 | 7,384,642 | 8,123,507 | 10,182,540 | 10,529,131 |
| Intangible assets | | 316,961 | 293,045 | 143,655 | 92,409 | 118,522 |
| Other assets | | 1,259,125 | 1,546,820 | 1,910,403 | 4,859,180 | 3,033,799 |
| Total assets | | 508,953,193 | 699,310,656 | 725,707,045 | 671,972,983 | 756,736,841 |
| Current liabilities | Before Distribution | 355,933,994 | 534,208,466 | 547,410,312 | 481,384,680 | 551,975,918 |
| | After Distribution | 366,388,646 | 543,350,045 | 559,158,875 | 493,367,611 | Undistributed |
| Non-current liabilities | | 7,043,461 | 15,073,352 | 20,631,671 | 27,993,722 | 38,156,378 |
| Total liabilities | Before Distribution | 362,977,455 | 549,281,818 | 568,041,983 | 509,378,402 | 590,132,296 |
| | After Distribution | 373,432,107 | 558,423,397 | 579,790,546 | 521,361,333 | Undistributed |
| Equity | | NA | NA | NA | NA | NA |
| Share capital | | 26,140,906 | 26,123,773 | 26,110,919 | 26,628,737 | 26,691,316 |
| Capital surplus | | 79,897,751 | 80,676,330 | 81,052,101 | 83,008,347 | 83,321,308 |
| Retained earnings | Before Distribution | 49,976,468 | 51,627,273 | 61,799,379 | 69,970,357 | 78,226,029 |
| | After Distribution | 39,521,816 | 42,485,694 | 50,050,816 | 57,987,426 | Undistributed |
| Other equity interest | | (10,037,445) | (8,393,564) | (11,294,337) | (17,012,860) | (21,631,550) |
| Treasury stock | | (1,942) | (4,974) | (3,000) | - | (2,558) |
| Non-controlling interests | | NA | NA | NA | NA | NA |
| Total Equity | Before Distribution | 145,975,738 | 150,028,838 | 157,665,062 | 162,594,581 | 166,604,545 |
| | After Distribution | 135,521,086 | 140,887,259 | 145,916,499 | 150,611,650 | 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) | | | | |
|---|-------------------------------------|---------------|---------------|---------------|---------------|
| | 2017 | 2018 | 2019 | 2020 | 2021 |
| Operating revenues | 1,080,574,995 | 1,234,333,298 | 1,264,832,885 | 1,246,781,505 | 1,168,133,102 |
| Gross profit (Note 2) | 18,787,939 | 17,785,437 | 24,130,535 | 18,045,943 | 15,262,138 |
| Results from operating activities | 6,304,079 | 5,163,823 | 11,715,347 | 4,537,702 | 2,373,347 |
| Non-operating income and expenses | 8,896,368 | 6,579,206 | 9,788,099 | 16,890,111 | 18,690,347 |
| Profit before tax | 15,200,447 | 11,743,029 | 21,503,446 | 21,427,813 | 21,063,694 |
| Profit (loss) from continuing operations | 14,682,988 | 11,114,866 | 19,317,741 | 20,207,598 | 20,545,643 |
| Profit (loss) from discontinued operations | - | - | - | - | - |
| Profit (loss) | 14,682,988 | 11,114,866 | 19,317,741 | 20,207,598 | 20,545,643 |
| Other comprehensive income (after tax) | (5,441,927) | 1,981,891 | (3,427,775) | (4,744,726) | (3,191,466) |
| Comprehensive income | 9,241,061 | 13,096,757 | 15,889,966 | 15,462,872 | 17,354,177 |
| 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 | 5.66 | 4.25 | 7.40 | 7.73 | 7.71 |

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 2017 to 2021

| Year | CPA Firm | CPA's Name | Auditing Opinion |
|------|----------|------------------------------|------------------|
| 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 |
| 2021 | KPMG | Kuo-Yang Tseng & Chi-Lung Yu | Unqualified |

6.2 Five-Year Financial Analysis

6.2.1 Consolidated Financial Analysis

| Year (Note1) Item (Note 2) | | Five-Year Financial Analysis | | | | |
|-------------------------------|---|------------------------------|----------|--------|----------|--------|
| | | 2017 | 2018 | 2019 | 2020 | 2021 |
| Capital structure (%) | Debt ratio | 63.19 | 68.09 | 66.13 | 70.92 | 71.29 |
| | Ratio of long-term capital to property, plant and equipment | 248.06 | 240.79 | 274.47 | 281.19 | 346.08 |
| Solvency | Current ratio (%) | 135.72 | 130.35 | 137.69 | 131.01 | 131.79 |
| | Quick ratio (%) | 90.20 | 83.82 | 105.36 | 91.57 | 96.17 |
| | Times interest earned (Times) | 22.45 | 6.80 | 8.98 | 17.71 | 30.27 |
| Operating ability | Accounts receivable turnover (Times) | 9.69 | 7.62 | 6.69 | 6.47 | 5.33 |
| | Average collection period | 37.66 | 47.90 | 54.56 | 56.41 | 68.48 |
| | Inventory turnover (Times) | 9.44 | 8.55 | 9.25 | 9.48 | 7.48 |
| | Accounts payable turnover (Times) | 6.41 | 6.26 | 5.92 | 5.68 | 4.64 |
| | Average days in sales | 38.66 | 42.69 | 39.46 | 38.50 | 48.79 |
| | Property, plant, and equipment turnover (Times) | 15.29 | 15.30 | 17.03 | 16.78 | 18.12 |
| | Total assets turnover (Times) | 2.45 | 2.29 | 2.39 | 2.04 | 1.86 |
| Profitability | Return on total assets (%) | 3.61 | 2.46 | 3.61 | 3.79 | 3.79 |
| | Return on stockholders' equity (%) | 8.85 | 6.07 | 9.63 | 11.43 | 12.72 |
| | Pretax profit to paid-in capital (%) | 78.09 | 57.63 | 97.54 | 110.56 | 105.37 |
| | Net profit margin (%) | 1.34 | 0.83 | 1.34 | 1.60 | 1.98 |
| | Basic earnings per share (\$) | 5.66 | 4.25 | 7.40 | 7.73 | 7.71 |
| Cash flow | Cash flow ratio (%) | 6.46 | (Note 3) | 22.42 | (Note 3) | 14.82 |
| | Cash flow adequacy ratio (%) | 102.32 | 58.65 | 97.96 | 58.34 | 50.64 |
| | Cash reinvestment ratio (%) | 1.65 | (Note 3) | 21.58 | (Note 3) | 15.11 |
| Leverage | Operating leverage | 1.69 | 2.38 | 2.10 | 1.96 | 1.81 |
| | Financial leverage | 1.05 | 1.28 | 1.23 | 1.10 | 1.06 |

Analysis of financial ratio change in the last two years.

- Ratio of long-term capital to property, plant and equipment: The ratio increased in 2021 due to the decrease in Net property, plant and equipment
- Times interest earned ratio: The ratio increased in 2021 due to the decrease in interest expense of the year.
- Average collection period: The period increased in 2021 due to the decrease in account receivable turnover.
- Inventory turnover: The ratio decreased in 2021 due to the increase in average inventory amount.
- Average days in sales: The ratio increased in 2021 due to the decreased in inventory turnover.
- Net profit margin: The ratio increased in 2021 due to the increase in net income
- Cash flow ratio: The ratio increased in 2021 due to the increase in net cash inflow from operating activity
- Cash reinvestment ratio: The ratio increased in 2021 due to the increase 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: $\text{Current assets} / \text{current liability}$
- (2) Quick ratio = $(\text{Current assets} - \text{Inventory} - \text{Prepaid expense}) / \text{current liability}$
- (3) Times interest earned = $\text{Net income before tax and interest expense} / \text{Interest expense of the year}$

3. Operating ability

- (1) Account receivable turnover (including accounts receivable and notes receivable derived from business operations) = $\text{Net sales} / \text{Average accounts receivable (including accounts receivable and notes receivable derived from business operation)}$
- (2) Days sales in accounts receivable = $365 / \text{Account receivable turnover}$
- (3) Inventory turnover = $\text{Cost of goods sold} / \text{Average inventory amount}$
- (4) Account payable turnover (including accounts payable and notes payable derived from business operation) = $\text{Cost of goods sold} / \text{Average accounts payable (including accounts payable and notes payable derived from business operation)}$
- (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 = $\text{Net cash flow from operating activity in the past 5 years} / (\text{Capital expenditure} + \text{Inventory interest} + \text{Cash dividend in the past 5 years})$
- (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.

6.2.2 Individual Financial Analysis

| Year (Note1) Item (Note 2) | | Five-Year Financial Analysis | | | | |
|-------------------------------|---|------------------------------|----------|----------|----------|----------|
| | | 2017 | 2018 | 2019 | 2020 | 2021 |
| Capital structure (%) | Debt ratio | 71.32 | 78.55 | 78.27 | 75.80 | 77.98 |
| | Ratio of long-term capital to property, plant and equipment | 3,238.85 | 2,234.58 | 2,192.96 | 1,868.08 | 1,940.30 |
| Solvency | Current ratio (%) | 106.89 | 104.86 | 105.38 | 105.77 | 102.39 |
| | Quick ratio (%) | 96.95 | 95.45 | 99.60 | 98.18 | 95.04 |
| | Times interest earned (Times) | 28.56 | 8.20 | 13.48 | 26.42 | 38.18 |
| Operating ability | Accounts receivable turnover (Times) | 8.95 | 7.96 | 6.88 | 6.68 | 5.61 |
| | Average collection period | 40.78 | 45.85 | 53.05 | 54.64 | 65.06 |
| | Inventory turnover (Times) | 32.36 | 27.88 | 29.97 | 35.95 | 29.67 |
| | Accounts payable turnover (Times) | 3.55 | 3.25 | 2.72 | 2.89 | 2.74 |
| | Average days in sales | 11.28 | 13.09 | 12.18 | 10.15 | 12.30 |
| | Property, plant, and equipment turnover (Times) | 228.79 | 167.15 | 155.70 | 122.44 | 110.94 |
| | Total assets turnover (Times) | 2.12 | 1.77 | 1.74 | 1.85 | 1.54 |
| Profitability | Return on total assets (%) | 3.01 | 2.06 | 2.90 | 2.98 | 2.93 |
| | Return on stockholders' equity (%) | 9.98 | 7.51 | 12.56 | 12.61 | 12.48 |
| | Pretax Profit to paid-in capital (%) | 58.15 | 44.95 | 82.35 | 80.46 | 78.91 |
| | Net profit margin (%) | 1.36 | 0.90 | 1.53 | 1.62 | 1.75 |
| | Basic earnings per share (\$) | 5.66 | 4.25 | 7.40 | 7.73 | 7.71 |
| Cash flow | Cash flow ratio (%) | (Note3) | (Note 3) | 7.31 | (Note 3) | 5.13 |
| | Cash flow adequacy ratio (%) | 76.57 | 40.46 | 75.34 | 49.64 | 13.41 |
| | Cash reinvestment ratio (%) | (Note3) | (Note 3) | 17.21 | (Note 3) | 7.89 |
| Leverage | Operating leverage | 1.13 | 1.14 | 1.08 | 1.21 | 1.52 |
| | Financial leverage | 1.10 | 1.46 | 1.17 | 1.22 | 1.31 |

Analysis of financial ratio change in the last two years.

1. Times interest earned ratio: The ratio increased in 2021 due to the decrease in interest expense.
2. Average days in sales: The ratio increased in 2021 due to the Inventory turnover (Times) decrease.
3. Cash flow ratio: The ratio increased in 2021 due to the increase in net cash inflow from operating activity
4. Cash flow adequacy ratio: The ratio decreased in 2021 due to the decrease in net cash flow from operating activity in the past 5 years.
5. Cash reinvestment ratio: The ratio increased in 2021 due to the increase in net cash inflow from operating activity.
6. Operating leverage: The ratio increased in 2021 due to the decrease in operating income.

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.

6.3 Audit Committee's Report in the Most Recent Year

Pegatron Corporation

Audit Committee's Review Report

Date: March 10, 2022

The Board of Directors has prepared the Pegatron Corporation's ("the Company") 2021 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 | 2021 | 2020 | Difference | |
|---|--------------------|--------------------|--------------------|----------------|
| | | | Amount | % |
| Current Assets | 564,850,826 | 582,130,864 | (17,280,038) | (2.97%) |
| Funds & Investments | 22,534,158 | 351,450 | 22,182,708 | 6311.77% |
| Property, plant and equipment | 69,736,530 | 83,385,274 | (13,648,744) | (16.37%) |
| Intangible Assets | 208,186 | 386,975 | (178,789) | (46.20%) |
| Other Assets | 19,440,663 | 18,092,046 | 1,348,617 | 7.45% |
| Total Assets | 676,770,363 | 684,346,609 | (7,576,246) | (1.11%) |
| Current Liabilities | 428,588,053 | 444,312,180 | (15,724,127) | (3.54%) |
| Long-term Liabilities | 47,080,017 | 35,538,015 | 11,542,002 | 32.48% |
| Other Liabilities | 6,835,416 | 5,555,892 | 1,279,524 | 23.03% |
| Total Liabilities | 482,503,486 | 485,406,087 | (2,902,601) | (0.60%) |
| Capital stock | 26,691,316 | 26,628,737 | 62,579 | 0.24% |
| Capital surplus | 83,321,308 | 83,008,347 | 312,961 | 0.38% |
| Retained Earnings | 78,226,029 | 69,970,357 | 8,255,672 | 11.80% |
| Other Adjustments | 6,028,224 | 19,333,081 | (13,304,857) | (68.82%) |
| Total Stockholders' Equity | 194,266,877 | 198,940,522 | (4,673,645) | (2.35%) |
| Analysis of changes in financial ratios: | | | | |
| 1. Funds & Investments: The increase is due to the loss of control over the subsidiary and change to recognized as financial assets recognized under equity method. | | | | |
| 2. Intangible Assets: The decrease is due to the loss of control over the subsidiary and change to recognized as financial assets recognized under equity method. | | | | |
| 3. Long-term Liabilities: The increase is due to the issuance of corporate bonds. | | | | |
| 4. Other Liabilities: The increase is due to the increase of non-current lease liabilities and other non-current liabilities. | | | | |
| 5. 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 | 2021 | 2020 | Difference | |
|--|---------------|---------------|---------------|----------|
| | | | Amount | % |
| Net Sales | 1,263,720,182 | 1,399,332,906 | (135,612,724) | (9.69%) |
| Cost of Sales | 1,217,146,814 | 1,349,728,657 | (132,581,843) | (9.82%) |
| Gross Profit | 46,573,368 | 49,604,249 | (3,030,881) | (6.11%) |
| Operating Expense | 29,718,908 | 30,541,513 | (822,605) | (2.69%) |
| Results from operating activities | 16,854,460 | 19,062,736 | (2,208,276) | (11.58%) |
| Non-operating Income and Expenses | 11,271,382 | 10,380,547 | 890,835 | 8.58% |
| Profit Before Tax | 28,125,842 | 29,443,283 | (1,317,441) | (4.47%) |
| Income Tax Expense | 3,098,748 | 7,023,731 | (3,924,983) | (55.88%) |
| Profit for the year | 25,027,094 | 22,419,552 | 2,607,542 | 11.63% |
| Other Comprehensive Income | (3,267,163) | (4,814,250) | 1,547,087 | (32.14%) |
| Total Comprehensive Income | 21,759,931 | 17,605,302 | 4,154,629 | 23.60% |
| Analysis of changes in financial ratios: | | | | |
| 1. Income Tax: The decrease is due to the decrease of profit before tax | | | | |
| 2. Other comprehensive income: The increase is due to the increase of exchange differences on translation of foreign statements. | | | | |
| 3. Total comprehensive income: The increase is due to the increase of other comprehensive income. | | | | |

7.3 Analysis of Cash Flow

7.3.1 Cash Flow Analysis for the Current Year – Consolidated

Unit: NT\$ thousands; %

| Item \ Year | 2020 | 2021 | Difference | |
|--|--------------|--------------|--------------|--------|
| | | | Amount | % |
| Cash flows from operating activities | (29,409,575) | 63,543,734 | 92,953,309 | 316.06 |
| Cash flows from investing activities | (22,267,532) | (45,170,488) | (22,902,956) | 102.85 |
| Cash flows from financing activities | 36,347,912 | (30,826,168) | (67,174,080) | 184.81 |
| Analysis of changes in financial ratios: | | | | |
| 1. Cash flows from operating activities: The increase in cash flow was due to decreased inventories and other financial assets as compared to the previous year. | | | | |
| 2. Cash flows from investing activities: The decrease was due to disposal of subsidiaries as compared to the previous year. | | | | |
| 3. Cash flows from financing activities: The decrease was due to decreased in 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 2021, the investment income under equity method reached NT\$16,886,106 thousand dollars, which increase by 13.9% as compared to the previous year. The growth was due to order increasing from customers and operation improvement in 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\$8.9 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 increased by 1.96% and 9.45% respectively in 2021, as the result of both Import Price Index (IPI) and Export Price Index (EPI) rose simultaneously, which did not have significant impact on the Company's financial conditions in 2021. 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 2021 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 2021. 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\$11.2 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 2021 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 (including Risk of Information Security) 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.

The Company establishes Information Security organization and implements management cycle. High value assets have been identified by risk assessment method and are put under control measurements to avoid security threats to ensure the operation of company. After assessments, all risks are deemed under control and have no impact to major operations.

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 2021 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 2021 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 2021 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 16.80% 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

For details regarding the matter of AIG Specialty Insurance Company filing a subrogation lawsuit against the Company in August of 2018 for compensation, please refer to "subsection (b) Significant contingent liability under section (9) Commitments and contingencies" of the attachment "FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020". Except for the matter specified in the preceding sentence, in 2021 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

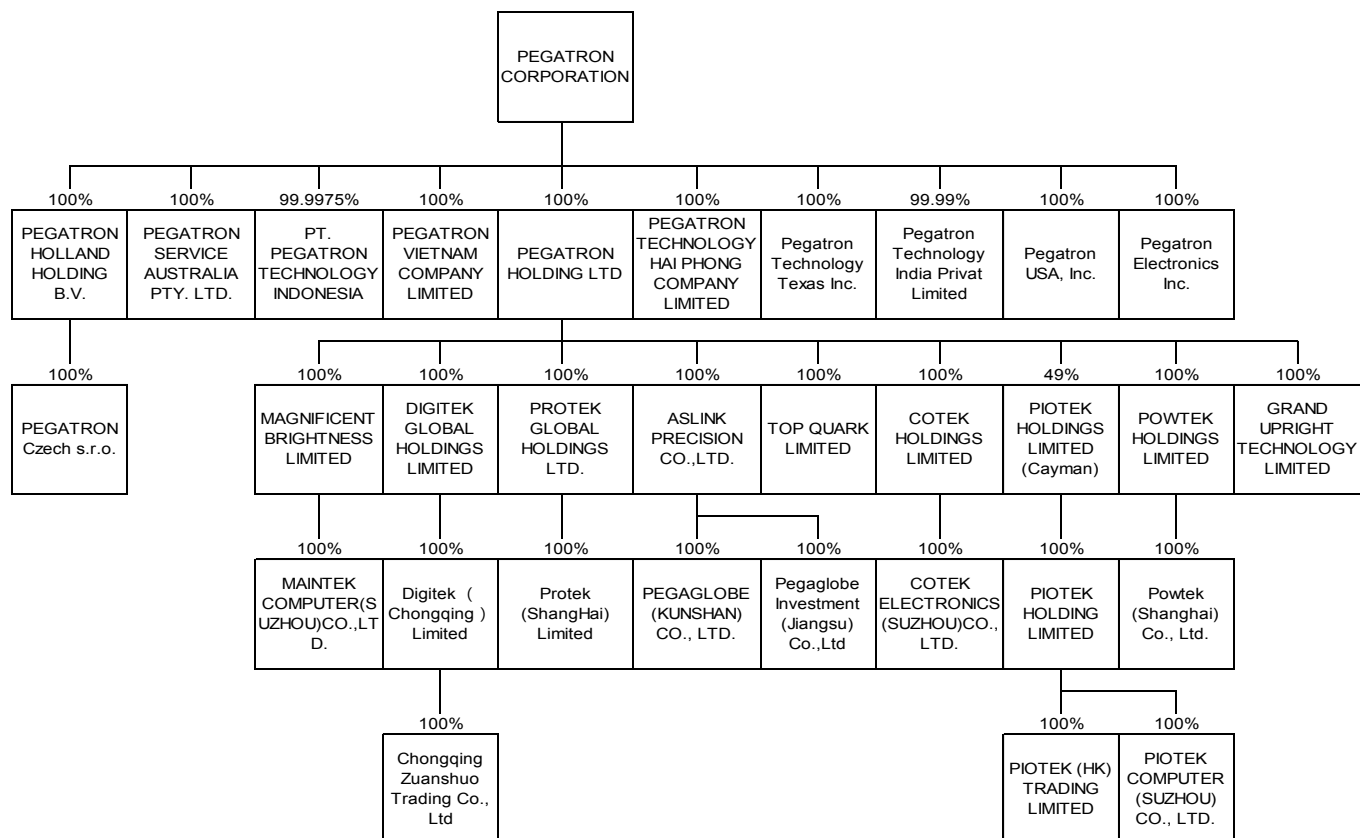
In 2021 and as of the date of this annual report, the Company did not have any other major risks.

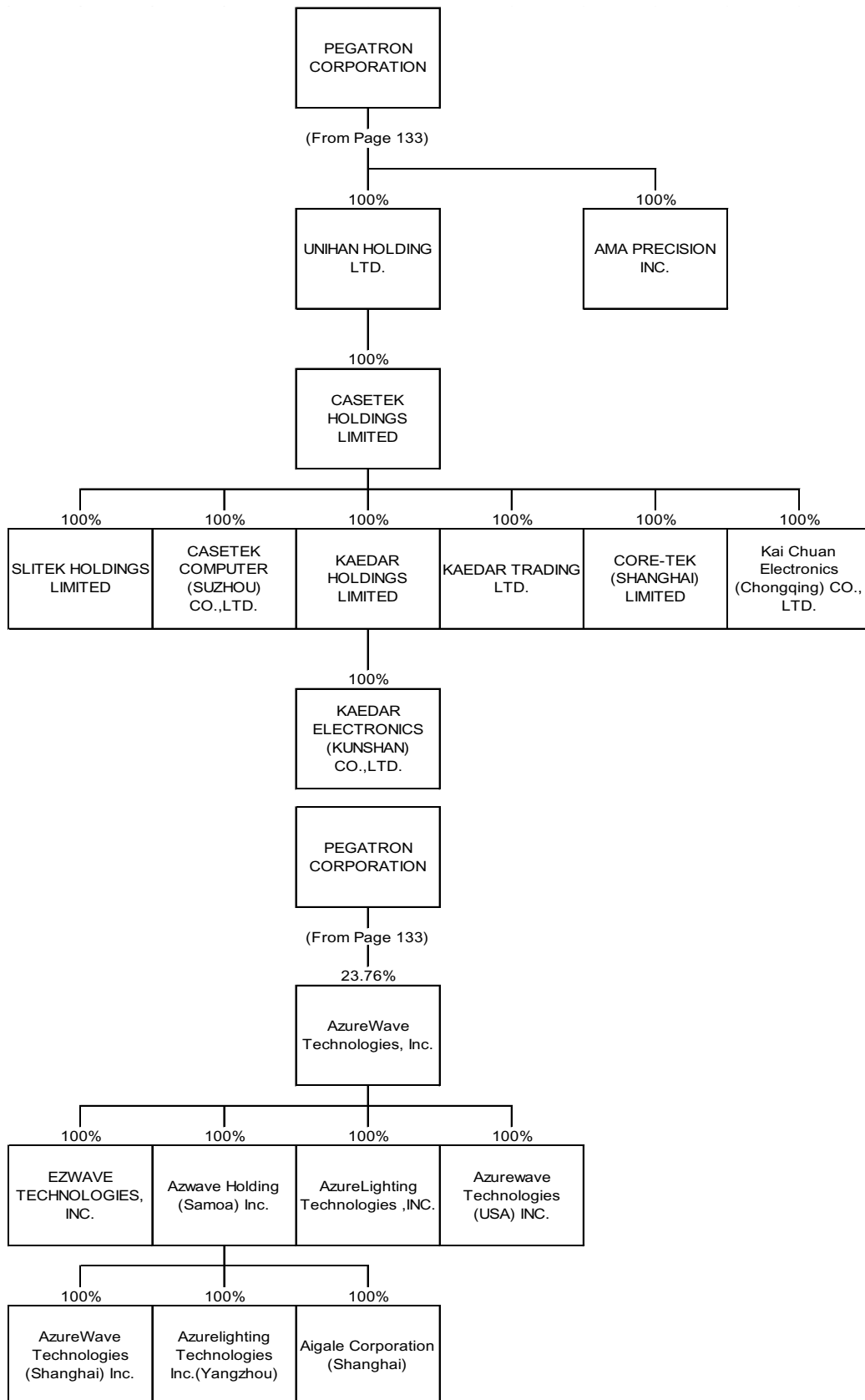
8. Other Special Notes

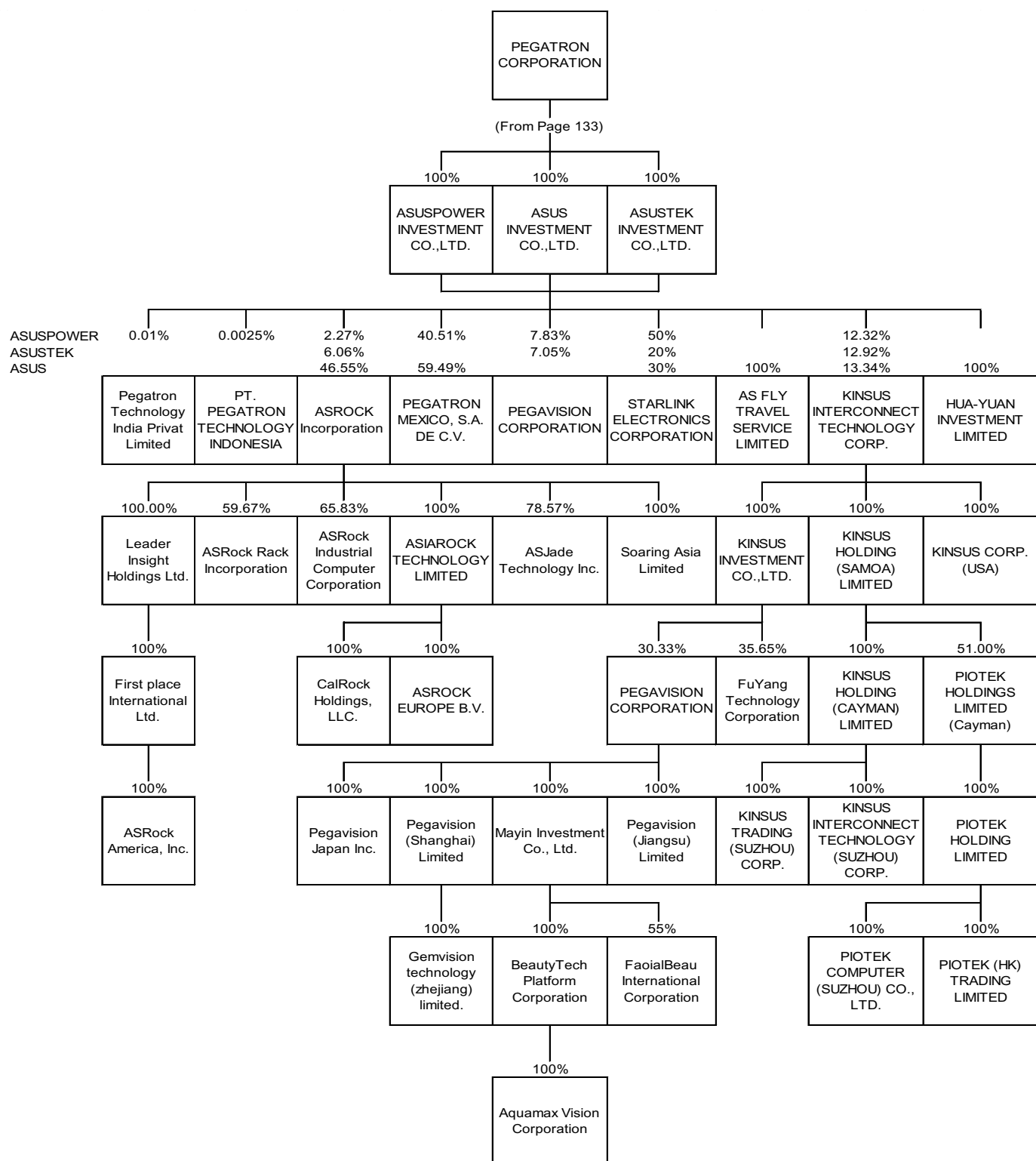
8.1 Summary of Affiliated Companies

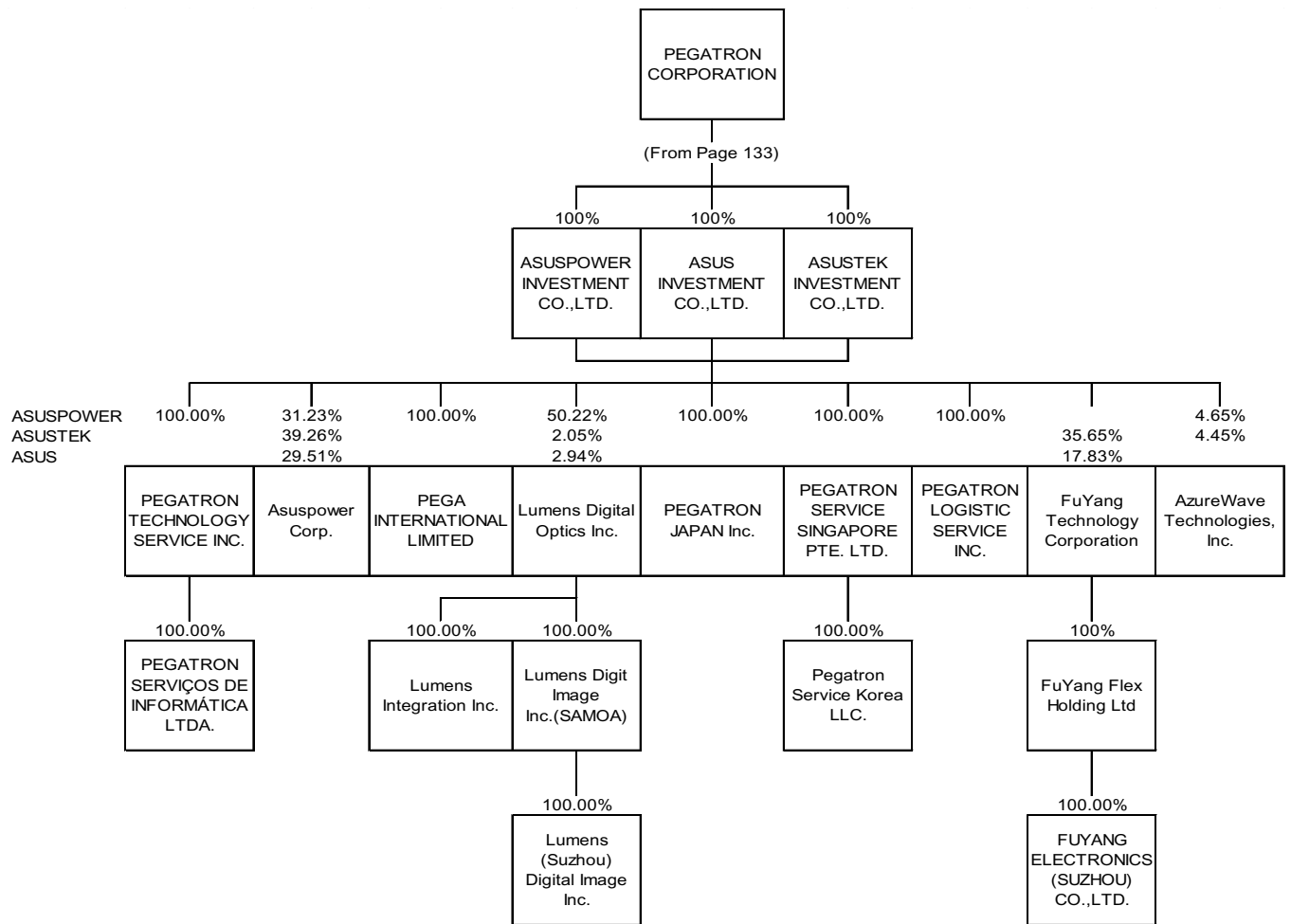
8.1.1 Affiliated Companies Chart

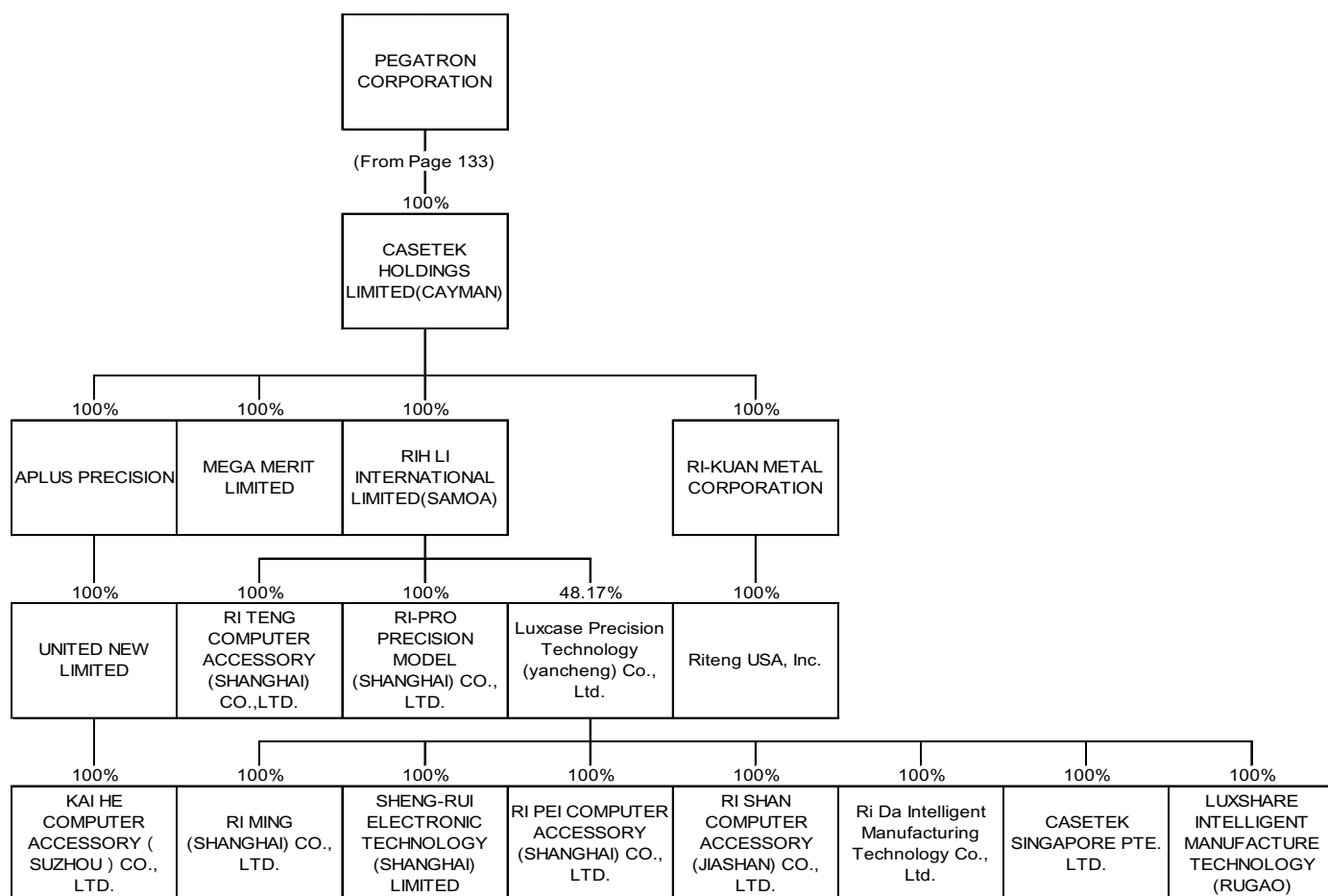
As of 12/31/2021











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 2021 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, 2021 AND 2020

(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, 2021 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 10, 2022

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, 2021 and 2020, 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, 2021 and 2020, 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, 2021 of the Group. Those matters have been addressed in our audit opinion on the said consolidated financial statements and during the formation of our audit opinion. However, we do not express an opinion on these matters individually. The key audit matters that, in our professional judgment, should be communicated are as follows:

1. Revenue recognition

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

(a) Key audit matters:

The timing for recognition of revenue and the transfer of 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, 2021 and 2020 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 2021 and 2020 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.

3. Significant equity transaction

Please refer to Note 4(c) and Note 6(i) to the consolidated financial statements for the accounting policies and detailed descriptions.

(a) Key audit matters:

The Group lost control over its wholly-owned subsidiary, Luxcase Precision Technology (Formerly called RI KAI COMPUTER ACCESSORY CO., LTD.), in 2021. The Group remeasured its investment at fair value, and recognized the gain or loss in disposal.

The accounting treatment for this equity transaction was based on the International Financial Reporting Standard 10 “ Consolidated Financial Statements” . The management used its subjective judgement and assumption as a basis of measurement in recognizing the transaction’ s fair value and the gain or loss on disposal, which have a significant impact on the financial statements. Therefore, the transaction is of our key audit matters.

(b) Auditing procedures performed:

- Interview the management to understand the purpose of the equity transaction, and assess the process and how the price was determined, as well as obtain the opinion report about the price rationality issued by external experts.
- Review the board meeting minutes and equity transaction contracts, and confirm the resolutions to ensure that they are consistent with the equity transaction contract.
- Evaluate the suitability and objectivity of the external valuation experts engaged by the management, and review the report issued by external valuation experts, as well as examine the plausibility of the original data and major assumptions.
- Examine the completeness of the equity net value derecognition amount and the accuracy of the amount of disposal on profit or loss.

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 11.91% and 8.81% of consolidated total assets at December 31, 2021 and 2020, respectively, and total operating revenues constituting 5.27% and 3.87% of consolidated total operating revenues for the years then ended December 31, 2021 and 2020, respectively. We did not audit the financial statements of an associate of the Group, which represented investment in another entity accounted for using the equity method. Those statements were audited by another auditor, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the associate, is based solely on the report of another auditor. The investment in the associate accounted for using the equity method constituting 3.28% of consolidated total assets at December 31, 2021, and the related share of profit of associates and joint ventures accounted for using the equity method constituting 6.98% of consolidated total profit before tax for the year then ended.

Pegatron Corporation has prepared its parent-company-only financial statements as of and for the years ended December 31, 2021 and 2020, 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 10, 2022

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to 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, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

| | | December 31, 2021 | | December 31, 2020 | |
|----------------------------|---|-----------------------|------------|--------------------|------------|
| | | Amount | % | Amount | % |
| Assets | | | | | |
| Current assets: | | | | | |
| 1100 | Cash and cash equivalents (Notes 6(a) and 6(i)) | \$ 111,024,086 | 16 | 125,996,714 | 19 |
| 1110 | Current financial assets at fair value through profit or loss (Note 6(b)) | 11,671,446 | 2 | 13,945,314 | 2 |
| 1170 | Notes and accounts receivable, net (Notes 6(d), 6(i), 6(aa), 7 and 8) | 249,533,457 | 37 | 223,963,691 | 33 |
| 1200 | Other receivables, net (Notes 6(e), 6(i) and 7) | 9,628,610 | 2 | 2,015,489 | - |
| 130X | Inventories (Notes 6(f) and 6(i)) | 148,061,197 | 22 | 165,142,393 | 24 |
| 1476 | Other current financial assets (Notes 6(p) and 8) | 30,316,944 | 4 | 40,943,545 | 6 |
| 1479 | Other current assets (Note 6(i) and 6(p)) | 4,615,086 | 1 | 10,123,718 | 1 |
| | | <u>564,850,826</u> | <u>84</u> | <u>582,130,864</u> | <u>85</u> |
| Non-current assets: | | | | | |
| 1510 | Non-current financial assets at fair value through profit or loss (Note 6(b)) | 1,588,080 | - | 611,284 | - |
| 1517 | Non-current financial assets at fair value through other comprehensive income (Notes 6(c) and 6(i)) | 1,492,875 | - | 1,002,211 | - |
| 1550 | Investments accounted for using the equity method (Note 6(h)) | 22,534,158 | 3 | 351,450 | - |
| 1600 | Property, plant and equipment (Notes 6(i), 6(l) and 8) | 69,736,530 | 10 | 83,385,274 | 12 |
| 1755 | Right-of-use assets (Notes 6(i) and 6(m)) | 6,236,459 | 1 | 6,581,805 | 1 |
| 1760 | Investment property, net (Note 6(n)) | 33,433 | - | 39,416 | - |
| 1780 | Intangible assets (Notes 6(i) and 6(o)) | 208,186 | - | 386,975 | - |
| 1840 | Deferred tax assets (NoteS 6(i) and 6(v)) | 2,820,827 | 1 | 3,526,493 | 1 |
| 1915 | Prepayments on purchase of equipment (Note 6(i)) | 6,812,380 | 1 | 2,506,384 | - |
| 1980 | Other non-current financial assets (Notes 6(i), 6(p) and 8) | 406,576 | - | 3,763,709 | 1 |
| 1990 | Other non-current assets (Note 6(p)) | 50,033 | - | 60,744 | - |
| | | <u>111,919,537</u> | <u>16</u> | <u>102,215,745</u> | <u>15</u> |
| Total assets | | <u>\$ 676,770,363</u> | <u>100</u> | <u>684,346,609</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, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

| | | December 31, 2021 | | December 31, 2020 | |
|---|---|-----------------------|------------|---------------------|------------|
| | | Amount | % | Amount | % |
| Liabilities and Equity | | | | | |
| Current liabilities: | | | | | |
| 2100 | Short-term loans (Notes 6(d), 6(i) and 6(q)) | \$ 94,023,304 | 14 | 105,242,889 | 16 |
| 2130 | Current contract liabilities (Note 6(aa)) | 1,325,274 | - | 1,053,313 | - |
| 2170 | Accounts payable (Notes 6(i) and 7) | 266,661,540 | 40 | 256,879,266 | 38 |
| 2209 | Accrued expenses (Notes 6(i) and 6(u)) | 25,898,985 | 4 | 36,210,492 | 5 |
| 2219 | Other payables (Notes 6(i) and 9) | 9,683,535 | 2 | 9,201,062 | 1 |
| 2230 | Current tax liabilities (Notes 6(i)) | 2,598,928 | - | 3,097,379 | - |
| 2281 | Current lease liabilities (Notes 6(i) and 6(t)) | 1,067,674 | - | 1,547,060 | - |
| 2321 | Bonds payable, current portion (Note 6(s)) | 2,000,000 | - | 1,000,000 | - |
| 2322 | Long-term loans payable, current portion (Note 6(r)) | 1,026,949 | - | 5,954,625 | 1 |
| 2399 | Other current liabilities (Note 6(i)) | 24,301,864 | 4 | 24,126,094 | 4 |
| | | <u>428,588,053</u> | <u>64</u> | <u>444,312,180</u> | <u>65</u> |
| Non-Current liabilities: | | | | | |
| 2527 | Non-current contract liabilities (Notes 6(i) and 6(aa)) | 150,352 | - | 301,158 | - |
| 2530 | Bonds payable (Note 6(s)) | 34,869,595 | 5 | 24,478,182 | 4 |
| 2540 | Long-term loans (Note 6(r)) | 12,210,422 | 2 | 11,059,833 | 2 |
| 2570 | Deferred tax liabilities (Note 6(v)) | 2,134,397 | - | 3,126,296 | - |
| 2581 | Non-current lease liabilities (Notes 6(i) and 6(t)) | 2,003,326 | - | 1,044,631 | - |
| 2650 | Credit balance of investments accounted for using equity method (Note 6(h)) | 258 | - | - | - |
| 2670 | Other non-current liabilities (Note 6(i)) | 2,547,083 | - | 1,083,807 | - |
| | | <u>53,915,433</u> | <u>7</u> | <u>41,093,907</u> | <u>6</u> |
| | | <u>482,503,486</u> | <u>71</u> | <u>485,406,087</u> | <u>71</u> |
| Total liabilities | | | | | |
| Equity Attributable to Owners of the Parent Company (Note 6(w)): | | | | | |
| 3100 | Share capital | 26,691,316 | 4 | 26,628,737 | 4 |
| Capital surplus: | | | | | |
| 3210 | Capital surplus, premium on capital stock | 78,057,441 | 12 | 77,471,560 | 11 |
| 3280 | Capital surplus, others (Notes 6(k) and 6(x)) | 5,263,867 | 1 | 5,536,787 | 1 |
| | | <u>83,321,308</u> | <u>13</u> | <u>83,008,347</u> | <u>12</u> |
| Retained earnings: | | | | | |
| 3310 | Legal reserve | 15,698,039 | 2 | 13,706,083 | 2 |
| 3320 | Special reserve | 15,866,201 | 2 | 11,286,050 | 2 |
| 3350 | Unappropriated retained earnings | 46,661,789 | 7 | 44,978,224 | 6 |
| | | <u>78,226,029</u> | <u>11</u> | <u>69,970,357</u> | <u>10</u> |
| Other equity interest: | | | | | |
| 3410 | Exchange differences on translation of foreign financial statements (Note 6(k)) | (21,363,627) | (3) | (15,808,892) | (2) |
| 3420 | Unrealized losses on financial assets measured at fair value through other comprehensive income | 444,778 | - | (57,309) | - |
| 3491 | Deferred compensation cost arising from issuance of restricted stock (Note 6(x)) | (712,701) | - | (1,146,659) | - |
| | | <u>(21,631,550)</u> | <u>(3)</u> | <u>(17,012,860)</u> | <u>(2)</u> |
| 3500 | Treasury stock | (2,558) | - | - | - |
| | Equity attributable to the parent company | <u>166,604,545</u> | <u>25</u> | <u>162,594,581</u> | <u>24</u> |
| 36xx | Non-controlling interests (Notes 6(j), 6(k) and 6(w)) | <u>27,662,332</u> | <u>4</u> | <u>36,345,941</u> | <u>5</u> |
| | Total equity | <u>194,266,877</u> | <u>29</u> | <u>198,940,522</u> | <u>29</u> |
| | Total liabilities and equity | <u>\$ 676,770,363</u> | <u>100</u> | <u>684,346,609</u> | <u>100</u> |

See accompanying notes to financial statements.

PEGATRON CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2021 and 2020

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

| | | For the years ended December 31 | | | |
|------|---|---------------------------------|-----|---------------|-----|
| | | 2021 | | 2020 | |
| | | Amount | % | Amount | % |
| 4110 | Operating revenue (Notes 6(aa) and 7) | \$ 1,266,144,650 | 100 | 1,402,677,996 | 100 |
| 4170 | Less: Sales returns and allowances | 2,424,468 | - | 3,345,090 | - |
| | Operating revenue, net | 1,263,720,182 | 100 | 1,399,332,906 | 100 |
| 5000 | Cost of sales (Notes 6(f), 6(t), 6(u), 6(x), 6(y), 6(ab), and 7) | 1,217,146,814 | 96 | 1,349,728,657 | 96 |
| | Gross profit from operations | 46,573,368 | 4 | 49,604,249 | 4 |
| 6000 | Operating expenses (Notes 6(t), 6(u), 6(x), 6(y) and 6(ab)): | | | | |
| 6100 | Selling expenses | 4,718,255 | 1 | 4,981,177 | - |
| 6200 | General and administrative expenses | 9,289,178 | 1 | 8,878,601 | 1 |
| 6300 | Research and development expenses | 15,711,475 | 1 | 16,681,735 | 1 |
| | Total operating expenses | 29,718,908 | 3 | 30,541,513 | 2 |
| | Net operating income | 16,854,460 | 1 | 19,062,736 | 2 |
| | Non-operating income and expenses: | | | | |
| 7100 | Interest income (Notes 6(ac) and 7) | 1,493,266 | - | 2,921,350 | - |
| 7010 | Other income (Note 6(ac)) | 3,986,493 | - | 5,182,941 | - |
| 7020 | Other gains and losses (Notes 6(i), 6(l), 6(o) and 6(ac)) | 5,412,103 | 1 | 4,016,376 | - |
| 7050 | Finance costs (Notes 6(d), 6(s), 6(t) and 6(ac)) | (972,397) | - | (1,776,100) | - |
| 7060 | Share of profit of associates and joint ventures accounted for using the equity method (Note 6(h)) | 1,546,319 | - | 119,759 | - |
| 7590 | Miscellaneous disbursements | (194,402) | - | (83,779) | - |
| | Total non-operating income and expenses | 11,271,382 | 1 | 10,380,547 | - |
| | Profit before tax | 28,125,842 | 2 | 29,443,283 | 2 |
| 7950 | Less: Tax expenses (Note 6(v)) | 3,098,748 | - | 7,023,731 | 1 |
| | Profit for the year | 25,027,094 | 2 | 22,419,552 | 1 |
| 8300 | Other comprehensive income: | | | | |
| 8310 | Components of other comprehensive income that will not be reclassified to profit or loss | | | | |
| 8311 | Gain (losses) on remeasurements of defined benefit plans (Note 6(u)) | 12,890 | - | (20,372) | - |
| 8316 | Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income | 522,406 | - | 92,665 | - |
| 8349 | Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 6(v)) | (456) | - | (1,455) | - |
| | Total components of other comprehensive income that will not be reclassified to profit or loss | 535,752 | - | 73,748 | - |
| 8360 | Components of other comprehensive income that will be reclassified to profit or loss (Note 6(ad)) | | | | |
| 8361 | Exchange differences on translation of foreign financial statements | (3,566,168) | - | (4,882,779) | - |
| 8370 | Share of other comprehensive (loss) 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)) | (256,468) | - | 190 | - |
| 8399 | Income tax related to components of other comprehensive (loss) income that will be reclassified to profit or loss (Note 6(v)) | (19,721) | - | 5,409 | - |
| | Total components of other comprehensive loss that will be reclassified to profit or loss | (3,802,915) | - | (4,887,998) | - |
| 8300 | Other comprehensive loss for the period, net of tax | (3,267,163) | - | (4,814,250) | - |
| 8500 | Total comprehensive income for the period | \$ 21,759,931 | 2 | 17,605,302 | 1 |
| | Profit attributable to: | | | | |
| 8610 | Owners of the parent company | \$ 20,545,643 | 2 | 20,207,598 | 1 |
| 8620 | Non-controlling interests | 4,481,451 | - | 2,211,954 | - |
| | | \$ 25,027,094 | 2 | 22,419,552 | 1 |
| | Comprehensive income attributable to: | | | | |
| 8710 | Owners of the parent company | \$ 17,354,177 | 2 | 15,462,872 | 1 |
| 8720 | Non-controlling interests | 4,405,754 | - | 2,142,430 | - |
| | | \$ 21,759,931 | 2 | 17,605,302 | 1 |
| | Earnings per share, net of tax (Note 6(z)) | | | | |
| 9750 | Basic earnings per share | \$ 7.71 | | 7.73 | |
| 9850 | Diluted earnings per share | \$ 7.62 | | 7.64 | |

See accompanying notes to financial statements.

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

Consolidated Statements of Changes in Equity

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

| | Equity attributable to owners of the parent company | | | | | | | | | |
|---|---|-----------------|---------------|-----------------|----------------------------------|---|---|---|----------------|---|
| | Retained earnings | | | | | Total other equity interest | | | | |
| | Share capital | | | | | Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income | | | | |
| | Common stock | Capital surplus | Legal reserve | Special reserve | Unappropriated retained earnings | Total retained earnings | Exchange differences on translation of foreign financial statements | Deferred compensation arising from issuance of restricted stock | Treasury stock | Total equity attributable to owners of the parent company |
| Balance at January 1, 2020 | \$ 26,110,919 | 81,052,101 | 11,774,310 | 7,868,877 | 42,136,192 | 61,799,379 | (10,982,396) | (303,654) | (3,000) | 157,665,062 |
| Profit for the period | - | - | - | - | 20,207,598 | 20,207,598 | - | - | - | 20,207,598 |
| Other comprehensive income (loss) for the period | - | - | - | - | (10,895) | (10,895) | (4,826,496) | 92,665 | - | 2,211,954 |
| Total comprehensive income (loss) for the period | - | - | - | - | 20,196,703 | 20,196,703 | (4,826,496) | 92,665 | - | (4,744,726) |
| Appropriation and distribution of retained earnings: | - | - | - | - | - | - | - | - | - | (69,524) |
| Legal reserve appropriated | - | - | 1,931,773 | - | (1,931,773) | - | - | - | - | 2,142,430 |
| Special reserve appropriated | - | - | - | 3,417,173 | (3,417,173) | - | - | - | - | 17,605,302 |
| Cash dividends of ordinary share | - | - | - | - | (11,748,563) | (11,748,563) | - | - | - | - |
| Difference between consideration and carrying amount of subsidiaries acquired or disposed | - | 187 | - | - | - | - | - | - | - | 187 |
| Changes in ownership interests in subsidiaries | - | - | - | - | - | - | - | - | - | - |
| Share-based payment transactions | - | 223,566 | - | - | (71,752) | (71,752) | - | - | - | 151,814 |
| Disposal of investments in equity instruments designated at fair value through other comprehensive income | 524,110 | - | - | - | - | - | - | - | - | (151,814) |
| Expiration of restricted shares of stock issued to employees | - | - | - | - | (153,680) | (153,680) | - | - | - | 524,110 |
| Compensation cost arising from restricted shares of stock | (6,292) | 3,076 | - | - | (51,730) | (51,730) | - | - | - | 153,680 |
| Changes in non-controlling interests | - | 1,729,417 | - | - | - | - | - | - | - | - |
| Balance at December 31, 2020 | 26,628,737 | 83,008,347 | 13,706,083 | 11,286,050 | 44,978,224 | 69,970,357 | (15,808,892) | (1,138,372) | 3,000 | 162,594,581 |
| Profit for the period | - | - | - | - | 20,545,643 | 20,545,643 | - | - | - | 36,345,941 |
| Other comprehensive income (loss) for the period | - | - | - | - | 8,678 | 8,678 | (3,722,550) | 522,406 | - | 20,545,643 |
| Total comprehensive income (loss) for the period | - | - | - | - | 20,554,321 | 20,554,321 | (3,722,550) | 522,406 | - | 4,481,451 |
| Appropriation and distribution of retained earnings: | - | - | - | - | - | - | - | - | - | (3,191,466) |
| Legal reserve appropriated | - | - | 1,991,956 | - | (1,991,956) | - | - | - | - | 17,354,177 |
| Special reserve appropriated | - | - | - | 4,580,151 | (4,580,151) | - | - | - | - | 4,405,754 |
| Cash dividends of ordinary share | - | - | - | - | (11,982,931) | (11,982,931) | - | - | - | - |
| Changes in equity of associates and joint ventures accounted for using equity method | - | 20,862 | - | - | (409,874) | (409,874) | - | - | - | - |
| Difference between consideration and carrying amount of subsidiaries acquired or disposed | - | (159,173) | - | - | - | - | (1,832,185) | - | - | (1,991,358) |
| Changes in ownership interests in subsidiaries | - | - | - | - | - | - | - | - | - | 1,991,358 |
| Share-based payment transactions | - | (55,620) | - | - | - | - | - | - | - | (55,620) |
| Disposal of investments in equity instruments designated at fair value through other comprehensive income | 75,740 | - | - | - | - | - | - | - | - | 75,740 |
| Expiration of restricted shares of stock issued to employees | - | - | - | - | 20,319 | 20,319 | - | - | - | - |
| Compensation cost arising from restricted shares of stock | (13,161) | 15,663 | - | - | 73,837 | 73,837 | - | - | - | 73,837 |
| Changes in non-controlling interests | - | 491,229 | - | - | - | - | - | - | - | 925,187 |
| Balance at December 31, 2021 | 26,691,316 | 83,321,308 | 15,698,039 | 15,866,201 | 46,661,789 | 78,226,029 | (21,363,627) | (712,701) | (2,558) | 166,604,545 |
| | | | | | | | | | | 27,662,332 |
| | | | | | | | | | | 194,266,877 |

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, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

| | For the years ended December 31 | |
|--|--|----------------------|
| | 2021 | 2020 |
| Cash flows from operating activities: | | |
| Profit before tax | \$ 28,125,842 | 29,443,283 |
| Adjustments: | | |
| Adjustments to reconcile profit: | | |
| Depreciation expense | 13,505,149 | 18,122,646 |
| Amortization expense | 145,073 | 198,069 |
| Expected credit loss | 5,372 | 10,706 |
| Net loss (gain) on financial assets and liabilities at fair value through profit or loss | 254,156 | (4,285,651) |
| Interest expense | 960,805 | 1,761,453 |
| Interest income | (1,493,266) | (2,921,350) |
| Dividend income | (83,521) | (53,005) |
| Compensation cost arising from share-based payments | 1,024,250 | 696,013 |
| Amortization of issuance costs on bonds payable | 5,813 | 3,843 |
| Share of gain of associates and joint ventures accounted for using the equity method | (1,546,319) | (119,759) |
| Loss (gain) on lease remeasurement | 1,277 | (9,468) |
| (Gain) loss on disposal of property, plant and equipment | (618,733) | 366,913 |
| Property, plant and equipment charged to expenses | 122,736 | 124,740 |
| Loss on disposal of intangible assets | 334 | - |
| Gain on disposal of investments | (3,958,758) | - |
| Impairment loss on non-financial assets | 65,850 | 1,185,640 |
| Gain on foreign currency exchange on long-term loans | (309,129) | (309,682) |
| Government grants income | (69,415) | (41,093) |
| Other payables | 1,635,444 | - |
| Total adjustments to reconcile profit | 9,647,118 | 14,730,015 |
| Changes in operating assets and liabilities: | | |
| Changes in operating assets: | | |
| Decrease (increase) in financial assets at fair value through profit or loss | 1,042,916 | (2,913,152) |
| Decrease (increase) in accounts receivable | (73,663,544) | (17,634,300) |
| Increase in other receivables | (8,472,445) | (447,755) |
| Decrease (increase) in inventories | 7,602,311 | (59,112,597) |
| Decrease (increase) in other financial assets | 10,615,683 | (37,378,625) |
| Decrease (increase) in other current assets | 1,565,596 | (3,928,842) |
| Decrease (increase) in other non-current assets | 10,711 | (10,679) |
| Total changes in operating assets | (61,298,772) | (121,425,950) |
| Changes in operating liabilities: | | |
| Increase (decrease) in contract liabilities | 298,214 | (587,947) |
| Increase in accrued expenses | 53,887,222 | 38,777,700 |
| Increase (decrease) in accounts payable to related parties | 24,232,250 | 9,001,692 |
| Increase in other payables | 8,221,473 | 2,037,300 |
| Increase in other current liabilities | 1,794,242 | 4,598,020 |
| Increase in other non-current liabilities | 1,893,947 | 111,382 |
| Total changes in operating liabilities | 90,327,348 | 53,938,147 |
| Total changes in operating assets and liabilities | 29,028,576 | (67,487,803) |
| Total adjustments | 38,675,694 | (32,757,788) |
| Cash inflow (outflow) generated from operations | 66,801,536 | (23,314,505) |
| Interest received | 1,580,663 | 2,959,200 |
| Dividends received | 107,911 | 77,395 |
| Interest paid | (954,280) | (1,695,643) |
| Income taxes paid | (3,992,096) | (7,436,022) |
| Net cash flows from (used in) operating activities | 63,543,734 | (29,409,575) |

PEGATRON CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows (CONT' D)

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

| | For the years ended December 31 | |
|---|---------------------------------|---------------------|
| | 2021 | 2020 |
| Cash flows used in investing activities: | | |
| Acquisition of financial assets at fair value through other comprehensive income | (41,784) | (230,468) |
| Proceeds from disposal of financial assets at fair value through other comprehensive income | 48,587 | 176,983 |
| Acquisition of property, plant and equipment | (20,773,366) | (15,062,536) |
| Proceeds from disposal of property, plant and equipment | 1,596,814 | 608,357 |
| Acquisition of intangible assets | (171,416) | (282,931) |
| Proceeds from disposal of intangible assets | 236 | - |
| Acquisition of right-of-use assets | (13,893) | (652,766) |
| Proceeds from disposal of right-of-use assets | 34,032 | - |
| Disposal of subsidiaries | (18,999,741) | - |
| Decrease (increase) in other financial assets | 3,201,104 | (3,282,551) |
| Increase in prepayments on purchase of equipment | (10,051,061) | (3,541,620) |
| Net cash flows used in investing activities | (45,170,488) | (22,267,532) |
| Cash flows from (used in) financing activities: | | |
| (Decrease) increase in short-term loans | (10,151,707) | 40,434,103 |
| Proceeds from issuing bonds | 12,385,600 | 4,994,000 |
| Repayments of bonds | (1,000,000) | (3,000,000) |
| Proceeds from long-term loans | 7,663,644 | 11,711,607 |
| Repayments of long-term loans | (11,114,362) | (3,498,130) |
| Repayments of lease liabilities | (1,498,769) | (1,793,913) |
| Cash dividends paid | (13,007,325) | (12,553,366) |
| Issuance of restricted stock | 75,740 | 524,110 |
| Redemption of restricted stock | (15,719) | (3,832) |
| Changes in non-controlling interests | (14,163,270) | (466,667) |
| Net cash flows (used in) from financing activities | (30,826,168) | 36,347,912 |
| Effect of exchange rate fluctuations on cash held | (2,519,706) | (4,470,004) |
| Net decrease in cash and cash equivalents | (14,972,628) | (19,799,199) |
| Cash and cash equivalents, beginning of the period | 125,996,714 | 145,795,913 |
| Cash and cash equivalents, end of the period | \$ 111,024,086 | 125,996,714 |

See accompanying notes to financial statements.

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(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, 2021 comprise the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”) and the Group’s interest in associates entities.

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

The accompanying consolidated financial statements were authorized for issuance by the Board of Directors on March 10, 2022.

(3) New standards, amendments and interpretations adopted

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

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2021:

- 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”
- Amendments to IFRS 16 “Covid-19-Related Rent Concessions beyond June 30, 2021”

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on its consolidated financial statements:

- 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”

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

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

| Standards or Interpretations | Content of amendment | Effective date per IASB |
|--|--|---|
| Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture” | The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. | Effective date to be determined by IASB |
| Amendments to IAS 1 “Classification of Liabilities as Current or Non-current” | The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. | January 1, 2023 |

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

(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.

(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.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(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.

(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, and any investment retained in the former subsidiary is measured at its fair value at the date when control is lost. Subsequently, the retained investment is recognized as either investments accounted for using the equity method or financial instruments at FVOCI depending on the extent of its impact.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

| Investor | Subsidiary | Nature of business | Shareholding ratio | | Notes |
|--|--|---|--------------------|-------------------|--------|
| | | | December 31, 2021 | December 31, 2020 | |
| 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% | |
| 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% | 32.86% | Note 1 |
| 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% | |

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

| Investor | Subsidiary | Nature of business | Shareholding ratio | | Notes |
|--------------------------------|---|---|--------------------|-------------------|------------|
| | | | December 31, 2021 | December 31, 2020 | |
| 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, notebooks, servers and software, and providing after-sales service | 100.00% | 100.00% | |
| PEGATRON HOLDING, KINSUS SAMOA | PIOTEK HOLDINGS LTD. (CAYMAN) (PIOTEK CAYMAN) | Investing activities | 100.00% | 100.00% | Note 4 |
| PIOTEK CAYMAN | PIOTEK HOLDING LIMITED (PIOTEK HOLDING) | Investing activities | 100.00% | 100.00% | Note 4 |
| 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 4 |
| PIOTEK HOLDING | PIOTEK (H.K.) TRADING LIMITED | Trading activities | 100.00% | 100.00% | Note 4 |
| 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 satellite, navigation and positioning receiving equipment and key components, mobile phones, third generation and subsequent mobile communication mobile phones, base stations, core equipment and network testity equipment, large and medium-sized electronic computers, portable microcomputers, high-ends servers, large-capacity optical, disle drives and their components.high-end server, disk drive, and other related components. | 100.00% | 100.00% | |
| ASLINK | PEGAGLOBE INVESTMENT (JIANGSU) CO., LTD. | Investing activities | 100.00% | - | % Notes 12 |
| PEGATRON HOLDING | DIGITEK GLOBAL HOLDINGS LIMITED (DIGITEK) | Investing and trading activities | 100.00% | 100.00% | |
| DIGITEK | 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. | 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, 2021 | December 31, 2020 | |
| DIGITEK (CHONGQING) LTD. | CHONGQING ZUANSUO 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. (MAINTEK) | Manufacture, develop and research and sale of power supplier, new electronic component, computer case, and computer system. Repair of laptop, motherboard and related product. | 100.00% | 100.00% | |
| PEGATRON HOLDING | PROTEK GLOBAL HOLDINGS LTD. (PROTEK) | Investing and trading activities | 100.00% | 100.00% | |
| PROTEK | 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. | 100.00% | 100.00% | |
| 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. (RUNTOP) | 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% | Note 13 |
| THE COMPANY | ASUSPOWER INVESTMENT CO., LTD. (ASUSPOWER) | Investing activities | 100.00% | 100.00% | |
| THE COMPANY | ASUS INVESTMENT CO., LTD. (ASUS) | Investing activities | 100.00% | 100.00% | |
| THE COMPANY | ASUSTEK INVESTMENT CO., LTD. (ASUSTEK) | Investing 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, 2021 | December 31, 2020 | |
| 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 | 54.88% | 55.92% | Note 2 |
| ASROCK | ASIA ROCK TECHNOLOGY LIMITED (ASIA ROCK) | Investing and holding activities | 100.00% | 100.00% | |
| ASIA ROCK | ASROCK EUROPE B.V. | Selling database service and trading electronic components | 100.00% | 100.00% | |
| ASIA ROCK | 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 | Firstplace International Ltd. (Firstplace) | Investing and holding activities | 100.00% | 100.00% | |
| Firstplace | 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 | 59.67% | 62.05% | Note 5 |
| ASROCK | ASRock Industrial Computer Corporation | Manufacturing and selling computer and related peripherals | 65.83% | 66.96% | Note 6 |
| ASROCK | Soaring Asia Limited | Trading activities | 100.00% | 100.00% | |
| ASROCK | ASjade Technology Inc. | Information software service | 78.57% | - % | Note 15 |
| ASUSPOWER INVESTMENT AND ASUS INVESTMENT | PEGATRON Mexico, S.A. DE C.V. | Manufacturing consumer electronics and electronic parts | 100.00% | 100.00% | |
| ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT | KINSUS INTERCONNECT TECHNOLOGY CORP. (KINSUS) | Manufacturing electronic parts, whole selling and retailing of electronic components, as well as providing business management consultant service | 38.58% | 38.57% | Notes 3 and 4 |
| KINSUS | KINSUS INVESTMENT CO., LTD. (KINSUS INVESTMENT) | Investing activities | 100.00% | 100.00% | Note 4 |
| KINSUS INVESTMENT, ASUSPOWER INVESTMENT AND ASUSTEK INVESTMENT | PEGAVISION CORPORATION | Manufacturing medical appliances | 45.21% | 45.21% | Notes 4 and 7 |
| PEGAVISION CORPORATION | PEGAVISION JAPAN INC. | Selling medical appliances | 100.00% | 100.00% | Notes 4 and 7 |
| PEGAVISION CORPORATION | BeautyTech Platform Corporation | Selling medical appliances | - % | 100.00% | Notes 4, 7 and 11 |
| BeautyTech Platform Corporation | AQUAMAX VISION CORPORATION | Selling medical appliances | 100.00% | 100.00% | Notes 4 and 7 |
| PEGAVISION CORPORATION | PEGAVISION (SHANGHAI) LIMITED | Selling medical appliances | 100.00% | 100.00% | Notes 4 and 7 |
| PEGAVISION (SHANGHAI) LIMITED | Gemvision Technology (Zhejiang) Limited. | Selling medical appliances | 100.00% | 100.00% | Notes 4 and 7 |
| PEGAVISION CORPORATION | Pegavision (Jiangsu) Limited. | Manufacturing and selling medical appliances | 100.00% | - % | Notes 4, 7 and 10 |

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

| Investor | Subsidiary | Nature of business | Shareholding ratio | | Notes |
|--|---|--|--------------------|-------------------|-------------------|
| | | | December 31, 2021 | December 31, 2020 | |
| PEGAVISON CORPORATION | Mayin Investment Co., Ltd. | Investing activities | 100.00% | - % | Notes 4, 7 and 11 |
| Mayin Investment Co., Ltd. | BeautyTech Platform Corporation | Selling medical appliances | 100.00% | - % | Notes 4, 7 and 11 |
| Mayin Investment Co., Ltd. | FacialBeau International Corporation | Selling cosmetics | 55.00% | - % | Notes 4, 7 and 11 |
| KINSUS INVESTMENT, ASUSTEK INVESTMENT AND ASUS INVESTMENT | FUYANG TECHNOLOGY CORPORATION (FUYANG TECHNOLOGY) | Manufacturing and wholesaling of wires, cables, and electronic components | 89.13% | 89.13% | |
| 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% | |
| KINSUS | KINSUS CORP. (USA) | Developing and designing new technology and products; analyzing marketing strategy and developing new customers | 100.00% | 100.00% | Note 4 |
| KINSUS | KINSUS HOLDING (SAMOA) LIMITED (KINSUS SAMOA) | Investing activities | 100.00% | 100.00% | Note 4 |
| KINSUS SAMOA | KINSUS HOLDING (CAYMAN) LIMITED (KINSUS CAYMAN) | Investing activities | 100.00% | 100.00% | Note 4 |
| KINSUS CAYMAN | KINSUS INTERCONNECT TECHNOLOGY (SUZHOU) CORP. | Manufacturing and selling circuit boards | 100.00% | 100.00% | Note 4 |
| KINSUS CAYMAN | KINSUS TRADING (SUZHOU) CORP. | Manufacturing and selling circuit boards related products and materials | 100.00% | 100.00% | Note 4 |
| 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 | 100.00% | 60.02% | Note 8 |
| CASETEK CAYMAN | RIH LI INTERNATIONAL LIMITED (RIH LI) | Investing activities | 100.00% | 100.00% | |
| RIH LI | RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD. (RI-TENG) | Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling | 100.00% | 100.00% | |

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

| Investor | Subsidiary | Nature of business | Shareholding ratio | | Notes |
|----------------------|---|--|--------------------|-------------------|--------|
| | | | December 31, 2021 | December 31, 2020 | |
| RIH LI | RI-PRO PRECISION MODEL (SHANGHAI) CO., LTD. (RI-PRO) | Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling | 100.00% | 100.00% | |
| RIH LI | RI-MING (SHANGHAI) CO., LTD. (RI-MING) | Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling | - % | 100.00% | Note 9 |
| RIH LI | SHENG-RUI ELECTRONIC TECHNOLOGY (SHANGHAI) LIMITED (SHENG-RUI) | Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling and surface processing for the aforementioned product. | - % | 100.00% | Note 9 |
| RIH LI | RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD. (RI PEI) | Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling | - % | 100.00% | Note 9 |
| RIH LI | RI SHAN COMPUTER ACCESSORY (JIASHAN) CO., LTD. (RI SHAN) | Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling and surface processing for the aforementioned product | - % | 100.00% | Note 9 |
| RIH LI | Luxcase Precision Technology (Yancheng) Co., Ltd. (Luxcase) (Former RI KAI) | Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling | - % | 100.00% | Note 9 |
| CASETEK CAYMAN | RI-KUAN METAL CORPORATION (RI-KUAN) | Selling iron and aluminum products | 100.00% | 100.00% | |
| RI-KUAN | RITENG USA, INC | Market survey | 100.00% | 100.00% | |
| 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% | Note 9 |
| 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% | |

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PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

| Investor | Subsidiary | Nature of business | Shareholding ratio | | Notes |
|--|---|--|--------------------|-------------------|---------|
| | | | December 31, 2021 | December 31, 2020 | |
| 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 repair service 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. | Sales and repair service center in Australia | 100.00% | 100.00% | |
| THE COMPANY | PEGATRON USA, INC. | Sales and repair service center in North America | 100.00% | 100.00% | |
| 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% | 100.00% | |
| THE COMPANY | PEGATRON TECHNOLOGY HAI PHONG COMPANY LIMITED | Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts | 100.00% | 100.00% | |
| THE COMPANY | PEGASUS ACE LIMITED | Investing activities | - % | 100.00% | Note 8 |
| THE COMPANY, ASUSPOWER INVESTMENT | PEGATRON TECHNOLOGY INDIA PRIVATE LIMITED | Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts | 100.00% | 100.00% | |
| THE COMPANY | PEGATRON TECHNOLOGY TEXAS INC. | Sales center in North America | 100.00% | - % | Note 14 |
| THE COMPANY | PEGATRON ELECTRONICS INC. | Sales center in North America | 100.00% | - % | Note 14 |

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.

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PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- Note 2 : On April 29, 2020, ASROCK INCORPORATION (ASROCK) reduced its capital by canceling those retired employee restricted shares, and approved to issued new restricted shares of stock on September 14, 2021, resulting in the Group's shareholding ratio in ASROCK to decrease from 55.92% to 54.88%.
- Note 3 : On July 27, and October 26, 2020, and January 29, 2021, respectively, KINSUS INTERCONNECT TECHNOLOGY CORP. (KINSUS) reduced its capital by canceling those retired employee restricted shares, resulting in the Group' s shareholding ratio in KINSUS to increase from 38.57% to 38.58%.
- Note 4 : Since the Group only held 38.58% of the voting rights of KINSUS INTERCONNECT TECHNOLOGY CORP. (KINSUS), with the remaining 61.42% 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 5 : On March 25 and April 15, 2020, ASROCK RACK INCORPORATION (ARI) purchased 2 thousand and 9 thousand shares from non related parties amounting to \$40 thousand and \$172 thousand, respectively, resulting in the Group's shareholding ratio to increase to 62.05%. In addition, 191 thousand treasury stocks had been cancelled based on a resolution approved during the board meeting of ARI held on April 22, 2021, resulting in the Group' s shareholding ratio to increase from 62.05% to 62.43%. Furthermore, a resolution had been approved during the board meeting of ARI held on July 14, 2021 to raise its capital for employee stock options. However, the Group did not increase its shares proportionally in ARI, resulting in the Group' s shareholding ratio in ARI to decrease from 62.43% to 59.66%. Also, ARI issued stock dividends to inject its capital with surplus on August 24, 2021, resulting in the Group's shareholding ratio in ARI to increase from 59.66% to 59.67%.
- Note 6 : On January 13, March 23, and May 7, 2020, ASRock Industrial Computer Corporation (ASRock) purchased 30 thousand, 20 thousand, and 21 thousand shares, from non-related parties amounting to \$300 thousand, \$246 thousand, and \$266 thousand, respectively, resulting in the Group's shareholding ratio in ASRock to increase to 67.58%. On July 31, 2020, ASRock approved to issue new shares for employee stock option. However, the Group did not increase its shares proportionally, resulting in its shareholding ratio in ASRock to decrease from 67.58% to 66.28%. Additionally, on September 30, December 7, and December 21, 2020, the Group purchased 105 thousand, 103 thousand, and 36 thousand shares, from non-related parties amounting to \$1,295 thousand, \$1,302 thousand, and \$452 thousand, respectively, resulting its shareholding ratio in ASRock to increase from 66.28% to 66.96%. Furthermore, a resolution to issue new shares for employee stock options was approved during the Board meeting held on June 11, 2021, with the investment amounting to \$6,132 thousand. Since the Group did not purchase the stocks based on its shareholding ratio, the Group' s shareholding ratio in ASRock has decreased from 66.96% to 65.83%.
- Note 7 : 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, PEGAVISION has been included in the consolidated financial statements of the Group.

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PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- Note 8 : On August 26, 2020, CASETEK HOLDINGS LIMITED (CASETEK) reduced its capital by repurchasing treasury stocks, resulting in the Group's shareholding ratio in CASETEK to increase from 59.41% to 60.02%. Pursuant to a resolution made during the CASETEK's Extraordinary General Meeting on September 30, 2020, CASETEK will complete a triangular merger with Pegatron Corporation and its wholly owned subsidiary, PEGASUS ACE LIMITED. The date of merger was set on January 15, 2021. The Group acquired all non-controlling interests of CASETEK in accordance with the merger agreement. The Group's shareholding ratio in CASETEK increased to 100% since the equity of CASETEK, originally held by ASUSPOWER CORPORATION, was also fully transferred to the ultimate parent company in the process of organizational restructuring, and PEGASUS ACE LIMITED as a dissolved company being merged in the triangular merger.
- Note 9 : To meet its operational needs, the Group had completed the organizational restructuring of its subsidiaries in mainland China by adjusting RI KAI COMPUTER ACCESSORY CO., LTD. (RI KAI) to a domestic holding company. Upon the completion of the reorganization, RI SHAN, RI PEI, RI MING, and SHENG RUI became directly wholly owned by RI KAI. The reorganization had been approved by Investment Board, Ministry of Economic Affairs on January 15, 2021. Furthermore, the Group approved a board resolution on January 29, 2021 to authorize RI KAI to raise its capital, with the record date on February 3, 2021; and to authorize RIH LI INTERNATIONAL LIMITED to waive its pre-emptive right toward the capital increase of RI KAI, which will result in the Group's shareholding ratio in RI KAI to decrease from 100% to 48.17%. In addition, an agreement wherein RI KAI will obtain the physical control over CASETEK SINGAPORE PTE. LTD. had also been made. After the capital increase, the other shareholders of RI KAI have also given the physical decision power over relevant operating activities of RI KAI and CASETEK SINGAPORE PTE. LTD. The Group had lost control over its subsidiaries after the record date of the capital increase. On April 26, 2021, RI KAI was renamed Luxcase Precision Technology (Yancheng) Co., Ltd.
- Note 10 : The subsidiary was established by the Group in the first quarter of 2021.
- Note 11 : To improve its operational efficiency, PEGAVISION CORPORATION approved a resolution during its board meeting held on July 26, 2021 for a structure reorganization by transferring its investment from BeautyTech Platform Corporation to Mayin Investment Co. (Mayin), which was established (with all related registration procedures had been completed on August 19, 2021) and a directly wholly-owned subsidiary of PEGAVISION CORPORATION once the reorganization is completed. Furthermore, Mayin directly established a 55% owned subsidiary, FacialBeau International Corporation, with its registration completed on October 22, 2021.
- Note 12 : Subsidiary established by the Group in the second quarter of 2021.
- Note 13 : The subsidiary has been sold to a non-related party, therefore, the Group lost control over the subsidiary.
- Note 14 : The subsidiary was established by the Group in the fourth quarter of 2021.
- Note 15 : The subsidiary was purchased by the Group in the fourth quarter of 2021.

(vii) Subsidiaries excluded from consolidation: None.

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PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(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 is effective.

(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.

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

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PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(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 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.

(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 instruments

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. An accounts receivable without a significant financing component is initially measured at the transaction price.

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PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(i) Financial assets

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

1) Financial assets measured at amortized cost

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

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

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

2) 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.

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PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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.

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.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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
- 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).

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 is 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.

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PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

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

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

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

7) Derecognition of financial assets

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

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

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

3) Treasury shares

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

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.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

5) Derecognition of financial liabilities

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

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

6) Offsetting of financial assets and liabilities

Financial assets and 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.

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.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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.

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.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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 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.

(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 of property, plant and equipment are as follows:

| | |
|----------------------------|-------------|
| Buildings | 1-50 years |
| Machinery | 1-10 years |
| Instrument equipment | 0 - 5 years |
| Office and other equipment | 1-10 years |
| Miscellaneous equipment | 1-25 years |

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(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) Leases

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.

(i) As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the 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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- 5) there is any lease modifications in lease subject, scope of the lease or other terms.

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 2022; 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.

(ii) As a lessor

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

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

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

(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 is as follows:

| | |
|----------------------------------|------------|
| Computer software cost | 1-5 years |
| Intangible assets in development | 3-10 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) Provisions

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

(q) Revenue from contracts with customers

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

(i) Sale of goods

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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.

(ii) Rendering of services

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

(iii) Financial components

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

(r) 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.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

(iii) Short-term employee benefits

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

(s) 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.

(t) 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:

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

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

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

(u) Business combination

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

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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.

(v) 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.

(w) 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

(x) 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.

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PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(6) Explanation of significant accounts

(a) Cash and cash equivalents

| | December 31, 2021 | December 31, 2020 |
|------------------|------------------------------|------------------------------|
| Cash on hand | \$ 446,493 | 11,630 |
| Cash in banks | 57,627,545 | 69,014,570 |
| Time deposits | 52,741,895 | 53,578,392 |
| Cash equivalents | <u>208,153</u> | <u>3,392,122</u> |
| | <u>\$ 111,024,086</u> | <u>125,996,714</u> |

- (i) The above cash and cash equivalents were not pledged as collateral. Pledged time deposits were accounted for under other financial assets. Please refer to Notes 6(p) and 8 for details.
- (ii) Please refer to Note 6(ae) for the fair value sensitivity analysis and interest rate risk of the financial assets and liabilities of the Group.

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

| | December 31, 2021 | December 31, 2020 |
|--|------------------------------|------------------------------|
| Current mandatorily measured at fair value through profit or loss: | | |
| Non-derivative financial assets | | |
| Shares of stock of listed companies | \$ 1,582,906 | 1,635,802 |
| Shares of stock of unlisted companies | 7,704 | 7,704 |
| Beneficiary certificates | 1,724,887 | 2,770,944 |
| Shares of stock of overseas listed companies | 8,263,406 | 9,437,126 |
| Convertible bonds | 92,543 | 93,738 |
| Non-current mandatorily measured at fair value through profit or loss: | | |
| Non-derivative financial assets | | |
| Shares of stock of listed companies | 220,850 | 218,750 |
| Beneficiary certificates | 471,075 | 328,865 |
| Shares of stock of overseas listed companies | 659,176 | - |
| Shares of stock of overseas unlisted companies | <u>236,979</u> | <u>63,669</u> |
| Total | <u>\$ 13,259,526</u> | <u>14,556,598</u> |

- (i) Please refer to Note 6(ac) for re-measurement at fair value recognized in profit or loss.
- (ii) Please refer to Note 6(ae) for credit risk and market risk.
- (iii) The aforesaid financial assets were not pledged as collateral.

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PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

| | December 31, 2021 | December 31, 2020 |
|--|------------------------------|------------------------------|
| Debt investments at fair value through other comprehensive income: | | |
| Beneficiary certificates | \$ 41,784 | - |
| Equity instruments at fair value through other comprehensive income: | | |
| Shares of stock of listed companies | \$ 1,015,796 | 533,196 |
| Shares of stock of unlisted companies | 147,786 | 149,143 |
| Shares of stock of overseas listed companies | 241,285 | 250,064 |
| Shares of stock of overseas unlisted companies | 46,224 | 69,808 |
| Total | <u>\$ 1,492,875</u> | <u>1,002,211</u> |

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

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

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

The Group holds these equity instruments, 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, 2021 and 2020, respectively, the Group has recognized dividend \$16,262 thousand and \$11,373 thousand 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 2021 and 2020 for \$0 and \$120 thousand, respectively. Dividends are recognized as other income — non-operating income and expenses. Please refer to Note 6(ac).

For the years ended December 31, 2021 and 2020, the Group had sold its shares as a result of investment strategic. The shares sold had fair values of \$48,587 thousand and \$176,983 thousand, respectively, and the Group realized cumulative gains and losses of \$20,319 thousand and \$3,680 thousand, 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 thousand from liquidation of the stock of unlisted companies, which is included in other comprehensive income. The cumulative loss was converted to retained earnings.

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

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

| | December 31, 2021 | December 31, 2020 |
|--|------------------------------|---------------------------|
| Notes receivables from operating activities | \$ 14,952 | 6,612 |
| Accounts receivable-measured at amortized cost | 249,637,569 | 224,136,586 |
| Less: Allowance for impairment | 119,064 | 179,507 |
| | <u>\$ 249,533,457</u> | <u>223,963,691</u> |

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, 2021 | | |
|-------------------------|------------------------------|-----------------------|-----------------------------|
| | Gross carrying amount | Expected loss rate | Loss allowance provision |
| Current | \$ 247,929,269 | 0%~1% | (43,584) |
| Overdue 0 to 30 days | 1,477,274 | 1%~30% | (43,102) |
| Overdue 31 to 120 days | 137,784 | 0%~100% | (7,428) |
| Overdue 121 to 365 days | 96,406 | 2%~100% | (13,162) |
| Over 365 days past due | 11,788 | 100% | (11,788) |
| | <u>\$ 249,652,521</u> | | <u>(119,064)</u> |

| | 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) |
| | <u>\$ 224,143,198</u> | | <u>(179,507)</u> |

(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 | |
|-------------------------------------|--|----------------|
| | 2021 | 2020 |
| Balance on January 1 | \$ 179,507 | 1,676,398 |
| Impairment losses recognized | 19,354 | 19,979 |
| Impairment loss reversed | (19,428) | (10,965) |
| Amounts written off | (49,783) | (1,502,577) |
| Foreign exchange losses | (5,323) | (3,328) |
| Effect of disposals of subsidiaries | (5,263) | - |
| Balance on December 31 | \$ 119,064 | 179,507 |

The aforesaid financial assets were not pledged as collateral.

- (iii) Please refer to Note 6(ae) for the Group' s notes and accounts receivable exposure to credit risk and currency risk.
- (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, 2021, and 2020, the relevant information on accounts receivable factored by the Company, but unsettled, was as follows:

| December 31, 2021 | | | | | | |
|--------------------------|--------------------------------|---|---|-------------------|---------------------------------------|---|
| Purchaser | Amount Derecognized | Factoring Line (thousands) | Amount Advanced (thousands) Paid | Collateral | Range of Interest Rate | Significant Factoring Terms |
| ANZ (Notes 1 and 2) | \$ - | USD 760,000 | USD - | None | 0.40%~ 0.41% | The accounts receivable factoring is without recourse but the seller still bears the risks except for eligible obligor' s insolvency. |

| December 31, 2020 | | | | | | |
|--------------------------|--------------------------------|---|---|-------------------|---------------------------------------|---|
| Purchaser | Amount Derecognized | Factoring Line (thousands) | Amount Advanced (thousands) Paid | Collateral | Range of Interest Rate | Significant Factoring Terms |
| ANZ (Notes 1 and 2) | \$ - | USD 760,000 | 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. |

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: Some participating banks had withdrawn from the joint accounts receivable factoring agreement in 2020, resulting in the factoring line decreased to USD\$760,000 thousand.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020, the Company recognized a fee and interest on bank advance payment of \$629 thousand and \$2,686 thousand, respectively, from the factoring of accounts receivable, which was accounted under finance costs in the statement of comprehensive income. For more information, please refer to Note 6(ac).

As of December 31, 2021 and 2020, KINSUS INTERCONNECT TECHNOLOGY CORP. sold its accounts receivable without recourse as follows:

| December 31, 2021 | | | | | | |
|---------------------------------------|------------------------|----------------------------------|---|------------|------------------------------|--|
| Purchaser | Amount Derecognized | Factoring Line (thousands) | Amount Advanced (thousands) Paid | Collateral | Range of Interest Rate | Significant Factoring Terms |
| Mega International Commercial Bank | \$ 602,015 USD | 30,000 USD | 8,827 | None | 0.47%~ 0.50% | The accounts receivable factoring is without recourse |

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

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 KAI to CSG and RI-KUAN METAL CORPORATION 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, 2021 | December 31, 2020 |
|-----------------------------------|----------------------|----------------------|
| Other receivables | \$ 1,098,166 | 2,034,360 |
| Other receivables-Related parties | 8,546,882 | - |
| Less: Allowance for impairment | 16,438 | 18,871 |
| | <u>\$ 9,628,610</u> | <u>2,015,489</u> |

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

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PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(f) Inventories

| | December 31, 2021 | December 31, 2020 |
|---|------------------------------|------------------------------|
| Merchandise | \$ 1,310,360 | 2,186,008 |
| Finished goods | 61,421,960 | 85,446,020 |
| Work in process | 22,894,310 | 40,765,271 |
| Raw materials | <u>67,539,582</u> | <u>43,681,070</u> |
| Subtotal | 153,166,212 | 172,078,369 |
| Less: Allowance for inventory market decline and obsolescence | <u>5,105,015</u> | <u>6,935,976</u> |
| Total | <u>\$ 148,061,197</u> | <u>165,142,393</u> |

The components of cost of goods sold were as follows:

| | For the years ended December 31 2021 | 2020 |
|---|---|-----------------------------|
| Cost of goods sold | \$ 1,204,532,911 | 1,331,274,562 |
| (Reversal of) provision on market price decline | (226,454) | 413,353 |
| Loss on disposal of inventory | 11,197,012 | 14,436,039 |
| Unallocated manufacturing overhead | 1,613,762 | 3,569,326 |
| Loss on physical inventory | <u>29,583</u> | <u>35,377</u> |
| | <u>\$ 1,217,146,814</u> | <u>1,349,728,657</u> |

For the year ended December 31, 2021 the Group recognized a gain from the reversal of allowance for inventory valuation loss due to the destocking of inventories. Such a gain was deducted from the cost of goods sold. For the year ended December 31, 2020, the Group recognized an inventory valuation loss due to the decreasing value from the carrying amount to the net realized value. Such a loss was recognized as the cost of goods sold.

As of December 31, 2021 and 2020, 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 (l) and (m) for details.

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PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(h) Investments accounted for using the equity method

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

| | December 31, 2021 | December 31, 2020 |
|---|----------------------|----------------------|
| Associates | <u>\$ 22,534,158</u> | <u>351,450</u> |
| Credit balance of investments accounted for using equity method-associate | <u>\$ 258</u> | <u>-</u> |

The Group has lost control over its wholly owned subsidiary, Luxcase, on February 3, 2021. The remaining equity of 48.17% has remeasured at fair value, and the Group has significant influence over Luxcase thereafter.

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

| Name of Associates | Nature of Relationship with the Group | Main operating location/ Registered Country of the Company | Proportion of shareholding and voting rights December 31, 2021 |
|---|--|---|---|
| Luxcase Precision Technology (Yancheng) Co., Ltd. (Luxcase) (Former RI KAI COMPUTER ACCESSORY CO.,LTD.) | Designing, developing, manufacturing and selling electronic components, precision, non-metal and metal tooling | China | 48.17% |

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

Luxcase

| | December 31, 2021 |
|---|--|
| Current assets | \$ 99,135,906 |
| Non-current assets | 38,002,561 |
| Current liabilities | (90,182,220) |
| Non-current liabilities | (936,897) |
| Net assets attributable to shareholders | <u>\$ 46,019,350</u> |
| | For the eleven months ended December 31, 2021 |
| Operating revenue | <u>\$ 224,654,064</u> |
| Gain from continuing operations | \$ 3,562,928 |
| Other comprehensive income | (13,193) |
| Comprehensive income attributable to shareholders | <u>\$ 3,549,735</u> |

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

| | For the eleven months ended December 31, 2021 |
|---|--|
| Shares of net assets of the associate as of January 1, 2021 | \$ - |
| Addition | 21,202,915 |
| Net gain attributable to the Group | 1,611,478 |
| Comprehensive income attributable to the Group | (256,480) |
| Change in the ownership interest attributable to the Group | <u>(389,012)</u> |
| Shares of net assets of associates | 22,168,901 |
| Goodwill | <u>103,108</u> |
| Carrying amount of the associate's equity as of December 31, 2021 | <u>\$ 22,272,009</u> |

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

| | December 31, 2021 | December 31, 2020 |
|--|------------------------------|------------------------------|
| Carrying amount of individually insignificant associates' equity | <u>\$ 261,891</u> | <u>351,450</u> |

| | For the years ended December 31 2021 | 2020 |
|--|---|-----------------------|
| Attributable to the Group: | | |
| (Loss) profit from continuing operations | \$ (65,159) | 119,759 |
| Other comprehensive income | <u>12</u> | <u>190</u> |
| Total comprehensive (loss) profit | <u>\$ (65,147)</u> | <u>119,949</u> |

(i) As of December 31, 2021 and 2020, the aforesaid investments accounted for using equity method were not pledged as collateral.

(i) Loss of control over a subsidiary

The Group approved a board resolution on January 29, 2021 to authorize its wholly-owned indirect subsidiary, Luxcase (Former RI KAI) to raise its capital on the record date of February 3, 2021, and to authorize another indirect subsidiary, RIH LI waived its pre-emptive right toward the capital increase of RI KAI, resulting the Group's shareholding ratio in Luxcase decreased from 100% to 48.17% and lost control over Luxcase. At the record date, the Group remeasured the remaining 48.17% equity. The difference between the fair value and the net book value and the loss reclassified from the accumulated balance previously recognized as other comprehensive loss comprise the net gain on disposal of \$3,773,813 thousand, presented as other gain or losses in the consolidated statement of comprehensive income. For more details, please refer to Notes 6(ac) and 6(ad).

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PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The carrying amounts of assets and liabilities of Luxcase on February 3, 2021 were as follow:

| | | |
|---|-----------|--------------------------|
| Cash and cash equivalents | \$ | 18,840,790 |
| Inventories | | 7,614,309 |
| Accounts receivable and other receivables | | 21,803,507 |
| Other current assets | | 3,025,160 |
| Financial assets at fair value through other comprehensive income | | 23,701 |
| Property, plant, and equipment | | 24,109,302 |
| Right-of-use assets | | 834,389 |
| Intangible assets | | 203,881 |
| Deferred tax assets | | 828,936 |
| Prepayments on purchase of equipment | | 378,360 |
| Other financial assets | | 155,204 |
| Short-term loans | | (1,067,878) |
| Accounts payable and other payables | | (24,117,848) |
| Accrued expenses | | (34,396,433) |
| Current tax liabilities | | (285,597) |
| Lease liabilities | | (200,415) |
| Other current liabilities | | (355,941) |
| Contract liabilities | | (41,997) |
| Other non-current liabilities | | (109,342) |
| Carrying amount of net assets | \$ | <u>17,242,088</u> |

- (j) Subsidiaries that have material non-controlling interest

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

| Subsidiaries | Main operation place/Country of registration | Equity ownership of non-controlling interest | |
|-----------------------------|--|--|-------------------|
| | | December 31, 2021 | December 31, 2020 |
| KINSUS and its subsidiaries | Taiwan | 61.42% | 61.43% |
| ASROCK and its subsidiaries | Taiwan | 45.12% | 44.08% |
| CASETEK CAYMAN | Taiwan/Cayman | - | 39.98% |

On January 15, 2021, the Group practiced an organizational restructuring on CASETEK CAYMAN and bought back all the non-controlling shareholders' shares. For more details, please refer to Note 4(c) and 6(k).

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PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

(i) Information regarding KINSUS and its subsidiaries

| | December 31, 2021 | December 31, 2020 |
|--|--|------------------------------|
| Current assets | \$ 26,424,304 | 21,663,991 |
| Non-current assets | 31,961,844 | 21,119,961 |
| Current liabilities | (13,982,699) | (10,730,750) |
| Non-current liabilities | (11,414,351) | (2,863,643) |
| Net assets | \$ 32,989,098 | 29,189,559 |
| Non-controlling interest | \$ 20,886,824 | 18,296,937 |
| | For the years ended December 31 | |
| | 2021 | 2020 |
| Operating revenue | \$ 35,672,763 | 27,098,474 |
| Net income for the period | \$ 4,492,108 | 929,443 |
| Other comprehensive loss | (24,269) | (22,831) |
| Comprehensive income | \$ 4,467,839 | 906,612 |
| Net income attribute to non-controlling interest | \$ 3,054,312 | 719,937 |
| Comprehensive income attribute to non-controlling interest | \$ 3,042,230 | 716,815 |
| | For the years ended December 31 | |
| | 2021 | 2020 |
| Cash flows from operating activities | \$ 10,574,431 | 5,358,469 |
| Cash flows used in investing activities | (12,895,057) | (2,909,501) |
| Cash flows from (used in) financing activities | 5,999,519 | (1,525,522) |
| Effect of movement in exchange rate | (11,798) | 29,383 |
| Net increase in cash and cash equivalents | \$ 3,667,095 | 952,829 |
| Dividends to non-controlling interest | \$ 468,686 | 372,936 |

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Information regarding ASROCK and its subsidiaries

| | December 31, 2021 | December 31, 2020 |
|--------------------------|------------------------------|------------------------------|
| Current assets | \$ 15,422,807 | 11,226,039 |
| Non-current assets | 471,143 | 489,772 |
| Current liabilities | (7,013,600) | (4,325,667) |
| Non-current liabilities | (91,506) | (81,708) |
| Net assets | <u>\$ 8,788,844</u> | <u>7,308,436</u> |
| Non-controlling interest | <u>\$ 4,271,093</u> | <u>3,449,287</u> |

| | For the years ended December 31 2021 | 2020 |
|--|---|--------------------------|
| Operating revenue | <u>\$ 19,762,672</u> | <u>17,911,584</u> |
| Net income for the period | \$ 2,459,938 | 1,508,583 |
| Other comprehensive loss | (111,731) | (199,212) |
| Comprehensive income | <u>\$ 2,348,207</u> | <u>1,309,371</u> |
| Net income attribute to non-controlling interest | <u>\$ 1,133,783</u> | <u>746,131</u> |
| Comprehensive income attribute to non-controlling interest | <u>\$ 1,084,316</u> | <u>658,717</u> |

| | For the years ended December 31 2021 | 2020 |
|--|---|-----------------------|
| Cash flows from operating activities | \$ 1,024,292 | 1,352,024 |
| Cash flows (used in) from investing activities | (516,840) | 73,471 |
| Cash flows used in financing activities | (953,233) | (515,592) |
| Effect of movement in exchange rate | (103,377) | (182,907) |
| Net (decrease) increase in cash and cash equivalents | <u>\$ (549,158)</u> | <u>726,996</u> |
| Dividends to non-controlling interest | <u>\$ 459,835</u> | <u>212,721</u> |

(iii) Information regarding CASETEK CAYMAN

| | December 31, 2020 |
|--------------------------|------------------------------|
| Current assets | \$ 65,391,986 |
| Non-current assets | 27,598,569 |
| Current liabilities | (54,615,386) |
| Non-current liabilities | (7,203,965) |
| Net assets | <u>\$ 31,171,204</u> |
| Non-controlling interest | <u>\$ 12,259,489</u> |

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

| | For the year ended December 31, 2020 |
|--|---|
| Operating revenue | <u>\$ 75,597,875</u> |
| Net income for the period | \$ 1,265,617 |
| Other comprehensive income | 195,229 |
| Comprehensive income | <u>\$ 1,460,846</u> |
| Net income attribute to non-controlling interest | <u>\$ 507,354</u> |
| Comprehensive income attribute to non-controlling interest | <u>\$ 585,913</u> |
| | For the year ended December 31, 2020 |
| Cash flows from operating activities | \$ 155,967 |
| Cash flows used in investing activities | (5,797,834) |
| Cash flows from financing activities | 16,249,075 |
| Effect of movement in exchange rate | (578,711) |
| Net increase in cash and cash equivalents | <u>\$ 10,028,497</u> |
| Dividend paid to non-controlling interests | <u>\$ 168,074</u> |

(k) Acquisition of non-controlling interests

Pursuant to a resolution made in the Group' s Extraordinary General Meeting on September 30, 2020, CASETEK HOLDINGS LIMITED, CAYMAN (CASETEK) will complete a triangular merger with Pegatron Corporation and its wholly owned subsidiary, PEGASUS ACE LIMITED. The Group acquired all non-controlling interest of CASETEK in accordance with the merger agreement on January 15, 2021, the date of merger. There was no transaction between the Group and non-controlling interest for the nine months ended September 30, 2020.

The effects of the changes in the Group' s interests in CASETEK were as follows:

| | January 15, 2021 |
|---|----------------------------|
| Carrying amount of non-controlling interest on acquisition | \$ 12,283,355 |
| Consideration paid to non-controlling interests | (14,274,713) |
| Exchange differences on translation of foreign financial statements | 1,832,185 |
| Capital surplus differences between the consideration and the carrying amounts the subsidiaries acquired | <u>\$ (159,173)</u> |

(l) Property, plant and equipment

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

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PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

| | Land | Buildings | Machinery equipment | Instrument equipment | Other facilities | Construction in progress | Total |
|--|----------------------|-------------------|------------------------|-------------------------|---------------------|-----------------------------|--------------------|
| Cost or deemed cost: | | | | | | | |
| Balance on January 1, 2021 | \$ 8,518,661 | 57,985,033 | 72,165,168 | 1,310,614 | 37,998,358 | 3,736,663 | 181,714,497 |
| Additions | 210,029 | 1,122,445 | 1,505,729 | 175,447 | 3,187,065 | 12,584,348 | 18,785,063 |
| Disposals and obsolescence | - | (516,939) | (2,545,568) | (151,414) | (2,648,985) | - | (5,862,906) |
| Reclassifications | 3,132,634 | 2,889,384 | 5,474,744 | (387) | 4,298,290 | (10,552,868) | 5,241,797 |
| Subsidiary disposal | - | (9,042,327) | (22,876,427) | - | (7,290,696) | (2,705,181) | (41,914,631) |
| Effect of movement in exchange rates | (4,674) | (937,440) | (384,746) | (20,906) | (544,676) | (4,600) | (1,897,042) |
| Balance on December 31, 2021 | <u>\$ 11,856,650</u> | <u>51,500,156</u> | <u>53,338,900</u> | <u>1,313,354</u> | <u>34,999,356</u> | <u>3,058,362</u> | <u>156,066,778</u> |
| 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 rates | (9,091) | (1,245,507) | (44,980) | (37,157) | (670,340) | (45,718) | (2,052,793) |
| Balance on December 31, 2020 | <u>\$ 8,518,661</u> | <u>57,985,033</u> | <u>72,165,168</u> | <u>1,310,614</u> | <u>37,998,358</u> | <u>3,736,663</u> | <u>181,714,497</u> |
| Depreciation and impairment loss: | | | | | | | |
| Balance on January 1, 2021 | \$ - | 21,640,958 | 50,988,697 | 1,021,535 | 24,678,033 | - | 98,329,223 |
| Depreciation for the year | - | 2,757,071 | 4,543,920 | 167,341 | 4,456,636 | - | 11,924,968 |
| Impairment loss (reversal gain) | - | 15,200 | 49,884 | (18) | 784 | - | 65,850 |
| Disposals and obsolescence | - | (403,001) | (2,160,233) | (144,626) | (2,176,965) | - | (4,884,825) |
| Reclassifications | - | (111,947) | 37,730 | - | (79,565) | - | (153,782) |
| Subsidiary disposal | - | (1,550,480) | (11,784,858) | - | (4,347,813) | - | (17,683,151) |
| Effect of movement in exchange rates | - | (466,862) | (370,317) | (20,637) | (410,219) | - | (1,268,035) |
| Balance on December 31, 2021 | <u>\$ -</u> | <u>21,880,939</u> | <u>41,304,823</u> | <u>1,023,595</u> | <u>22,120,891</u> | <u>-</u> | <u>86,330,248</u> |
| 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 rates | - | (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> |
| Carrying value: | | | | | | | |
| Balance on December 31, 2021 | <u>\$ 11,856,650</u> | <u>29,619,217</u> | <u>12,034,077</u> | <u>289,759</u> | <u>12,878,465</u> | <u>3,058,362</u> | <u>69,736,530</u> |
| Balance on January 1, 2020 | <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> |
| 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> |

- (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 | |
|-----------------|---------------------------------|----------------|
| | 2021 | 2020 |
| Impairment loss | <u>\$ 65,850</u> | <u>158,273</u> |

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

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PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (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 thousand, recognized under other income and losses in the consolidated statement of comprehensive income. Please refer to Note 6(ac) for related information.
- (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) In October 2021, AZUREWAVE and its subsidiaries disposed a portion of their plants and land use rights, that were used by their production department, based on their board meeting approved in May 2021, resulting in an increase in the gain on disposal of property, plant and equipment by \$105,991 thousand, which was recognized under other gains and losses in the consolidated statement of comprehensive income. Please refer to Note 6(ac) for details.
- (vi) Please refer to Note 6(ac) for gain and loss on the disposal of property, plant and equipment.
- (vii) Please refer to Note 8 for the details of property, plant and equipment pledged as collateral.
- (m) Right-of-use assets

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

| | Land | Buildings | Machinery equipment | Transportation equipment | Total |
|--------------------------------------|----------------------------|-------------------------|--------------------------------|-------------------------------------|-------------------------|
| Cost: | | | | | |
| Balance on January 1, 2021 | \$ 4,938,146 | 4,861,404 | 17,793 | 4,269 | 9,821,612 |
| Additions | 16,247 | 2,353,456 | - | 2,212 | 2,371,915 |
| Reductions | (50,354) | (1,729,380) | (17,793) | (2,490) | (1,800,017) |
| Subsidiaries disposal | (753,044) | (365,825) | - | - | (1,118,869) |
| Reclassification | (993) | - | - | - | (993) |
| Effect of movement in exchange rates | (98,950) | (104,079) | - | (14) | (203,043) |
| Balance on December 31, 2021 | <u>\$ 4,051,052</u> | <u>5,015,576</u> | <u>-</u> | <u>3,977</u> | <u>9,070,605</u> |
| 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 movement in 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> |

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PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

| | Land | Buildings | Machinery equipment | Transportation equipment | Total |
|--------------------------------------|---------------------|------------------|------------------------|-----------------------------|------------------|
| Accumulated depreciation: | | | | | |
| Balance on January 1, 2021 | \$ 871,140 | 2,352,457 | 13,776 | 2,434 | 3,239,807 |
| Depreciation for the year | 102,127 | 1,469,991 | 4,017 | 1,012 | 1,577,147 |
| Reductions | (15,910) | (1,598,424) | (17,793) | (1,894) | (1,634,021) |
| Subsidiaries disposal | (101,365) | (168,568) | - | - | (269,933) |
| Reclassification | (213) | - | - | - | (213) |
| Effect of movement in exchange rates | (18,226) | (60,410) | - | (5) | (78,641) |
| Balance on December 31, 2021 | <u>\$ 837,553</u> | <u>1,995,046</u> | <u>-</u> | <u>1,547</u> | <u>2,834,146</u> |
| 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 movement in exchange rates | (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> |
| Carrying value: | | | | | |
| Balance on December 31, 2021 | <u>\$ 3,213,499</u> | <u>3,020,530</u> | <u>-</u> | <u>2,430</u> | <u>6,236,459</u> |
| 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> |

- (i) 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.

- (n) Investment property

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

| | Buildings |
|---|------------------|
| Cost or deemed cost: | |
| Balance on January 1, 2021 | \$ 57,994 |
| Reclassification to property, plant and equipment | (2,890) |
| Effect of movement in exchange rates | (1,638) |
| Balance on December 31, 2021 | <u>\$ 53,466</u> |
| Balance on January 1, 2020 | \$ 61,013 |
| Effect of movement in exchange rates | (3,019) |
| Balance on December 31, 2020 | <u>\$ 57,994</u> |
| Depreciation and impairment loss : | |
| Balance on January 1, 2021 | \$ 18,578 |
| Depreciation for the year | 3,034 |
| Reclassification to property, plant and equipment | (949) |
| Effect of movement in exchange rates | (630) |
| Balance on December 31, 2021 | <u>\$ 20,033</u> |

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PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

| | Buildings |
|--------------------------------------|-------------------------|
| Balance on January 1, 2020 | \$ 16,517 |
| Depreciation for the year | 3,013 |
| Effect of movement in exchange rates | (952) |
| Balance on December 31, 2020 | <u><u>\$ 18,578</u></u> |
| Carrying value : | |
| Balance on December 31, 2021 | <u><u>\$ 33,433</u></u> |
| Balance on January 1, 2020 | <u><u>\$ 44,496</u></u> |
| Balance on December 31, 2020 | <u><u>\$ 39,416</u></u> |

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

| | For the years ended December 31 | |
|--|--|---------------------|
| | 2021 | 2020 |
| Rental income | <u><u>\$ -</u></u> | <u><u>-</u></u> |
| Direct operating expenses arising from investment property that generate rental income | <u><u>\$ 3,034</u></u> | <u><u>3,013</u></u> |

(ii) As of December 31, 2021 and 2020, the fair value of investment property of the Group was \$77,660 thousand and \$79,461 thousand, 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, 2021 and 2020, the aforesaid investment properties were not pledged as collateral.

(o) Intangible assets

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

| | Goodwill | Others | Total |
|--------------------------------------|----------------------------|-------------------------|-------------------------|
| Costs: | | | |
| Balance on January 1, 2021 | \$ 1,668,543 | 1,380,171 | 3,048,714 |
| Additions | - | 171,416 | 171,416 |
| Disposals | - | (198,105) | (198,105) |
| Reclassifications | - | (471) | (471) |
| Subsidiaries disposals | - | (340,638) | (340,638) |
| Effect of movement in exchange rates | (28,411) | (14,658) | (43,069) |
| Balance on December 31, 2021 | <u><u>\$ 1,640,132</u></u> | <u><u>997,715</u></u> | <u><u>2,637,847</u></u> |
| 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 movement in exchange rates | (51,811) | (16,318) | (68,129) |
| Balance on December 31, 2020 | <u><u>\$ 1,668,543</u></u> | <u><u>1,380,171</u></u> | <u><u>3,048,714</u></u> |

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PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

| | <u>Goodwill</u> | <u>Others</u> | <u>Total</u> |
|--|----------------------------|-------------------------|-------------------------|
| Amortization and impairment losses: | | | |
| Balance on January 1, 2021 | \$ 1,627,376 | 1,034,363 | 2,661,739 |
| Amortization for the period | - | 145,073 | 145,073 |
| Disposals | - | (197,535) | (197,535) |
| Reclassifications | - | 14 | 14 |
| Subsidiaries disposals | - | (136,757) | (136,757) |
| Effect of movement in exchange rates | (27,279) | (15,594) | (42,873) |
| Balance on December 31, 2021 | <u>\$ 1,600,097</u> | <u>829,564</u> | <u>2,429,661</u> |
| Balance on January 1, 2020 | \$ 671,792 | 1,184,558 | 1,856,350 |
| Amortization for the period | - | 198,069 | 198,069 |
| Disposals | - | (321,511) | (321,511) |
| Impairment loss | 993,014 | 658 | 993,672 |
| Effect of movement in exchange rates | (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> |
| Carrying value: | | | |
| Balance on December 31, 2021 | <u>\$ 40,035</u> | <u>168,151</u> | <u>208,186</u> |
| Balance on January 1, 2020 | <u>\$ 1,048,562</u> | <u>249,329</u> | <u>1,297,891</u> |
| Balance on December 31, 2020 | <u>\$ 41,167</u> | <u>345,808</u> | <u>386,975</u> |

(i) Amortization recognized

For the years ended December 31, 2021 and 2020, the amortization of intangible assets had been recognized in accounts of the consolidated statement of comprehensive income as follows :

| | <u>For the years ended December 31</u> | |
|--------------------|--|-----------------------|
| | <u>2021</u> | <u>2020</u> |
| Cost of sales | \$ 60,472 | 84,828 |
| Operating expenses | 84,601 | 113,241 |
| | <u>\$ 145,073</u> | <u>198,069</u> |

(ii) Goodwill impairment

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

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

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Notes to the Consolidated Financial Statements

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 thousand for the year ended December 31, 2020. There was no such situation for the year ended December 31, 2021. 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(ac).

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

| | December 31, 2020 |
|------------------------|------------------------------|
| Discount rate (pretax) | 12.97% |

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 historical growth levels experienced over the past few years.

- (iii) For the year ended December 31, 2020, the Group had recognized an impairment loss of \$658 thousand regarding the part of intangible assets other than goodwill with recoverable amounts being lower than the carrying amounts. Please refer to Notes 6(ac) for the impairment loss recognized under other income and losses in the consolidated statement of comprehensive income. For the year ended December 31, 2021, the Group had not noted any indication of potential impairment loss based on its impairment evaluation.
- (iv) As of December 31, 2021 and 2020, the intangible assets were not pledged as collateral.

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PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(p) Other financial assets and other assets

Other financial assets and other assets were as follows:

| | December 31, 2021 | December 31, 2020 |
|--------------------------------------|------------------------------|------------------------------|
| Other financial assets - current | \$ 30,316,944 | 40,943,545 |
| Other financial assets - non-current | 406,576 | 3,763,709 |
| Other current assets | 4,615,086 | 10,123,718 |
| Other non-current assets | 50,033 | 60,744 |
| | <u>\$ 35,388,639</u> | <u>54,891,716</u> |

- (i) Other financial assets are assets that do not qualify as cash equivalents which consisted of time deposits, restricted time deposits, callable bonds and guarantee deposits. Please refer to Notes 7 and 8 for details.
- (ii) Other current assets consisted of prepayments, current tax asset, rights to the returned goods and others.
- (iii) Other non-current assets consisted of prepayments on other long-term expenses and others.

(q) Short-term loans

| | December 31, 2021 | December 31, 2020 |
|-------------------------------|------------------------------|------------------------------|
| Unsecured bank loans | \$ 91,808,664 | 104,171,421 |
| Other unsecured loans | 2,214,640 | - |
| Accounts receivable factoring | - | 1,071,468 |
| Total | <u>\$ 94,023,304</u> | <u>105,242,889</u> |
| Range of interest rate | <u>0.32%~4.54%</u> | <u>0.30%~4.25%</u> |

- (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.

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PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(r) Long-term loans

| | December 31, 2021 | December 31, 2020 |
|------------------------|-----------------------------|---------------------------|
| Unsecured bank loans | \$ 13,183,370 | 17,004,672 |
| Secured bank loans | 54,001 | 9,786 |
| | 13,237,371 | 17,014,458 |
| Less: current portion | (1,026,949) | (5,954,625) |
| Total | <u><u>\$ 12,210,422</u></u> | <u><u>11,059,833</u></u> |
| Range of interest rate | <u><u>0.35%~1.90%</u></u> | <u><u>0.35%~3.35%</u></u> |

(i) Borrowing and repayment

In consideration of the operating situation and the terms of the loan agreement, the Group repaid the long-term loans of \$11,114,362 thousand and \$3,498,130 thousand for the years ended December 31, 2021 and 2020, respectively. In addition, the Group proceeded from long-term loans of \$7,663,644 thousand and \$11,711,607 thousand for the years ended December 31, 2021 and 2020, respectively. Please refer to Note 6(ac) for interest expenses.

(ii) Collateral for bank loans

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

(iii) Government low-interest loan

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 non-current liabilities, respectively.

(iv) Loan covenants

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

- 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%.

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PEGATRON CORPORATION AND SUBSIDIARIES

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- 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.

The above joint credit line was cancelled in February 2020 and September 2021, respectively. As of December 31, 2020, CASETEK CAYMAN was in compliance with the above financial covenants.

(s) Bonds payable

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

| | December 31, 2021 | December 31, 2020 |
|---------------------------------------|------------------------------|------------------------------|
| Ordinary corporate bonds issued | \$ 36,900,000 | 25,500,000 |
| Unamortized discount on bonds payable | (30,405) | (21,818) |
| Bonds payable, end of the year | 36,869,595 | 25,478,182 |
| Less: current portion | (2,000,000) | (1,000,000) |
| | <u>\$ 34,869,595</u> | <u>24,478,182</u> |

| | For the years ended December 31 2021 | 2020 |
|------------------|---|-----------------------|
| Interest expense | <u>\$ 241,708</u> | <u>217,205</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 thousand, which were approved and declared effective by the Taipei Exchange (TPEX) on July 4, 2017 and December 29, 2017, respectively. The offering information and main rights and obligations were as follows:

| Item | 1st unsecured ordinary bonds issued in 2017 |
|--------------------|--|
| 1. Issuing amount | The Bonds are issued at \$7,000,000 thousand, which comprise Tranche A, Tranche B and Tranche C. The issuing amounts of Tranche A, Tranche B and Tranche C are \$3,000,000 thousand, \$2,000,000 thousand, and \$2,000,000 thousand, respectively. |
| 2. Par value | Each unit is valued at \$1,000 thousand. |
| 3. Offering price | The Bonds are issued by par value at the issuance date. |
| 4. Issuance period | Each of Tranche A, Tranche B and Tranche C has 3-year term, 5-year term and 7-year term, respectively. The issuance period of Tranche A commences from July 13, 2017 and matures on July 13, 2020. The issuance period of Tranche B commences from July 13, 2017 and matures on July 13, 2022. The issuance period of Tranche C commences from July 13, 2017 and matures on July 13, 2024. |
| 5. Coupon rate | Tranche A, B and C bear annual coupon rates of 0.91%, 1.06% and 1.20%, respectively. |

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PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

| Item | 1st unsecured ordinary bonds issued in 2017 |
|--------------------|---|
| 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 thousand, which comprise Tranche A, Tranche B and Tranche C. The issuing amounts of Tranche A, Tranche B and Tranche C are \$1,000,000 thousand, \$4,500,000 thousand, and \$2,500,000 thousand, respectively. |
| 2.Par value | Each unit is valued at \$1,000 thousand. |
| 3.Offering price | The Bonds are issued by par value at the issuance date. |
| 4.Issuance period | Each of Tranche A, Tranche B and Tranche C has 3-year term, 5-year term and 7-year term, respectively. The issuance period of Tranche A commences from January 10, 2018 and matures on January 10, 2021. The issuance period of Tranche B commences from January 10, 2018 and matures on January 10, 2023. The issuance period of Tranche C commences from January 10, 2018 and matures on January 10, 2025. |
| 5.Coupon rate | Tranche A, B and C bear annual coupon rates of 0.78%, 0.92% and 1.08%, respectively. |
| 6.Repayment | Tranche A, Tranche B and Tranche C are repayable on maturity. |
| 7.Interest payment | Interests are payable annually at coupon rate from the issuance date. The payment of each bond is rounded to the nearest dollar. If the repayment date and interest payment date are bank closing days, principal and interest shall be paid without extra interest on the next business day. If bondholders receive principal and interest past due the repayment date and interest payment date, there will 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 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 | 1 st unsecured ordinary bonds issued in 2019 |
|--------------------|---|
| 1.Issuing amount | The Bonds are issued at \$8,500,000 thousand, which comprise Tranche A, and Tranche B. The issuing amounts of Tranche A and Tranche B are \$6,000,000 thousand and \$2,500,000 thousand, respectively. |
| 2.Par value | Each unit is valued at \$1,000 thousand. |
| 3.Offering price | The Bonds are issued by par value at the issuance date. |
| 4.Issuance period | Each of Tranche A and Tranche B has 5-year term and 7-year term, respectively. The issuance period of Tranche A commences from June 13, 2019 and matures on June 13, 2024. The issuance period of Tranche B commences from June 13, 2019 and matures on June 13, 2026. |
| 5.Coupon rate | Tranche A, and B bear annual coupon rates of 0.85% and 0.95%, respectively. |
| 6.Repayment | Tranche A, and Tranche B are repayable on maturity. |
| 7.Interest payment | Interests are payable annually at coupon rate from the issuance date. The payment of each bond is rounded to the nearest dollar. If the repayment date and interest payment date are bank closing days, principal and interest shall be paid without extra interest on the next business day. If bondholders receive principal and interest past due the repayment date and interest payment date, there will no calculation of extra interest. |
| 8.Guarantee | The Bonds are unsecured ordinary corporate bonds. |

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

| Item | 1 st unsecured ordinary bonds issued in 2020 |
|-------------------|--|
| 1.Issuing amount | The Bonds are issued at \$5,000,000 thousand. |
| 2.Par value | Each unit is valued at \$1,000 thousand. |
| 3.Offering price | The Bonds are issued by par value at the issuance date. |
| 4.Issuance period | The Bonds has 5-year term. The issuance period of The Bonds commences from October 21, 2020 and matures on October 21, 2025. |
| 5.Coupon rate | The Bonds bears annual coupon rates of 0.65%. |
| 6.Repayment | The Bonds are repayable on maturity. |

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

The offering Information and main rights and obligations was as follows :

| Item | 1st unsecured ordinary bonds issued in 2021 |
|-------------------|---|
| 1. Issuing amount | The Bonds are issued at \$8,900,000 thousand, which comprise Tranche A, and Tranche B. The issuing amounts of Tranche A, and Tranche B are \$7,500,000 thousand and \$1,400,000 thousand, respectively. |
| 2. Par value | Each unit is valued at \$1,000 thousand. |
| 3. Offering price | The Bonds are issued by par value at the issuance date. |

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

| Item | 1 st unsecured ordinary bonds issued in 2021 |
|--------------------|---|
| 4.Issuance period | Each of Tranche A and Tranche B has 5-year term and 7-year term, respectively. The issuance period of Tranche A commences from December 2, 2021 and matures on December 2, 2026. The issuance period of Tranche B commences from December 2, 2021 and matures on December 2, 2028. |
| 5.Coupon rate | Tranche A, and B bear annual coupon rates of 0.56% and 0.65%, respectively. |
| 6.Repayment | Tranche A, and Tranche B are repayable on maturity. |
| 7.Interest payment | Interests are payable annually at coupon rate from the issuance date. The payment of each bond is rounded to the nearest dollar. If the repayment date and interest payment date are bank closing days, principal and interest shall be paid without extra interest on the next business day. If bondholders receive principal and interest past due the repayment date and interest payment date, there will no calculation of extra interest. |
| 8.Guarantee | The Bonds are unsecured ordinary corporate bonds. |

(t) Lease liabilities

The Group's lease liabilities were as follows:

| | December 31, 2021 | December 31, 2020 |
|-------------|----------------------|----------------------|
| Current | \$ 1,067,674 | 1,547,060 |
| Non-current | \$ 2,003,326 | 1,044,631 |

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

The amounts recognized in profit or loss were as follows:

| | For the years ended December 31 | |
|---|---------------------------------|---------|
| | 2021 | 2020 |
| Interest on lease liabilities | \$ 80,238 | 119,968 |
| Variable lease payments not included in the measurement of lease liabilities | \$ 44,094 | 16,598 |
| Income from sub-leasing right-of-use assets | \$ 212 | 847 |
| Expenses relating to short-term leases | \$ 446,214 | 369,443 |
| Expenses relating to leases of low-value, excluding short-term leases of low-value assets | \$ 8,401 | 8,237 |
| Covid-19 - related rent concessions | \$ 5,913 | 21,765 |

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

| | For the years ended December 31 | |
|-------------------------------|---------------------------------|-----------|
| | 2021 | 2020 |
| Total cash outflow for leases | \$ 2,071,803 | 2,286,394 |

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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.

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

(u) Employee benefits

(i) Defined benefit plans

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

| | December 31, 2021 | December 31, 2020 |
|--|------------------------------|------------------------------|
| Present value of defined benefit obligations | \$ 304,145 | 297,143 |
| Fair value of plan assets | (192,394) | (183,237) |
| Net defined benefit liabilities | <u>\$ 111,751</u> | <u>113,906</u> |
| | December 31, 2021 | December 31, 2020 |
| Short-term employee benefits liabilities | \$ 367,414 | 328,118 |
| Cash-settled share-based payment liability | 158,988 | 201,972 |
| Total employee benefit liabilities | <u>\$ 526,402</u> | <u>530,090</u> |

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, 2021 and 2020 were as follows:

| | For the years ended December 31 | |
|---|--|----------------|
| | 2021 | 2020 |
| Defined benefit obligation, January 1 | \$ 297,143 | 265,807 |
| Current service costs and interest | 10,608 | 5,074 |
| Re-measurements of the net defined benefit liability | | |
| — Actuarial gains arose from changes in demographic assumptions | (565) | 2,885 |
| — Actuarial gains arose from changes in financial assumption | (18,117) | 23,007 |
| — Experience adjustments | 8,289 | (32) |
| Past service costs | 7,269 | 402 |
| Effect of movements in exchange rates | (358) | - |
| Benefits paid by the plan | (124) | - |
| Defined benefit obligation, December 31 | \$ 304,145 | 297,143 |

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, 2021 and 2020 were as follows:

| | For the years ended December 31 | |
|--|--|----------------|
| | 2021 | 2020 |
| Fair value of plan assets, January 1 | \$ 183,237 | 170,414 |
| Interests revenue | 776 | 1,481 |
| Re-measurements of the net defined benefit liability | | |
| — Experience adjustments | 2,497 | 5,488 |
| Contributions made | 5,884 | 5,854 |
| Fair value of plan assets, December 31 | \$ 192,394 | 183,237 |

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

4) Expenses recognized in profit or loss

The Group's pension expenses recognized in profit or loss for the years ended December 31, 2021 and 2020 were as follows:

| | For the years ended December 31 | |
|---|--|--------------|
| | 2021 | 2020 |
| Current service cost | \$ 8,947 | 2,788 |
| Net interest on net defined benefit liability | 885 | 805 |
| Past service costs | 7,269 | 402 |
| | \$ 17,101 | 3,995 |

| | For the years ended December 31 | |
|--------------------|--|--------------|
| | 2021 | 2020 |
| Operating costs | \$ 8,726 | 151 |
| Operating expenses | 8,375 | 3,844 |
| | \$ 17,101 | 3,995 |

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, 2021 and 2020 were as follows:

| | For the years ended December 31 | |
|--------------------------------|--|----------------|
| | 2021 | 2020 |
| Cumulative amount, January 1 | \$ 110,639 | 90,267 |
| Recognized during the year | (12,890) | 20,372 |
| Cumulative amount, December 31 | \$ 97,749 | 110,639 |

6) Actuarial assumptions

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

| | December 31, 2021 | December 31, 2020 |
|-----------------------------|------------------------------|------------------------------|
| Discount rate | 0.64%~0.82% | 0.31%~0.63% |
| 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 \$5,884 thousand to the defined benefit plans for the one year period after the reporting date.

The weighted-average duration of the defined benefit plans is between 5 and 29 years.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

7) Sensitivity Analysis

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

As of December 31, 2021 and 2020, 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, 2021 | | |
| Discount rate | (22,587) | 24,953 |
| Future salary increase rate | 24,199 | (22,161) |
| December 31, 2020 | | |
| Discount rate | (24,376) | 27,094 |
| Future salary increase rate | 26,184 | (23,843) |

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

The costs of the pension contributions to the Labor Insurance Bureau for the years ended December 31, 2021 and 2020 were amounted to \$4,210,742 thousand and \$4,341,191 thousand, respectively.

(iii) As of December 31, 2021 and 2020, the Group had liabilities of short-term accrued vacation pay, amounting to \$367,414 thousand and \$328,118 thousand.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(v) Income tax

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

| | For the years ended December 31 | |
|--|--|------------------|
| | 2021 | 2020 |
| Current income tax expense | | |
| Current period incurred | \$ 4,108,903 | 6,064,459 |
| Prior years income tax adjustment | 17,062 | (119,943) |
| Suntax on undistributed earnings | 91,385 | 126,902 |
| Deferred tax expense | | |
| The origination of temporary differences | (1,118,602) | 952,313 |
| Income tax expense | \$ 3,098,748 | 7,023,731 |

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

| | For the years ended December 31 | |
|---|--|----------------|
| | 2021 | 2020 |
| Items that will not be reclassified subsequently to profit or loss | | |
| Re-measurements of the net defined benefit plans | \$ (456) | (1,455) |
| Items that will be reclassified subsequently to profit or loss: | | |
| Exchange differences on translation of foreign financial statements | \$ (19,721) | 5,409 |

(iii) Income tax on pre-tax financial income reconciled with income tax expense for the years ended December 31, 2021 and 2020 was as follows:

| | For the years ended December 31 | |
|--|--|------------------|
| | 2021 | 2020 |
| Profit before income tax | \$ 28,125,842 | 29,443,283 |
| Income tax on pre-tax financial income calculated at the domestic rates applicable to profits in the country concerned | 8,728,590 | 9,936,039 |
| Permanent differences | (159,716) | (1,204,536) |
| Changes in unrecognized temporary differences | (5,271,260) | (1,857,769) |
| Oversea dividends received | 194,571 | 346,631 |
| Prior years income tax adjustment | 17,062 | (119,943) |
| Surtax on undistributed earnings | 91,385 | 126,902 |
| Others | (501,884) | (203,593) |
| Income tax expense | \$ 3,098,748 | 7,023,731 |

(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, 2021 and 2020, 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, 2021 | December 31, 2020 |
|---|----------------------|----------------------|
| The aggregate temporary differences associated with investments in subsidiaries | <u>\$ 86,307,185</u> | <u>73,931,936</u> |
| Unrecognized deferred tax liabilities | <u>\$ 17,261,437</u> | <u>14,786,387</u> |

2) Unrecognized deferred tax assets

| | December 31, 2021 | December 31, 2020 |
|----------------------------------|----------------------|----------------------|
| Deductible temporary differences | \$ 957,585 | 2,481,657 |
| Tax losses | 878,216 | 2,150,354 |
| | <u>\$ 1,835,801</u> | <u>4,632,011</u> |

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, 2021, 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 | 2012~2021 | \$ 4,240,864 | 2022~2031 |
| CASETEK CAYMAN and its subsidiaries | 2017~2020 | 328,817 | 2022~2025 |
| AZUREWAVE and its subsidiaries | 2014~2020 | 675,581 | 2024~2030 |
| AMA PRECISION | 2012~2020 | 69,429 | 2022~2030 |
| | | <u>\$ 5,314,691</u> | |

(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, 2021 and 2020 were as follows:

| | Gain on foreign investments | Others | Total |
|--|--|------------------|------------------|
| Deferred tax liabilities: | | | |
| Balance on January 1, 2021 | \$ 1,536,340 | 1,589,956 | 3,126,296 |
| Recognized in (profit) loss | (645,711) | (260,623) | (906,334) |
| Recognized in other comprehensive income | (19,721) | - | (19,721) |
| Recognized directly in equity | (49,830) | - | (49,830) |
| Exchange differences on translation | 22,898 | (38,912) | (16,014) |
| Balance on December 31, 2021 | \$ 843,976 | 1,290,421 | 2,134,397 |
| 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 | \$ 1,536,340 | 1,589,956 | 3,126,296 |

| | Provision for Contingent Service Cost | Gain on valuation of inventory | Unrealized expenses | Others | Total |
|--|--|---|--------------------------------|----------------|------------------|
| Deferred tax assets: | | | | | |
| Balance on January 1, 2021 | \$ 144,942 | 1,064,650 | 1,895,202 | 421,699 | 3,526,493 |
| Recognized in profit (loss) | 1,849 | (182,277) | (59,546) | 452,242 | 212,268 |
| Recognized in other comprehensive income | - | - | - | 456 | 456 |
| Recognized directly in equity | - | - | 405 | (92,685) | (92,280) |
| Disposal subsidiary | - | (81,362) | (747,709) | - | (829,071) |
| Exchange differences on translation | - | (18,122) | 25,508 | (4,425) | 2,961 |
| Balance on December 31, 2021 | \$ 146,791 | 782,889 | 1,113,860 | 777,287 | 2,820,827 |
| 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 | \$ 144,942 | 1,064,650 | 1,895,202 | 421,699 | 3,526,493 |

(v) Status of approval of income tax

- 1) The Company's income tax returns through 2019 have been assessed and approved by the Tax Authority (the year 2018 has not been approved).

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- 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> |
|--------------------------|--|
| 2019 | ASUSPOWER INVESTMENT, ASUS INVESTMENT, ASUSTEK INVESTMENT, PEGA INTERNATIONAL LIMITED, AMA, AS FLY TRAVEL SERVICE LTD., HUA YUAN INVESTMENT LTD, STARLINK ELECTRONICS CORPORATION, LUMENS OPTICS, AZUREWAVE, AZURE LIGHTING TECHNOLOGIES INC, EZWAVE TECHNOLOGIES INC, RI KUAN METAL CORPORATION, KINSUS INTERCONNECT TECHNOLOGY CORP, KINSUS INVESTMENT, ASROCK INCORPORATION, ASROCK RACK INC, ASROCK INDUSTRIAL COMPUTER CORPORATION, FUYANG TECHNOLOGY CORPORATION and PEGAVISION. |

(w) Capital and other equity

(i) Ordinary shares

Reconciliation of shares outstanding for 2021 and 2020 was as follows:

| <u>(In thousands of shares)</u> | <u>Ordinary Shares</u> | |
|--|--|-------------------------|
| | <u>For the years ended December 31</u> | |
| | <u>2021</u> | <u>2020</u> |
| Beginning balance on January 1 | 2,662,874 | 2,611,092 |
| Issuance of restricted shares of stock | 7,574 | 52,411 |
| Retirement of restricted shares of stock | (1,316) | (629) |
| Ending balance on December 31 | <u>2,669,132</u> | <u>2,662,874</u> |

For the years ended December 31, 2021 and 2020, the Company issued 7,574 thousand and 52,411 thousand restricted shares of stock to the employees at par value of \$10 respectively, amounting to \$75,740 thousand and \$524,110 thousand, respectively. The registration procedures have since been completed, and all the shares issued have been collected. For relevant information, please refer to Note 6(x).

For the years ended December 31, 2021 and 2020, the Company had retired 1,316 thousand and 629 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 2,669,132 thousand and 2,662,874 thousand common shares of stock, as of December 31, 2021 and 2020, respectively. All share proceeds from outstanding capital have been collected.

As of December 31, 2021 and 2020, the restricted Company shares of stock issued to employees have expired, of which 256 thousand and 0 thousand shares, respectively, have not been retired.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(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, 2021 and 2020, the Company has listed, in total, 253 thousand and 709 thousand units of GDRs, respectively, on the Euro MTF market of the Luxembourg Stock Exchange. As each unit of these GDRs represents 5 common shares of the Company, the Company has listed Company shares totaling 1,267 thousand and 3,544 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, 2021 | December 31, 2020 |
|---|------------------------------|------------------------------|
| From issuance of share capital | \$ 66,983,778 | 66,397,897 |
| From conversion of convertible bonds | 11,073,663 | 11,073,663 |
| From treasury stock transactions | 47,865 | 47,865 |
| Difference between consideration and carrying amount of subsidiaries acquired or disposed | 2,273,401 | 2,432,574 |
| Changes in equity of associates accounted for using the equity method | 20,862 | - |
| Changes in ownership interest in subsidiaries | 1,441,117 | 1,441,117 |
| Employee stock options | 1,304 | 1,304 |
| Restricted stock to employees | 1,069,401 | 1,204,010 |
| Other | 409,917 | 409,917 |
| | <u>\$ 83,321,308</u> | <u>83,008,347</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 the rules issued by the FSC, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholder's equity. For the year 2019 earnings distribution in 2020, the amount to be reclassified to special reserve shall be a portion of current-period earnings and undistributed prior-period earnings. As for the year 2020 earnings distribution in 2021, the amount to be reclassified to special reserve shall be a portion of current-period earnings plus other line items in the retained earnings movements and undistributed prior-period earnings. 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 netreduction of other shareholders' equity shall qualify for additional distributions.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

3) Earnings distribution

The amount of cash dividend on the appropriations of earnings for 2020 had been approved during the board meeting on March 25, 2021. Other distribution items for 2020 had been approved in the general meeting of the shareholders held on August 4, 2021. Furthermore, earnings distribution for 2019 was decided by the resolution adopted, at the general meeting of shareholders held on June 19, 2020. These relevant dividend distribution to shareholders were as follows :

| | For the years ended December 31 | |
|--|--|-------------|
| | 2020 | 2019 |
| Common stock dividends per share (dollars) | | |
| — Cash | \$ 4.50 | 4.50 |

(v) Other equity (net of tax)

| | Exchange differences on translation of foreign financial statements | Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | Deferred compensation arising from issuance of restricted stock | Total |
|---|--|--|--|---------------------|
| Balance on January 1, 2021 | \$ (15,808,892) | (57,309) | (1,146,659) | (17,012,860) |
| Exchange differences on foreign operation | (3,466,082) | - | - | (3,466,082) |
| Exchange differences on associates accounted for using the equity method | (256,468) | - | - | (256,468) |
| Difference between consideration and carrying amount of subsidiaries acquired or disposed | (1,832,185) | - | - | (1,832,185) |
| Unrealized gain from financial assets measured at fair value through other comprehensive income | - | 522,406 | - | 522,406 |
| Disposal of investments in equity instruments designated at fair value through other comprehensive income | - | (20,319) | - | (20,319) |
| Deferred compensation cost arising from issuance of restricted stock | - | - | 433,958 | 433,958 |
| Balance on December 31, 2021 | \$ (21,363,627) | 444,778 | (712,701) | (21,631,550) |
| 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 gains 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) |

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

| | For the years ended December 31 | |
|---|---------------------------------|-------------------|
| | 2021 | 2020 |
| Balance on January 1 | \$ 36,345,941 | 35,580,451 |
| Income attributable to non-controlling interests | 4,481,451 | 2,211,954 |
| Other comprehensive income (loss) attributable to non-controlling interests | | |
| Exchange differences on foreign operation | (80,365) | (61,502) |
| Remeasurements of defined benefit plans | 4,668 | (8,022) |
| Difference between consideration and carrying amount of subsidiaries acquired or disposed | 1,991,358 | (187) |
| Changes in ownership interest in subsidiaries | 55,620 | (151,814) |
| Changes in non-controlling interests | (15,136,341) | (1,224,939) |
| Balance on December 31 | <u>\$ 27,662,332</u> | <u>36,345,941</u> |

(x) Share-based payment

Information on share-based payment transactions as of December 31, 2021 and 2020 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 | 3.11% and 0.81% | 8.65% and 3.10% |
| Estimated future turnover rate for each of the three years of employees | 6.50%~25.51% | - |

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. On January 4, 2021, the registration procedures were completed. On May 11, 2021, Board of Directors of the Company approved to issue secondary new restricted shares of stock totaling 7,589 thousand shares with fair value of \$69.3 each at grant date. The record date for the capital increase through issuance of restricted shares of stock was June 11, 2021. The actual issuance number for the capital increase was 7,574 thousand shares. On July 12, 2021, the registration procedures were completed.

Employees with restricted stock awards are entitled to purchase the Company's shares at the price of NT\$10 per share provided that these employees continue to work for the Company 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 AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(i) Determining the fair value of equity instruments granted

The Company adopted the Black-Scholes model to 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 2020-2 | Issued in 2020-1 | Issued in 2016-2 | Issued in 2016-1 |
| Fair value at grant date | 05/11/2021 | 09/22/2020 | 09/15/2017 | 05/09/2017 |
| Stock price at grant date | \$ 69.30 | 63.20 | 88.50 | 89.70 |
| Exercise price | 10.00 | 10.00 | 10.00 | 10.00 |
| Expected life of the option | 4 years | 4 years | 3 years | 3 years |
| Current market price | 69.30 | 63.20 | 88.50 | 89.70 |
| Expected volatility | 25.25%~28.65% | 27.76%~31.92% | 22.46% | 33.31% |
| Expected dividend yield | -% | -% | -% | -% |
| Risk-free interest rate | (Note A) | (Note B) | (Note C) | (Note D) |

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

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

Note C : The risk-free interest rate is 0.13% for the period between three and six month.

Note D : 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, 2021 and 2020, 1,572 thousand and 329 thousand shares of the restricted shares of stock issued to employees have expired, which were converted to capital surplus of \$15,663 thousand and \$3,076 thousand, respectively. As of December 31, 2021 and 2020, the Company has deferred compensation cost arising from issuance of restricted stock of \$712,701 thousand and \$1,146,659, respectively.

For the years ended December 31, 2021 and 2020, the Company recognized and reversed salary cost of \$73,837 thousand and \$51,730 thousand 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, 2021 and 2020 as follows:

| | For the years ended December 31 | |
|---|---------------------------------|---------|
| | 2021 | 2020 |
| Expenses resulting from the issuance of restricted employee stock | \$ 972,947 | 649,807 |

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(y) 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. For the year ended December 31, 2019, AZUREWAVE 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 in the same year, the remaining 102 thousand shares were 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. The cancellation had been completed as of March 25, 2020, the record date of capital decrease.

For the years ended December 31, 2021 and 2020, AZUREWAVE recognized share-based compensation cost of \$0 and \$1,160 thousand, respectively, due to the issuance of restricted employee stock.

(ii) Restricted stock to employee of ASROCK

1) ASROCK

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

A. The overall performance of the company:

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

B. Personal performance:

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

C. After subscribing to the new shares that restrict the rights of employees, the term of employment expires after one year, and there should be no violation of laws or regulations, company working rules, business ethics codes, as well as other related regulations and agreements, in the first year, with the existing 40% of the shares are multiplied by the overall weight, then multiplied by the personal weight.

D. After subscribing to the new shares that restrict the rights of employees, the term of employment expires after two years, and there should be no violation of laws or regulations, company working rules, business ethics codes, as well as other related regulations and agreements, in the second year, with the existing 30% of the shares are multiplied by the overall weight, then multiplied by the personal weight.

E. After subscribing to the new shares that restrict the rights of employees, the term of employment expires after three years, and there should be no violation of laws or regulations, company working rules, business ethics codes, as well as other related regulations and agreements, in the third year, with the existing 30% of the shares are multiplied by the overall weight, then multiplied by the personal weight.

The 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.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The aforesaid information of restricted stock to employee was follows:

| Vesting period | Restricted stock to employee | | | |
|--|------------------------------|--------|--------|---------|
| | Year 1 | Year 2 | Year 3 | Total |
| Original vested shares (In thousands of units) | 913 | 685 | 685 | 2,283 |
| Operating performance ratio | 99.72% | 94.92% | 90.86% | |
| Estimated employee turnover rate | 9.45% | 16.03% | 20.00% | |
| Personal performance ratio | 76.92% | 76.92% | 76.92% | |
| Vested shares (In thousands of units) | 634 | 420 | 383 | 1,437 |
| Fair value | 145 | 145 | 145 | |
| Service costs | \$ 85,627 | 56,687 | 51,696 | 194,010 |

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

2) ASROCK RACK INCORPORATION

On February 27, 2019, the board of ASROCK RACK INCORPORATION approved to award 1,490 thousand new restricted shares of stock to those fulltime employees who meet 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 grant 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 grant 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 grant 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.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The aforesaid information of restricted stock to employee was follows:

| | Restricted stock to employee | | | | |
|--|------------------------------|--------|--------|--------|-------|
| | year 1 | year 2 | year 3 | year 4 | Total |
| Vesting period | | | | | |
| Original vested shares (In thousands of units) | - | - | 745 | 745 | 1,490 |
| Estimated employee turnover rate | - | - | 15.00% | 20.00% | |
| Vested shares after considering employee turnover rate (In thousands of units) | - | - | 633 | 596 | 1,229 |
| Fair value | - | - | 5.53 | 5.53 | |
| Service costs | \$ 1,474 | 1,461 | 2,601 | 1,261 | 6,797 |

On May 29, 2020, the board 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.

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 |

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

| | <u>For the year ended December 31</u> |
|------------------------------|---------------------------------------|
| | <u>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.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

| | For the year ended December 31 | | | |
|--|--------------------------------|---------------------------------|-------------------------------|---------------------------------|
| | 2021 | | 2020 | |
| | 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 | \$ 22 | - | - |
| Granted during the period | - | - | 1,500 | 22 |
| Exercised during the period | (1,450) | 22 | - | - |
| Forfeited during the period | (50) | - | - | - |
| Outstanding as of December 31 (In thousand units) | <u>-</u> | - | <u>1,500</u> | 22 |
| Exercisable as of December 31 (In thousand units) | <u>-</u> | | <u>-</u> | |
| Weighted average fair value of the options granted | <u>\$ -</u> | | <u>0.11</u> | |

As of December 31, 2021 and 2020, related information about outstanding options on the share-based payments was as follows:

| | Exercise price | Weighted average residual duration (year) |
|-----------------------|----------------|---|
| December 31, 2021 | | |
| Outstanding option \$ | - | - |
| December 31, 2020 | | |
| Outstanding option \$ | 22 | 0.91 |

3) ASROCK INDUSTRIAL COMPUTER CORPORATION

On January 15, 2019, and April 20, 2021, the board of ASROCK INDUSTRIAL COMPUTER CORPORATION approved a resolution passed during their meeting to award 1,500 thousand and 2,200 thousand employee stock options, respectively. 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 and 42 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) and \$14.5 (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.

(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> |
|-------------------|---|-------------------------------------|
| January 15, 2019 | 1,500 | NT\$10 |
| April 20, 2021 | 2,200 | NT\$12.5 |

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

| | <u>January 15, 2019</u> | <u>April 20, 2021</u> |
|------------------------------|--------------------------------|--------------------------------|
| Expected volatility rate | 31.74% | 29.61%~31.19% |
| Risk-free interest rate | 0.5741% | 0.1185%~0.2523% |
| Expected duration of option | 2 years | 1.5~3.5 years |
| Weighted average stock price | NT\$8.10 | NT\$12.49 |
| Pricing model | Binomial options 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 years ended December 31</u> | | | |
|---|--|--|--|--|
| | <u>2021</u> | | <u>2020</u> | |
| | <u>Outstanding number of options</u> | <u>Weighted average exercise price</u> | <u>Outstanding number of options</u> | <u>Weighted average exercise price</u> |
| <u>January 15, 2019</u> | | | | |
| Outstanding as of January 1 (In thousand units) | 750 | \$ 10 | 1,500 | \$ 10 |
| Granted during the period | - | - | - | - |
| Exercised during the period | (613) | 10 | (65) | 10 |
| Forfeited during the period | (137) | - | (685) | - |
| Outstanding as of December 31 (In thousand units) | <u>-</u> | 10 | <u>750</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>-</u> | |

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2021 and 2020, related information about outstanding options on the share-based payments was as follows:

| | <u>Exercise price</u> | <u>Weighted average residual duration (year)</u> |
|--------------------|-----------------------|--|
| December 31, 2021 | | |
| Outstanding option | \$ - | - |
| December 31, 2020 | | |
| Outstanding option | \$ 10 | 0.54 |

| | <u>For the year ended December 31, 2021</u> | |
|--|---|--|
| <u>April 20, 2021</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 | 2,200 | 12.5 |
| Exercised during the period | - | - |
| Outstanding as of December 31 (In thousand units) | <u>2,200</u> | 12.5 |
| Exercisable as of December 31 (In thousand units) | <u>-</u> | - |
| Weighted average fair value of the options granted | <u>\$ 1.29</u> | |

As of December 31, 2021, the related information about outstanding options on the share-based payments was as follows:

| | <u>Exercise price</u> | <u>Weighted average residual duration (year)</u> |
|--------------------|-----------------------|--|
| December 31, 2021 | | |
| Outstanding option | \$ 12.5 | 2.8 |

- 4) ASROCK did not make any cancellation or amendment to share-based payment transactions for the years ended December 31, 2021 and 2020.
- 5) The expenses resulting from share-based payment transactions were as follows:

| | <u>For the years ended December 31</u> | |
|---|--|---------------|
| | <u>2021</u> | <u>2020</u> |
| Expense resulting from equity-settled share-based payment | <u>\$ 42,748</u> | <u>24,440</u> |

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iii) Employee stock option of FUYANG TECHNOLOGY CORPORATION

As of December 31, 2021 and 2020, 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, 2021 |
|-----------------------------|---|
| | 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% |

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.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

2) Employee stock options

Information on employee stock options was as follows :

| | For the years ended December 31 | | | |
|---|---------------------------------|---|---------------------------------|---|
| | 2021 | | 2020 | |
| | 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 (In thousand units) | \$ 8.05 | 8 | 8.05 | 8 |
| Exercised during the year | - | - | - | - |
| Forfeited during the year | 8.05 | (8) | - | - |
| Outstanding as of December 31 (In thousand units) | | <u>-</u> | | <u>8</u> |
| Exercisable as of December 31 (In thousand units) | | <u>-</u> | | <u>-</u> |

3) Expenses resulting from share-based payments

The expenses resulting from share-based payment transactions for the years ended December 31, 2021 and 2020, were as follows:

| | For the years ended December 31 | |
|---|---------------------------------|------------|
| | 2021 | 2020 |
| Expenses resulting from employee stock option | <u>\$ -</u> | <u>691</u> |

(iv) Employee stock option of LUMENS DIGITAL OPTICS INC.

On March 11, 2021, the board of LUMENS DIGITAL OPTICS INC. (Lumens Optics.) approved a resolution during their meeting to issue 2 thousand shares for employee stock options. Each option certificate can purchase 1 thousand ordinary share, delivered by issuing new shares. The option certificates are awarded to those employees who meet certain requirement of Lumens Optics. Duration is 6 years. Two years after the issuance, the certificate owners can exercise the option certificates. On September 15, 2021, Lumens Optics. issued 1,613 thousand of employee stock options.

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

LUMENS DIGITAL OPTICS INC. adopted the Binomial options pricing model to calculate the fair value of the stock option at grant date, is between \$23.63 and \$25.22, the assumptions inputs in this valuation model were as follows:

| | <u>For the year ended December 31, 2021</u> |
|------------------------------|---|
| Fair value at grant date | NT\$ 97.7 |
| Stock price at grant date | NT\$ 112.2 |
| Exercise price | NT\$ 78.6 |
| Expected volatility rate | 31.44% |
| Risk-free interest rate | 0.3% |
| Expected duration of option | 4.56 years |
| Weighted average stock price | 4.04% |

2) Employee stock options

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

| | <u>For the year ended December 31, 2021</u> | |
|---|---|---|
| | <u>Weighted-aver age exercise price</u> | <u>Units of stock option (In thousand units)</u> |
| Outstanding as of January 1 (In thousand units) | \$ - | - |
| Granted during the period | 78.6 | <u>1,613</u> |
| Outstanding as of December 31 (In thousand units) | 78.6 | <u><u>1,613</u></u> |
| Exercisable as of December 31 (In thousand units) | - | <u><u>-</u></u> |

As of December 31, 2021, related information about outstanding options on the share-based payments was as follows:

| | <u>December 31, 2021</u> |
|------------------------------------|------------------------------|
| Exercise price | \$78.6 |
| Weighted average residual duration | 5.67 years |

3) Expenses resulting from share-based payment

The expenses resulting from share-based payment transactions for the year ended December 31, 2021, was as follows:

| | <u>For the year ended December 31, 2021</u> |
|---|---|
| Expenses resulting from employee stock option | <u><u>\$ 4,719</u></u> |

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(v) 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 requirement 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 (dollars) per share at the grant date.

On February 18, 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 grant date.

Employees with restricted stock awards are entitled to purchase shares at the price of \$10 per share, and the vesting conditions were as follows:

| Vesting conditions | Percentage of vesting shares |
|---------------------------|-------------------------------------|
| 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:

- 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.
- 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.
- The restricted stock can participate in the distribution of cash dividend and stock dividend in the vesting period.
- 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 thousand shares of new employee restricted stock, and incurred 184,530 thousand to capital surplus, of restricted stock of KINSUS. As of December 31, 2021, 544 thousand shares of employee restricted stock have expired, resulting in the capital surplus of KINSUS to increase by \$5,442 thousand. Subsequently, as of December 31, 2021, the deferred compensation cost of KINSUS arising from the issuance of its employee restricted stock amounted to \$0.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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 thousand. As of December 31, 2021, 51 thousand shares of employee restricted stock have expired, resulting in the capital surplus of KINSUS to increase by \$513 thousand. As of December 31, 2021, the deferred compensation cost of KINSUS arising from the issuance of its employee restricted stock amounted to \$0.

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

| | For the years ended December 31 | |
|---|--|---------------|
| | 2021 | 2020 |
| Expense resulting from equity-settled share-based payment | \$ 3,836 | 19,915 |

- 3) KINSUS did not make any cancellation or amendment to share-based payment transactions for the years ended December 31, 2021 and 2020.

- (z) Earnings per share

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

| | For the years ended December 31 | |
|--|--|-------------------|
| | 2021 | 2020 |
| Basic earnings per share | | |
| Profit attributable to ordinary shareholders | \$ 20,545,643 | 20,207,598 |
| Weighted-average number of ordinary shares | 2,666,276 | 2,614,021 |
| | \$ 7.71 | 7.73 |
| Diluted earnings per share | | |
| Profit attributable to ordinary shareholders (diluted) | \$ 20,545,643 | 20,207,598 |
| Weighted-average number of ordinary shares | 2,666,276 | 2,614,021 |
| Effect of potentially dilutive ordinary shares | | |
| Employee stock bonus | 28,292 | 31,279 |
| Weighted-average number of ordinary shares (diluted) | 2,694,568 | 2,645,300 |
| | \$ 7.62 | 7.64 |

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(aa) Revenue from contracts with customers

(i) Disaggregation of revenue

| For the year ended December 31, 2021 | | | |
|---|-------------------------|---|----------------------|
| | DMS | Strategic Investment Group | Total |
| Primary geographical markets: | | | |
| Europe | \$ 559,517,278 | 10,163,135 | 569,680,413 |
| U.S.A. | 442,761,375 | 17,636,630 | 460,398,005 |
| Taiwan | 98,256,966 | 15,577,893 | 113,834,859 |
| China | 23,078,445 | 31,588,627 | 54,667,072 |
| Japan | 13,064,288 | 2,578,180 | 15,642,468 |
| Other countries | 47,411,418 | 2,085,947 | 49,497,365 |
| | \$ 1,184,089,770 | 79,630,412 | 1,263,720,182 |
| For the year ended December 31, 2020 | | | |
| | DMS | Strategic Investment Group | Total |
| Primary geographical markets: | | | |
| Europe | \$ 564,690,756 | 38,127,886 | 602,818,642 |
| U.S.A. | 494,350,699 | 32,125,791 | 526,476,490 |
| Taiwan | 82,849,952 | 12,255,813 | 95,105,765 |
| China | 34,988,867 | 44,533,820 | 79,522,687 |
| Japan | 26,305,242 | 1,855,247 | 28,160,489 |
| Other countries | 64,858,926 | 2,389,907 | 67,248,833 |
| | \$ 1,268,044,442 | 131,288,464 | 1,399,332,906 |

(ii) Contract balances

| | December 31, 2021 | December 31, 2020 | January 1, 2020 |
|--------------------------------|------------------------------|------------------------------|----------------------------|
| Notes receivable | \$ 14,952 | 6,612 | 20,232 |
| Accounts receivable | 249,637,569 | 224,136,586 | 207,994,571 |
| Less: Allowance for impairment | 119,064 | 179,507 | 1,676,398 |
| Total | \$ 249,533,457 | 223,963,691 | 206,338,405 |
| Contract liabilities | \$ 1,475,626 | 1,354,471 | 1,942,418 |

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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, 2021 and 2020.

(ab) Employee compensation and directors' remuneration

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

For the years ended December 31, 2021 and 2020, the Company estimated its employee remuneration amounting to \$1,605,000 thousand and \$1,633,000 thousand, and directors' remuneration amounting to \$159,000 thousand and \$162,000thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees and directors of each period, multiplied by the percentage of remuneration to employees and directors as specified in the Company's articles. Such amounts were recognized as operating costs or operating expenses during 2021 and 2020. Management is expecting that the differences, if any, between the actual distributed amounts and estimated amounts will be treated as changes in accounting estimates and charged to profit or loss. The numbers of shares to be distributed for 2021 and 2020 were calculated based on the closing price of the Company's ordinary shares, one day before the date of the meeting of Board of Directors. Related information would be available at the Market Observation Post System website. The amounts, as stated in the non-consolidated financial statements, are identical to those of the actual distributions for 2021 and 2020.

(ac) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

| | For the years ended December 31 | |
|------------------------------------|---------------------------------|-----------|
| | 2021 | 2020 |
| Interest income from bank deposits | \$ 1,493,266 | 2,921,350 |

(ii) Other income

The details of other income were as follows:

| | For the years ended December 31 | |
|--------------------------|---------------------------------|-----------|
| | 2021 | 2020 |
| Subsidy income | \$ 1,749,195 | 2,995,497 |
| Dividend income | 83,521 | 53,005 |
| Rent income | 708,855 | 895,910 |
| Technical service income | 594,336 | 530,005 |
| Other income | 850,586 | 708,524 |
| | \$ 3,986,493 | 5,182,941 |

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iii) Other gains and losses

The details of other gains and losses were as follows:

| | For the years ended December 31 | |
|---|--|------------------|
| | 2021 | 2020 |
| Gains on disposals of investments | \$ 3,958,758 | - |
| Foreign exchange gains | 2,790,744 | 1,265,538 |
| Gains (losses) on disposal of property, plant and equipment | 619,662 | (358,641) |
| Losses on disposal of intangible assets | (334) | - |
| (Losses) gains on lease modifications | (1,277) | 9,468 |
| Impairment loss on non-financial assets | (65,850) | (1,185,640) |
| Net (loss) gain on financial assets measured at fair value through profit or loss | (254,156) | 4,285,651 |
| Provisions and others | (1,635,444) | - |
| | \$ 5,412,103 | 4,016,376 |

(iv) Finance costs

The details of finance costs were as follows:

| | For the years ended December 31 | |
|--|--|------------------|
| | 2021 | 2020 |
| Interest expenses | \$ 960,805 | 1,761,453 |
| Financial expense-bank fees and factoring fees, etc. | 11,592 | 14,647 |
| | \$ 972,397 | 1,776,100 |

(ad) Reclassification adjustments of components of other comprehensive income

| | For the years ended December 31 | |
|--|--|--------------------|
| | 2021 | 2020 |
| Cumulative adjustment | | |
| Cumulative foreign exchange difference from current period | \$ (3,759,474) | (4,888,188) |
| Share of other associates accounted for using equity method | (256,468) | 190 |
| Reclassification to profit or loss on the disposal of subsidiaries | 213,027 | - |
| Net change in fair value recognized in other comprehensive income | \$ (3,802,915) | (4,887,998) |

(ae) Financial instruments

(i) Credit risk

1) Credit risk exposure

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

2) Concentration of credit risk

As of December 31, 2021 and 2020, the accounts receivable from the Group's top three customers were amounted to \$195,354,058 thousand and \$169,485,057 thousand, representing 78% and 76% 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.

The loss allowance provision for the years ended December 31, 2021 and 2020 was determined as follows:

| | Other receivables |
|--------------------------------------|------------------------------|
| Balance on January 1, 2021 | \$ 18,871 |
| Impairment loss recognized | 5,447 |
| Effect of movement in exchange rates | (5,982) |
| Effect of disposals of subsidiaries | (1,898) |
| Balance on December 31, 2021 | <u>\$ 16,438</u> |
| Balance on January 1, 2020 | \$ 17,002 |
| Impairment loss recognized | 2,211 |
| Reversal of impairment loss | (519) |
| Effect of movement in exchange rates | 177 |
| Balance on December 31, 2020 | <u>\$ 18,871</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, 2021 | | | | | |
| Non-derivative financial liabilities | | | | | |
| Secured bank loans | \$ 54,001 | 54,001 | 292 | 2,020 | 51,689 |
| Unsecured bank loans | 104,992,034 | 105,091,062 | 92,835,321 | 2,549,033 | 9,706,708 |
| Other unsecured loans | 2,214,640 | 2,214,640 | 2,214,640 | - | - |
| Unsecured ordinary corporate bonds | 36,869,595 | 36,900,000 | 2,000,000 | 4,500,000 | 30,400,000 |
| Non-interest bearing liabilities | 302,817,234 | 302,817,234 | 300,608,617 | 2,208,617 | - |
| Lease liabilities | 3,071,000 | 3,071,000 | 1,067,674 | 1,253,877 | 749,449 |
| | <u>\$ 450,018,504</u> | <u>450,147,937</u> | <u>398,726,544</u> | <u>10,513,547</u> | <u>40,907,846</u> |

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

| | 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 | 122,247,561 | 121,263,893 | 110,126,046 | 976,989 | 10,160,858 |
| Accounts receivable factoring | 1,071,468 | 1,071,468 | 1,071,468 | - | - |
| Unsecured ordinary corporate bonds | 25,478,182 | 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 |
| | \$ 454,464,579 | 453,502,729 | 416,035,394 | 4,307,369 | 33,159,966 |

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

(iii) Market risk

1) Exposure to foreign currency risk

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

(Unit: Foreign currency / NTD in Thousands)

| | December 31, 2021 | | | December 31, 2020 | | |
|------------------------------|---------------------|------------------|-------------|---------------------|------------------|-------------|
| | Foreign Currency | Exchange Rate | NTD | Foreign Currency | Exchange Rate | NTD |
| <u>Financial assets</u> | | | | | | |
| <u>Monetary items</u> | | | | | | |
| USD:NTD | \$ 18,473,725 | 27.6830 | 511,408,129 | 15,542,896 | 28.4965 | 442,918,136 |
| USD:CNY | 77,155 | 6.3757 | 2,135,880 | 1,413,710 | 6.5249 | 40,285,818 |
| CNY:USD | 5,772,908 | 0.1568 | 25,065,704 | 2,900,784 | 0.1533 | 12,668,729 |
| <u>Non-monetary items</u> | | | | | | |
| CNY:USD | 5,129,509 | 0.1568 | 22,272,009 | - | - | - |
| <u>Financial liabilities</u> | | | | | | |
| <u>Monetary items</u> | | | | | | |
| USD:NTD | 19,096,257 | 27.6830 | 528,641,683 | 16,003,254 | 28.4965 | 456,036,728 |
| USD:CNY | 162,064 | 6.3757 | 4,486,413 | 1,500,657 | 6.5249 | 42,763,505 |
| CNY:USD | 3,483,471 | 0.1568 | 15,125,073 | 3,005,781 | 0.1533 | 13,127,288 |

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable and other receivables, loans 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, 2021 and 2020 would have increased or decreased the before-tax net income for the years ended December 31, 2021 and 2020 by \$86,321 thousand and \$153,153 thousand, 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 items

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years ended December 31, 2021 and 2020, foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$2,790,744 thousand and \$1,265,538 thousand, 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 exposure to the interest rate risk of derivative and non derivative financial instruments on the reporting date. Regarding liabilities with variable interest rates, the analysis is based on the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 1% when reporting to management internally, which also represents the Group management's assessment of the reasonably possible interest rate change.

If the interest rate increases / decreases by 1%, the Group's net income will decrease /increase by \$111,570 thousand and \$262,606 thousand for the years ended December 31, 2021 and 2020, 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 | | | |
|-----------------------------------|--|--------------------------------------|--|--------------------------------------|
| | 2021 | | 2020 | |
| | 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% | \$ 44,786 | 329,131 | 30,066 | 340,892 |
| Decrease 3% | \$ (44,786) | (329,131) | (30,066) | (340,892) |

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(vi) Fair value of financial instruments

1) Fair value hierarchy

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

| | December 31, 2021 | | | | |
|--|-------------------|------------|---------|---------|------------|
| | | Fair Value | | | |
| | Book 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 | \$ 13,259,525 | 12,543,767 | - | 715,758 | 13,259,525 |
| Financial assets at fair value through other comprehensive income | | | | | |
| Stock of listed companies | \$ 1,015,796 | 1,015,796 | - | - | 1,015,796 |
| Stock of unlisted companies | 147,786 | - | - | 147,786 | 147,786 |
| Stock of overseas listed companies | 241,285 | 241,285 | - | - | 241,285 |
| Stock of overseas unlisted companies | 46,224 | - | - | 46,224 | 46,224 |
| Private fund | 41,784 | - | - | 41,784 | 41,784 |
| Subtotal | \$ 1,492,875 | 1,257,081 | - | 235,794 | 1,492,875 |
| Financial assets at amortized cost | | | | | |
| Cash and cash equivalents | \$ 111,024,086 | - | - | - | - |
| Notes and accounts receivable | 249,533,457 | - | - | - | - |
| Other receivables | 9,628,610 | - | - | - | - |
| Other financial assets | 30,723,520 | - | - | - | - |
| Subtotal | \$ 400,909,673 | - | - | - | - |
| Financial liabilities at amortized cost | | | | | |
| Bank loans | \$ 105,046,035 | - | - | - | - |
| Other loans | 2,214,640 | - | - | - | - |
| Non-interest bearing liabilities | 302,817,234 | - | - | - | - |
| Lease liabilities | 3,071,000 | - | - | - | - |
| Unsecured ordinary corporate bonds | 36,869,595 | - | - | - | - |
| Subtotal | \$ 450,018,504 | - | - | - | - |

(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 fair value through profit or loss | | | | | |
| Financial assets mandatorily measured at fair value through profit or loss | \$ 14,556,598 | 14,156,360 | - | 400,238 | 14,556,598 |
| 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 | 69,808 | - | - | 69,808 | 69,808 |
| Subtotal | \$ 1,002,211 | 783,260 | - | 218,951 | 1,002,211 |
| 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 | \$ 396,683,148 | - | - | - | - |
| 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 | \$ 453,393,111 | - | - | - | - |

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

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

a) Financial assets and financial liabilities measured at amortized cost

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

a) Non-derivative financial instruments

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

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

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

b) Derivative financial instruments

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

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

4) Transfers between Level 1 and Level 2

There have been no transfers from each level for the years ended December 31, 2020.

The Group holds an investment in equity shares of Valens Semiconductor Ltd. (Valens), which is classified as fair value through other comprehensive income, with the fair value of \$659,176 thousand and \$63,669 thousand at December 31, 2021 and 2020, respectively. The fair value of the investment was previously categorized as Level 3 in 2020, because the shares were not listed on an exchange and there were no recent observable arm's length transactions in the shares. On September 30, 2021, Valens listed its equity shares on an exchange and has a published price quotation in an active market. Therefore, the fair value measurement was transferred from Level 3 to Level 1 of the fair value hierarchy on December 31, 2021

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PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

5) Reconciliation of Level 3 fair values

| | At fair value through profit or loss | Fair value through other comprehensive income | | |
|------------------------------------|--|--|---------------------------------|----------------|
| | Non-derivative mandatorily measured at fair value through profit or loss | Unquoted equity instruments | Unquoted debt instruments | Total |
| Opening balance, January 1, 2021 | \$ 400,238 | 218,951 | - | 619,189 |
| Total gains and losses recognized: | | | | |
| In profit or loss | (24,814) | - | - | (24,814) |
| In other comprehensive income | - | (1,240) | - | (1,240) |
| Purchased | 404,003 | - | 41,784 | 445,787 |
| Subsidiaries disposed | - | (23,701) | - | (23,701) |
| Transferred from Level 3 | (63,669) | - | - | (63,669) |
| Ending Balance, December 31, 2021 | <u>\$ 715,758</u> | <u>194,010</u> | <u>41,784</u> | <u>951,552</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>-</u> | <u>619,189</u> |

For the years ended December 31, 2021 and 2020, 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:

| | For the years ended December 31 | |
|--|---------------------------------|-----------------|
| | 2021 | 2020 |
| Total gains and losses recognized: | | |
| In profit or loss, and presented in “other gains and losses” | <u>\$ (24,814)</u> | <u>(41,982)</u> |
| In other comprehensive income, and presented in “unrealized gains and losses from financial assets at fair value through other comprehensive income” | <u>\$ (1,240)</u> | <u>(13,665)</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.

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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, 2021 and 2020, were 2.2~8.9 and 1.2~2.3, respectively.) Market liquidity discount (As of December 31, 2021 and 2020, were 20%) | <p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> the multiplier were higher (lower) the market illiquidity discount were lower (higher). |
| Financial assets at fair value through other comprehensive income-equity investments without an active market | Market Approach | <ul style="list-style-type: none"> The multiplier of price-to-book ratio (As of December 31, 2021 and 2020, were 1.4~1.6, and 1.4~1.5, respectively.) Market illiquidity discount (As of December 31, 2021 and 2020, were 20%) | <p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> the multiplier were higher (lower) the market illiquidity discount were lower (higher). |
| Financial assets at fair value through profit or loss-private fund | Net Asset Value Method | • Net Asset Value | Not applicable |

7) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

The Group's measurement on the fair value of financial instruments is deemed reasonable despite different valuation models or assumptions may lead to different results. For fair value measurements in Level 3, changing one or more of the assumptions would have the following effects on profit or loss and other comprehensive income:

| | Inputs | Fluctuation in inputs | Profit or loss | | Other comprehensive income | |
|--|--------------------------------------|-----------------------------|----------------|-------------|-------------------------------|-------------|
| | | | Favorable | Unfavorable | Favorable | Unfavorable |
| December 31, 2021 | | | | | | |
| Financial assets at fair value through profit or loss | | | | | | |
| Equity investments without an active market | Multiplier of price-to-book ratio | 1% | 2,447 | (2,447) | - | - |
| Equity investments without an active market | Market illiquidity discount | 1% | 2,447 | (2,447) | - | - |
| Financial assets at fair value through other comprehensive income | | | | | | |
| Equity investments without an active market | Multiplier of price-to-book ratio | 1% | - | - | 1,940 | (1,940) |
| Equity investments without an active market | Market illiquidity discount | 1% | - | - | 1,940 | (1,940) |

(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, 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) |

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

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

| December 31, 2021 | | | | | | |
|---|---|--|--|--|-----------------------------------|----------------------------|
| Financial assets that are offset which have an exercisable master netting arrangement or similar agreement | | | | | | |
| | Gross amounts of recognized financial assets (a) | Gross amounts of financial Liabilities Offset (b) | Net amount of financial assets Net amounts presented (c)=(a)-(b) | Amounts not offset in the balance sheet (d) | | |
| | | | | Financial Instruments (Note) | Cash collateral instruments | Net amounts (e)=(c)-(d) |
| Accounts Receivable and Payable | \$ 23,624,999 | 17,460,484 | 6,164,515 | - | - | 6,164,515 |
| Other financial asset and short-term loan | \$ 17,714,841 | 17,714,841 | - | - | - | - |

| December 31, 2021 | | | | | | |
|--|---|---|--|--|-----------------------------------|----------------------------|
| Financial liabilities that are offset which have an exercisable master netting arrangement or similar agreement | | | | | | |
| | Gross amounts of recognized financial liabilities (a) | Gross amounts of financial assets offset in the balance sheet (b) | Net amount of financial liabilities presented in the balance sheet (c)=(a)-(b) | Amounts not offset in the balance sheet (d) | | |
| | | | | Financial Instruments (Note) | Cash collateral instruments | Net amounts (e)=(c)-(d) |
| Accounts Receivable and Payable | \$ 17,460,484 | 17,460,484 | - | - | - | - |
| Other financial asset and short-term loan | \$ 17,714,841 | 17,714,841 | - | - | - | - |

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

| December 31, 2020 | | | | | | |
|--|---|--|--|--|-----------------------------------|----------------------------|
| Financial assets that are offset which have an exercisable master netting arrangement or similar agreement | | | | | | |
| | Gross amounts of recognized financial assets (a) | Gross amounts of financial Liabilities Offset (b) | Net amount of financial assets Net amounts presented (c)=(a)-(b) | Amounts not offset in the balance sheet (d) | | Net amounts (e)=(c)-(d) |
| | | | | Financial Instruments (Note) | Cash collateral instruments | |
| Accounts Receivable and Payable | \$ 16,781,165 | 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 that are offset which have an exercisable master netting arrangement or similar agreement | | | | | | |
| | Gross amounts of recognized financial liabilities (a) | Gross amounts of financial assets offset in the balance sheet (b) | Net amount of financial liabilities presented in the balance sheet (c)=(a)-(b) | Amounts not offset in the balance sheet (d) | | Net amounts (e)=(c)-(d) |
| | | | | Financial Instruments (Note) | Cash collateral instruments | |
| Accounts Receivable and Payable | \$ 12,410,025 | 12,410,025 | - | - | - | - |
| Other financial asset and short-term loan | \$ 14,247,483 | 14,247,483 | - | - | - | - |

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

(af) 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 established the Risk Management Committee, which is responsible for developing and monitoring the Group' s risk management policies. The committee 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 its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from cash, the Group's receivables from customers and investments in equity securities. Also, the Group deposits cash in different financial institutions. 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 exposure to credit risk for the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Group's finance department. The Group only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Group does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

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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, 2021 and 2020.

(iv) Liquidity risk

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

The Group has sufficient cash and cash equivalents 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.

(v) Market risk

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

1) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in 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 purchases and sales are denominated mainly in US dollars, which exposes the Group's current and future cash flows to foreign currency assets to the risk of market exchange rate fluctuations in market exchange rates. The group follows the principle of natural hedging, the currency held by the group is consistent with the actual foreign exchange demand of the group's import and export transactions, the Group's overall internal positions (foreign currency income and expense) are selflevelling as the principle, and spot foreign exchange tools are used to avoid exchange rates risk.

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

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

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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.

(ag) 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, 2021, 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 debt to equity ratios at the balance sheet date were as follows:

| | December 31, 2021 | December 31, 2020 |
|---------------------------------|------------------------------|------------------------------|
| Total liabilities | \$ 482,503,486 | 485,406,087 |
| Less: cash and cash equivalents | (111,024,086) | (125,996,714) |
| Net debt | <u>\$ 371,479,400</u> | <u>359,409,373</u> |
| Total capital (Note) | <u>\$ 565,746,277</u> | <u>558,349,895</u> |
| Debt to equity ratio | <u>65.66%</u> | <u>64.37%</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, 2021 and 2020.

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Notes to the Consolidated Financial Statements

(ah) Financing activities not affecting current cash flow

For the years ended December 31, 2021 and 2020, reconciliation of liabilities arising from financing activities was as follows:

| | January 1, 2021 | Cash flows | Non-cash changes | | December 31, 2021 |
|---|-----------------------|---------------------|---------------------------------|------------------|----------------------|
| | | | Foreign exchange movement | Other | |
| Long-term loans | \$ 17,014,458 | (3,450,718) | (309,129) | (17,240) | 13,237,371 |
| Short-term loans | 105,242,889 | (10,151,707) | - | (1,067,878) | 94,023,304 |
| Bonds payable | 25,478,182 | 11,385,600 | - | 5,813 | 36,869,595 |
| Lease liabilities | 2,591,691 | (1,498,769) | (43,772) | 2,021,850 | 3,071,000 |
| Non-controlling interests | 36,345,941 | (14,163,270) | 1,751,819 | 3,727,842 | 27,662,332 |
| Total liabilities from financing activities | \$ 186,673,161 | (17,878,864) | 1,398,918 | 4,670,387 | 174,863,602 |

| | 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 | \$ 135,551,767 | 48,381,000 | (408,719) | 3,149,113 | 186,673,161 |

(7) Related-party transactions

(a) Names and relationship with related parties

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

| Name of related party | Relationship with the Group |
|---|-----------------------------|
| Luxcase Precision Technology (Yancheng) Co., Ltd. (Former RI KAI COMPUTER ACCESSORY CO., LTD.) | An associate (Note) |
| RI-MING (SHANGHAI) CO., LTD. | An associate (Note) |
| SHENG-RUI ELECTRONIC TECHNOLOGY (SHANGHAI) LIMITED | An associate (Note) |
| RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD. | An associate (Note) |
| RI SHAN COMPUTER ACCESSORY (JIASHAN) CO., LTD. | An associate (Note) |
| Ri Da Intelligent Manufacturing Technology (Rugao) Co., Ltd. | An associate |
| CASETEK SINGAPORE PTE.LTD. | An associate (Note) |
| ADVANTECH CO., LTD. | Other related party |

Note: Companies above were no longer the Company' s subsidiaries but the Group' s associates since the Group had lost control over the companies as of February 3, 2021. For more details, please refer to Note 4(c).

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PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(b) Significant transactions with related parties

(i) Sale of Goods to Related Parties

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

| | Sales |
|-----------------------|--------------------------|
| | For the year |
| | ended December |
| | 31, 2021 |
| Associates | \$ 502,939 |
| Other related parties | 90,654 |
| | <u>\$ 593,593</u> |

The terms and the selling price for related parties approximated the market price. The credit terms is from 30 to 90 days. Amounts receivable from related parties were uncollateralized, and no expected credit loss were required after the assessment by the management.

(ii) Purchase of Goods from Related Parties

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

| | Purchases |
|------------|----------------------------|
| | For the year |
| | ended December |
| | 31, 2021 |
| Associates | <u>\$ 3,421,182</u> |

The terms and pricing of purchase transactions with related parties were not significantly different from those offered by other vendors. The payment terms is from 30 to 120 days, which were no different from the payment terms given by other vendors.

(iii) Receivables from Related Parties

The receivables from related parties were as follows:

| Account | Relationship | December 31, 2021 |
|---------------------|-----------------------|------------------------------|
| Accounts receivable | Other related parties | \$ 9,709 |
| Other receivables | Associates | 288,517 |
| | | <u>\$ 298,226</u> |

(iv) Payables to Related Parties

The payables to related parties were as follows:

| Account | Relationship | December 31, 2021 |
|------------------|---------------------|------------------------------|
| Accounts payable | Associates | <u>\$ 208,342</u> |

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PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(v) Loans to Related Parties

The loans to related parties were as follows:

| | December 31, 2021 |
|---|----------------------|
| Associates - RI SHAN COMPUTER ACCESSORY CO., LTD. | <u>\$ 8,258,365</u> |
| Range of interest rate | <u>0.92%~1.00%</u> |
| Interest income | <u>\$ 130,141</u> |

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

(c) Key management personnel compensation

| | For the years ended December 31 | |
|------------------------------|---------------------------------|----------------|
| | 2021 | 2020 |
| Short-term employee benefits | \$ 407,685 | 437,873 |
| Post-employment benefits | 4,042 | 3,997 |
| Share-based payments | 163,622 | 153,645 |
| | <u>\$ 575,349</u> | <u>595,515</u> |

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

(8) Pledged assets

As of December 31, 2021 and 2020, book value of pledged assets were as follows :

| Asset | Purpose of pledge | December 31, 2021 | December 31, 2020 |
|--|---|----------------------|----------------------|
| Accounts receivable | 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. | 121,307 | 111,289 |
| Other financial asset-restricted deposit | Litigation pledge and provisional attachment guarantee | - | 61,669 |
| Property, plant and equipment | Bank loans | 42,036 | 61,249 |
| Other financial asset-guarantee deposits | Customs duty guarantee, litigation guarantee, rental deposits, and deposits for performance guarantee | 37,471 | 191,147 |
| | | <u>\$ 200,814</u> | <u>1,503,035</u> |

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PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(9) Commitments and contingencies

(a) Significant commitments and contingencies

(i) Unused standby letters of credit

| | December 31, 2021 | December 31, 2020 |
|-----|----------------------|----------------------|
| EUR | \$ 813 | - |
| JPY | 7,031,091 | 7,000,234 |
| USD | 9,455 | 7,594 |

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

| | December 31, 2021 | December 31, 2020 |
|-----|----------------------|----------------------|
| NTD | <u>\$ 10,490</u> | <u>16,391</u> |

(iii) As of December 31, 2021, and 2020, the significant contracts for purchase of properties by the Group amounted to \$14,181,360 thousand and \$13,197,985 thousand, of which \$5,302,235 thousand and \$5,314,270 thousand, respectively, were unpaid.

(iv) As of December 31, 2021, and 2020, the Group provided endorsement guarantee for bank loans, including Group entities, amounting to \$2,353,055 thousand and \$341,958 thousand, respectively.

(v) As of December 31, 2021, and 2020, the Group issued a tariff guarantee of \$773,936 thousand and \$1,804,655 thousand, respectively, to the bank for the purpose of importing goods.

(b) Significant contingent liability

AIG Specialty Insurance Company, as assignee and subrogee of the Group's customer, filed a lawsuit against the Group in the United States District Court for the Northern District of Georgia, seeking damages based on certain quality issue occurred on the products sold by the Group. The Court found that the Group is liable for the products in issue through a summary judgement order. The specific amount of the damages will be decided by the Jury in the subsequent trial proceeding. The Group has reached a settlement with AIG Specialty Insurance Company for USD \$59,000 thousand before December 31, 2021. The group has recognized relevant provision. The Court administratively closed this case till March 14, 2022. As of the release date of the consolidated financial statements, the Group is in the process of negotiating and finalizing the formal settlement agreement with the Plaintiff AIG Specialty Insurance Company.

(10) Losses due to major disasters: None.

(11) Subsequent events: None.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(12) Others

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

| By function | For the years ended December 31 | | | | | |
|----------------------------|---------------------------------|-------------------|------------|----------------|-------------------|------------|
| | 2021 | | | 2020 | | |
| | Operating cost | Operating expense | Total | Operating cost | Operating expense | Total |
| Employee benefit | | | | | | |
| Salary | \$ 43,921,923 | 15,687,636 | 59,609,559 | 55,097,165 | 16,514,093 | 71,611,258 |
| Health and labor insurance | 4,660,930 | 1,016,057 | 5,676,987 | 4,197,204 | 918,595 | 5,115,799 |
| Pension | 3,486,240 | 741,603 | 4,227,843 | 3,634,385 | 710,801 | 4,345,186 |
| Others | 1,707,028 | 803,599 | 2,510,627 | 2,938,788 | 972,797 | 3,911,585 |
| Depreciation | 11,527,912 | 1,974,203 | 13,502,115 | 16,304,363 | 1,815,270 | 18,119,633 |
| Amortization | 60,472 | 84,601 | 145,073 | 84,828 | 113,241 | 198,069 |

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

| | For the years ended December 31 | |
|-------------------------------------|---------------------------------|-------|
| | 2021 | 2020 |
| | \$ | \$ |
| Depreciation in investment property | 3,034 | 3,013 |

(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, 2021 (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 | Table 6 |
| 7 | Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock | Table 7 |
| 8 | Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock | Table 8 |
| 9 | Trading in derivative instruments | None |
| 10 | Business relationships and significant intercompany transactions | Table 11 |

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(b) Information on investees:

Please refer to Table 9 for the information on investees for the year ended December 31, 2021.

(c) Information on investment in mainland China:

- (i) Please refer to Table 10 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 | 16.80% |

(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.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Please refer to Note 6(aa) for the information on revenue for the years ended December 31, 2021 and 2020. The Group's operating segment information and reconciliation were as follows :

| For the years ended December 31, 2021 | DMS | Strategic Investment Group | Adjustment and eliminations | Total |
|--|-------------------------|---|--|----------------------|
| Revenue : | | | | |
| Revenue from external customers | \$ 1,183,924,821 | 79,795,361 | - | 1,263,720,182 |
| Intersegment revenues | 335,299 | 553,295 | (888,594) | - |
| Total revenue | <u>\$ 1,184,260,120</u> | <u>80,348,656</u> | <u>(888,594)</u> | <u>1,263,720,182</u> |
| Share of profit of associates and joint ventures accounted for using equity method | <u>\$ 9,876,714</u> | <u>1,546,319</u> | <u>(9,876,714)</u> | <u>1,546,319</u> |
| Reportable segment profit or loss | <u>\$ 22,418,837</u> | <u>15,583,719</u> | <u>(9,876,714)</u> | <u>28,125,842</u> |
| Assets: | | | | |
| Investments accounted for using equity method | <u>\$ 62,084,796</u> | <u>22,534,158</u> | <u>(62,084,796)</u> | <u>22,534,158</u> |
| Reportable segment assets | <u>\$ 608,651,547</u> | <u>132,809,233</u> | <u>(64,690,417)</u> | <u>676,770,363</u> |
| Reportable segment liabilities | <u>\$ 442,047,003</u> | <u>43,062,104</u> | <u>(2,605,621)</u> | <u>482,503,486</u> |
| For the years ended December 31, 2020 | | | | |
| Revenue : | | | | |
| Revenue from external customers | \$ 1,267,842,416 | 131,490,490 | - | 1,399,332,906 |
| Intersegment revenues | 348,757 | 2,192,502 | (2,541,259) | - |
| 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 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: | | | | |
| 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> |

(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(aa) and segment assets are based on the geographical location of the assets.

| Region | December 31, 2021 | December 31, 2020 |
|---------------------|------------------------------|------------------------------|
| Non-current assets: | | |
| Taiwan | \$ 41,043,222 | 29,403,708 |
| China | 34,678,585 | 61,150,280 |
| Others | 7,315,179 | 2,725,420 |
| Total | <u>\$ 83,036,986</u> | <u>93,279,408</u> |

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

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(d) Major Customer

Major customers from DMS in 2021 and 2020 were as follows:

| Customer | For the years ended December 31 | |
|-----------------|--|-----------------------------|
| | 2021 | 2020 |
| A | \$ 693,898,568 | 853,146,423 |
| B | 211,258,433 | 164,480,895 |
| C | 94,963,417 | 88,371,083 |
| | <u>\$ 1,000,120,418</u> | <u>1,105,998,401</u> |

Notes to the Consolidated Financial Statements

Table 1: Loans to other parties
December 31, 2021

| Number (Note 1) | Name of lender | Name of borrower (Note 2) | Related party | Highest balance of financing to other parties during the period | Ending balance | Actual usage amount during the period | Range of interest rates during the period | Nature of loan (Note 3) | Transaction amount for business between two parties (Note 4) | Reasons for short-term financing (Note 5) | Collateral | | Individual funding loan limits (Note 6) | Expressed in thousands of NTD Maximum limit of fund financing (Note 6) |
|--------------------|--|--|------------------|--|----------------|--|--|-------------------------------|---|---|------------|-------|---|---|
| | | | | | | | | | | | Item | Value | | |
| 1 | MAINTHEK COMPUTER (SUZHOU) CO., LTD. | COTEK ELECTRONICS (SUZHOU) CO., LTD. | Y | 1,384,150 | 1,384,150 | 1,384,150 | 2.59% | 2 | - | Fund accommodation | - | - | 14,964,672 | 29,929,345 |
| 1 | MAINTHEK COMPUTER (SUZHOU) CO., LTD. | RI SHAN COMPUTER ACCESSORY (JIASHAN) CO., LTD. | Y | 2,768,300 | - | - | 0.92% | 2 | - | Fund accommodation | - | - | 11,971,738 | 29,929,345 |
| 2 | ASUSPOWEE CORPORATION | PEGATRON CORPORATION | Y | 5,877,996 | 4,650,744 | 4,650,744 | 0.00% | 2 | - | Fund accommodation | - | - | 5,905,922 | 5,905,922 |
| 2 | ASUSPOWEE CORPORATION | ASUS INVESTMENT CO., LTD. | Y | 581,343 | 581,343 | 581,343 | 0.00% | 2 | - | Fund accommodation | - | - | 1,771,777 | 3,543,553 |
| 2 | ASUSPOWEE CORPORATION | ASUSPOWEE INVESTMENT CO., LTD. | Y | 609,026 | 609,026 | 609,026 | 0.00% | 2 | - | Fund accommodation | - | - | 1,771,777 | 3,543,553 |
| 3 | CASETEK HOLDINGS LIMITED | PEGATRON CORPORATION | Y | 1,093,479 | 1,065,796 | 1,065,796 | 0.00% | 2 | - | Fund accommodation | - | - | 5,724,128 | 5,724,128 |
| 4 | KAEDAR TRADING LTD. | PEGATRON VIETNAM COMPANY LIMITED | Y | 498,294 | - | - | 1.00% | 2 | - | Fund accommodation | - | - | 518,308 | 518,308 |
| 4 | KAEDAR TRADING LTD. | PEGATRON CORPORATION | Y | 525,977 | 484,453 | 484,453 | 0.00% | 2 | - | Fund accommodation | - | - | 518,308 | 518,308 |
| 5 | PROTEK (SHANGHAI) LTD. | RI SHAN COMPUTER ACCESSORY (JIASHAN) CO., LTD. | Y | 4,152,450 | - | - | 0.92% | 2 | - | Fund accommodation | - | - | 5,537,507 | 11,075,014 |
| 6 | RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD. | RI SHAN COMPUTER ACCESSORY (JIASHAN) CO., LTD. | Y | 5,427,438 | 3,690,658 | 3,690,658 | 1.00% | 2 | - | Business operation | - | - | 3,448,052 | 3,448,052 |
| 6 | RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD. | RI-PRO PRECISION MODEL (SHANGHAI) CO., LTD. | Y | 130,259 | 130,259 | 130,259 | 1.00% | 2 | - | Business operation | - | - | 8,620,129 | 8,620,129 |
| 7 | RIH LI International Limited | RI SHAN COMPUTER ACCESSORY (JIASHAN) CO., LTD. | Y | 9,689,050 | 4,567,695 | 4,567,695 | 1.00% | 2 | - | Business operation | - | - | 14,018,280 | 14,018,280 |
| 8 | KAIHE COMPUTER ACCESSORY (SUZHOU) CO., LTD. | RI SHAN COMPUTER ACCESSORY (JIASHAN) CO., LTD. | Y | 347,356 | - | - | 1.00% | 2 | - | Business operation | - | - | 343,021 | 343,021 |
| 9 | CASETEK HOLDINGS LIMITED(CAYMAN) | CASETEK SINGAPORE PTE. LTD. | Y | 4,844,525 | - | - | 0.00% | 2 | - | Business operation | - | - | 14,820,445 | 14,820,445 |
| 10 | Azwave Holding (Samoa) Inc. | AGALE CORPORATION (SHANGHAI) | Y | 27,683 | 27,683 | - | 0.00% | 2 | - | Cash flow adequacy | - | - | 846,875 | 846,875 |

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 maximum limit of fund financing

Maximum limit of fund financing

According to our(MAINTEK COMPUTER (SUZHOU) CO., LTD.) policy for loans granted, the maximum limit of fund financing 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: maximum limit of fund financing to which is 40% of MAINTeK COMPUTER (SUZHOU) CO., LTD.'s net assets.

According to our (ASUSPOWER CORPORATION) policy for loans granted, the maximum limit of fund financing 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: maximum limit of fund financing to which is 100% of ASUSPOWER CORPORATION's net assets.

According to our(CASETEK HOLDINGS LIMITED) policy for loans granted, the maximum limit of fund financing 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; maximum limit of fund financing to which is 100% of CASETEK HOLDINGS LIMITED's net assets,

According to our KAEDAR TRADING LIMITED policy for loans granted, the maximum limit of fund financing to all parties is 30% 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: maximum limit of fund financing to which is 100% of KAFEDAR TRADING LIMITED's net assets.

According to our PROTEK (SHANGHAI) LTD., policy for loans granted, the maximum limit of fund financing 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: maximum limit of fund financing to which is 100% of PROTON according to our (PTROLK (SHAVONHA) LTD.) policy for loans granted, the maximum limit of fund financing to all parties is 50% of our (PTROLK (SHAVONHA) LTD.) net assets.

According to our R/TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD. policy for foreign subsidiaries whose voting shares are directly or indirectly wholly-owned by the Company and which are granting loans to the Company and foreign subsidiaries which are not wholly-owned by the Company at as follows, maximum limit of loan financing to which is 100% of net assets

According to our(R)-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.'s policy for raising funds, except for foreign shares at the discretion of minority shareholders and cash held by the company and cash held by the company, the maximum limit of fund financing to other parties is 40% of our(R)-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.'s net assets. When there is a short-term financing need, the maximum limit of fund financing to which is 100% of our(R)-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.'s net assets.

[illegible]

According to our (KIL) International Limited) policy for loans granted, except for foreign subsidiaries whose voting shares are directly or indirectly wholly-owned by the Company and CASELER HOLDINGS LIMITED (CAI MEI) when there is a short-term financing need, the maximum limit of fund financing to which is 100% of our (RHL) International Limited) net assets, the maximum limit of fund financing to all other parties is 40% of our (RHL) International

According to our KALHE COMPUTER ACCESSORY (SUZHOU) CO., LTD. policy for loans granted, exempt for foreign subsidiaries whose voting shares are directly or indirectly wholly-owned by the Company CASFETEK HOLDINGS LIMITED/CASETEK (SUZHOU) CO., LTD. (our "KALHE Computer Accessory"), we do not intend to provide any financial assistance to any other parties in the form of loans, guarantees, or other financial assistance. We do not intend to provide any financial assistance to any other parties in the form of loans, guarantees, or other financial assistance.

In addition, there is our (NATHE COMPIUTER ACCESSORS (SUZHOU) CO., LTD.) policy for loans granted, except for foreign subsidiaries whose voting shares are directly or indirectly wholly-owned by the company and CASE-TITE HOLDINGS LIMITED (CASE TITE COMPANY) according to our (NATHE COMPIUTER ACCESSORS (SUZHOU) CO., LTD.) net assets, the maximum limit of fund financing to other parties is 40% of our (KAI HE COMPAN)

when there is a short-term financing need, the maximum limit of fund financing to which is 100% of our (KAI HE COMPUTER ACCESSORY (SUZHOU) CO., LTD.) net assets, when there is a long-term financing need, the maximum limit of fund financing to all other parties is 40% of our (KAI HE COMPUTER ACCESSORY (SUZHOU) CO., LTD.) net assets

According to our AZWAVE HOLDING (SAMOA INC.) policy for loans granted, the maximum limit of fund financing to all parties is 40% of our (CAYMAN) net assets. According to our AZWAVE HOLDING (SAMOA INC.) policy for loans granted, the maximum limit of fund financing to all parties is 40% of our (CAYMAN) net assets. According to our AZWAVE HOLDING (SAMOA INC.) policy for loans granted, the maximum limit of fund financing to all parties is 40% of our (CAYMAN) net assets.

According to our AZ WAVE 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: maximum limit of fund financing to which is 40% of our net assets.

an limit of fund financing to single party

According to our (MAINTENANCE COMPUTER (SUZHOU) CO., LTD.) policy for loans granted, the maximum limit of fund financing to single party is 5% of our (MAINTENANCE 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: maximum limit of fund financing to which is 40% of MANITEK COMPUTER (SUZHOU) CO., LTD.'s share capital. The maximum limit of fund financing to which is 100% of MANITEK COMPUTER (SUZHOU) CO., LTD.'s not recorded share capital.

While granting loans to the Company and foreign subsidiaries which are not wholly-owned by the Company are as follows: maximum limit of fund financing to which is 100% of MAIN ECU contribution to cost ASHLEPOWER CORPORATION) not exceeds the maximum limit of fund financing to a single month; is 200% of cost (ASHLEPOWER CORPORATION) not exceeds

While creating a loan to the Company and certain subsidiaries which are not wholly owned by the Company are as follows: maximum limit of fund financing to which is 100% of ASUSPOWER CORPORATION's net assets. According to our ASUSPOWER CORPORATION policy for loans granted, the maximum limit of fund financing to a single party is 30% 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: maximum limit of fund financing to which is 100% of ASUSTeK CORPORATION's net assets according to our/CASETEK HOLDINGS LIMITED), subject to loan created the maximum limit of fund financing to a single entity is 15% of our/CASETEK HOLDINGS LIMITED), not exceed

With a creative loan to the Company and focus on subsidiaries which are not subject to the Company's one-on-one financial review, the Company can use the full amount of the loan to which it is 100% of CASETEK HOLDINGS LIMITED) net assets. According to our (CASETEK HOLDINGS LIMITED) policy for loans granted, the maximum limit of fund financing to a single party is 15% of our (CASETEK HOLDINGS LIMITED) net assets.

According to our KAPADAR TRADING LIMITED notice for loans created, the maximum limit of fund financing to a single party is 15% of our KAPADAR TRADING LIMITED's net assets. While granting loans to the Company and foreign subsidiaries which are not wholly-owned by the Company are as follows: maximum limit of fund financing to which is 100% of CASE TEK HOLDINGS LIMITED's net assets.

With a maximum loan to the Company and foreign subsidiaries which are not subject to the Company's maximum limit of fund financing of 100% of VAFADAP LTD. According to our (KAEDAR TRADING LIMITED) policy for loans granted, the maximum limit of fund financing to a single party 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: maximum limit of fund financing to which is 100% of KALDAR TRADING LIMITED's net assets. According to our DPOTEK (SHANGHAI) LTD's policy for loan granted, the maximum limit of fund financing to a subsidiary is 5% of our DPOTEK (SHANGHAI) LTD's net assets.

While receiving loans to the Company and funding activities which are not wholly owned by the Company are as follows: maximum limit of fund financing to which is 100% of BOTVY (SHANGHAI) LTD.'s net assets. According to our (PROTEK (SHANGHAI) LTD.) policy for loans granted, the maximum limit of fund financing to a single party is 5% of our (PROTEK (SHANGHAI) LTD.) net assets.

According to our RITING COMPUTER ACCESSORY /SHANGHAI CO., LTD. notice for loans granted on cost for foreign subsidiaries whose voting shares are directly or indirectly held by our RITING COMPUTER ACCESSORY /SHANGHAI CO., LTD. (the "Company") and its subsidiaries, the Company and its subsidiaries are not wholly-owned by the Company are as follows: maximum limit of fund financing to which is 100% of PROTEK (SHANGHAI) LTD.'s net assets.

According to our K-1 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), there is no restriction on the use of funds generated by K-1 TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD. nor on the use of proceeds from the exercise of the Company's 400% convertible preferred stock.

[illegible]

According to our (KIH L) 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, the maximum limit of fund financing to which is 100% of our (KIH L) International Limited not exceeds the maximum limit of fund financing to other single non-listed 40% of our (KIH L) International Limited not exceeds the maximum limit of fund financing to which is 100% of our (KIH L) International Limited.

According to our KAIHE COMBATED ACCESSORY (SUZHOU) CO., LTD. and for loose credit account for future subsidiary whose voting share are directly or indirectly wholly owned by the Company and ETEK HOLDINGS LIMITED (KAWAN) the maximum limit of fund financing to which is 100% of our (KIH LI International Limited) net assets, the maximum limit of fund financing to our single party is 40% of our (KIH LI International Limited) net assets.

when there is a short-term financing need, the maximum limit of fund financing to which is 100% of our KAI HE COMPUTER ACCESSORY (SUZHOU) CO., LTD. not accept the maximum limit of fund financing to other companies. 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 CASI, loans granted to other subsidiaries are directly or indirectly wholly-owned by the Company and CASI.

when there is a short-term financing need, the maximum limit of fund financing to which is 100% of our KAI HE COMPUTER ACCESSORY (SUZHOU) CO., LTD.) net assets, the maximum limit of fund financing to which is 40% of our KAI HE COMPUTER ACCESSORY (SUZHOU) CO., LTD.) net assets.

According to our(CASE TEK HOLDINGS LIMITED(CAYMAN)) policy for loans granted to a foreign subsidiary whose voting shares are directly or indirectly wholly-owned by the Company is as follows: maximum limit of our(CASE TEK HOLDINGS LIMITED(CAYMAN)) policy for loans granted, the maximum limit of fund financing to which is 40% of our(CASE TEK HOLDINGS LIMITED(CAYMAN)) 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: maximum limit of fund financing to a subsidiary is 40% of our AZWAVE HOLDING (SAMOA) INC.'s net assets.

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, 2021 was USD/NID: 21.883 ; CNY/NID: 4.34193)

Notes to the Consolidated Financial Statements

Table 2: Guarantees and endorsements for other parties
December 31, 2021

| No. (Note 1) | Name of guarantor | Counter-party of guarantee and endorsement | | Limitation on amount of guarantees and endorsements for a specific enterprise (Note 3) | Highest balance for guarantees and endorsements during the period | Balance of guarantees and endorsements as of reporting date (Note 4) (Note 5) | Actual usage amount during the period | Property pledged for guarantees and endorsements (Amount) | Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements | Maximum amount for guarantees and endorsements (Note 3) | Expressed in thousands of NTD | | |
|-----------------|----------------------------------|--|--|--|--|--|--|--|---|--|--|---|--|
| | | Name | Relationship with the Company (Note 2) | | | | | | | | Parent company endorsements/ guarantees to third parties on behalf of subsidiary | Subsidiary endorsements/guarantees to third parties on behalf of parent company | Endorsements/guarantees to third parties on behalf of companies in Mainland |
| 1 | AZURE WAVE TECHNOLOGIES, INC. | AzureWave Technologies (Shanghai) Inc. | (2) | 1,042,683 | 470,611 | 138,415 | - | - | 6.64% | 1,042,683 | Y | N | Y |
| 2 | ASROCK Incorporation | ASIA ROCK TECHNOLOGY LIMITED | (2) | 5,789,798 | 2,224,360 | 2,214,640 | 1,660,980 | - | 26.78% | 5,789,798 | Y | N | 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 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 ASROCK Incorporation's policy of endorsements and guarantees, the total endorsements and guarantees of the Company to others should not exceed 70% 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, 2021 is USD/NTD: 27.683)

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, 2021 (excluding investment in subsidiaries, associates and joint ventures)
December 31, 2021

| Name of holder | Marketable securities (Note 1) | | Relationship with company (Note 2) | Ending balance | | | | Expressed in thousands of NTD | |
|--------------------------------|--------------------------------|---|------------------------------------|---|------------|-------------------------|-----------------------------|-------------------------------|-------------------|
| | Category | Name | | Account title | Shares | Carrying value (Note 3) | Percentage of ownership (%) | Fair value (Note 3) | Maximum Ownership |
| PEGATRON CORPORATION | Stock | ABILITY ENTERPRISE CO., LTD. | - | financial asset measured at fair value through other comprehensive income-Non current | 33,135,300 | 1,015,597 | 11.52% | 1,015,597 | 11.74% |
| " | Stock | Fubon Financial Holding Co., Ltd. | - | financial asset measured at fair value through profit or loss-Non current | 3,500,000 | 220,850 | 0.53% | 220,850 | 0.53% |
| " | Fund | China Renewable Energy Fund, LP(CREF) | - | financial asset measured at fair value through profit or loss-Non current | - | 471,075 | N/A | 471,075 | N/A |
| " | Stock | TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY | - | financial asset measured at fair value through profit or loss-Current | 470,000 | 289,050 | 0.00% | 289,050 | 0.00% |
| " | Stock | DELTA ELECTRONICS, INC. | - | financial asset measured at fair value through profit or loss-Current | 290,000 | 79,750 | 0.01% | 79,750 | 0.01% |
| " | Stock | MEDIATEK INC. | - | financial asset measured at fair value through profit or loss-Current | 155,000 | 184,450 | 0.01% | 184,450 | 0.01% |
| " | Stock | Airtac International Group | - | financial asset measured at fair value through profit or loss-Current | 12,603 | 12,855 | 0.01% | 12,855 | 0.03% |
| ASUSPOWER CORPORATION | Stock | Tesla, Inc. | - | financial asset measured at fair value through profit or loss-Current | 100 | 2,925 | 0.00% | 2,925 | 0.00% |
| PROTEK (SHANGHAI) LTD. | Stock | LUXSHARE ICT CO., LTD. | - | financial asset measured at fair value through profit or loss-Current | 39,845,105 | 8,253,001 | 0.56% | 8,253,001 | 0.57% |
| " | Stock | Contemporary Amperex Technology Co. Limited | - | financial asset measured at fair value through profit or loss-Current | 3,000 | 7,479 | 0.00% | 7,479 | 0.00% |
| " | Bond | LUXSHARE ICT CO., LTD.(Convertible Bond) | - | financial asset measured at fair value through profit or loss-Current | 170,816 | 92,543 | N/A | 92,543 | N/A |
| " | Stock | Ark Semiconductor Corp. Ltd. | - | financial asset measured at fair value through profit or loss-Non current | - | 147,631 | 6.34% | 147,631 | 6.34% |
| ASUSPOWER INVESTMENT CO., LTD. | Stock | SPORTON INTERNATIONAL INC. | - | financial asset measured at fair value through profit or loss-Current | 272,265 | 59,082 | 0.28% | 59,082 | 0.28% |
| " | Stock | WIN SEMICONDUCTORS CORP. | - | financial asset measured at fair value through profit or loss-Current | 395,000 | 147,928 | 0.09% | 147,928 | 0.09% |
| " | Stock | Topoint Technology Co., Ltd. | - | financial asset measured at fair value through other comprehensive income-Non current | - | - | 0.00% | - | 0.78% |
| " | Stock | ABILITY ENTERPRISE CO., LTD. | - | financial asset measured at fair value through other comprehensive income-Non current | 6,495 | 199 | 0.00% | 199 | 0.00% |
| " | Stock | ZOWIE Technology Corporation | - | financial asset measured at fair value through other comprehensive income-Non current | 90,973 | - | 0.33% | - | 0.46% |
| " | Stock | Syntrex 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 | 3,092,412 | 659,176 | 3.15% | 659,176 | 4.03% |
| " | Stock | Cognito Health Inc | - | financial asset measured at fair value through other comprehensive income-Non current | 1,136,363 | - | 1.61% | - | 1.61% |

Notes to the Consolidated Financial Statements

| Marketable securities (Note 1) | | | | Ending balance | | | | Expressed in thousands of NTD | |
|--------------------------------------|----------|--|------------------------------------|---|-------------|-------------------------|-----------------------------|-------------------------------|-------------------|
| Name of holder | Category | Name | Relationship with company (Note 2) | Account title | Shares | Carrying value (Note 3) | Percentage of ownership (%) | Fair value (Note 3) | Maximum Ownership |
| ASUS INVESTMENT CO., LTD. | Stock | SPEED TECH CORPORATION | - | financial asset measured at fair value through profit or loss-Current | 8,000,000 | 659,200 | 4.70% | 659,200 | 4.73% |
| " | Stock | TAIWAN UNION TECHNOLOGY CORPORATION | - | financial asset measured at fair value through profit or loss-Current | 277,000 | 28,254 | 0.10% | 28,254 | 0.10% |
| " | Stock | GLOBAL PMX CO., LTD. | - | financial asset measured at fair value through profit or loss-Current | 46,000 | 8,326 | 0.04% | 8,326 | 0.04% |
| " | Stock | TONG HSING ELECTRONIC INDUSTRIES ,LTD. | - | financial asset measured at fair value through profit or loss-Current | 45,000 | 13,388 | 0.03% | 13,388 | 0.03% |
| " | Stock | Lightel 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% |
| " | Stock | PT Sat Nusapersada Tbk | - | financial asset measured at fair value through other comprehensive income-Non current | 531,434,100 | 241,285 | 10.00% | 241,285 | 10.00% |
| " | Fund | New Economy Ventures LP | - | financial asset measured at fair value through other comprehensive income-Non current | - | 41,784 | N/A | 41,784 | N/A |
| " | Stock | Neuroblade | - | financial asset measured at fair value through profit or loss-Non current | 33,268 | 55,921 | 0.80% | 55,921 | 0.80% |
| " | Stock | Reed Semiconductor | - | financial asset measured at fair value through profit or loss-Non current | 819,616 | 33,427 | 2.07% | 33,427 | 2.07% |
| ASUSTEK INVESTMENT CO., LTD. | Stock | ACCTON TECHNOLOGY CORPORATION | - | financial asset measured at fair value through profit or loss-Current | 9,000 | 2,340 | 0.00% | 2,340 | 0.01% |
| KINSUS INTERCONNECT TECHNOLOGY CORP. | Fund | Mega Diamond Money Market Fund | - | financial asset measured at fair value through profit or loss-Current | 21,355,432 | 270,736 | N/A | 270,736 | N/A |
| " | Fund | Jih Sun Money Market | - | financial asset measured at fair value through profit or loss-Current | 17,776,549 | 266,419 | N/A | 266,419 | N/A |
| KINSUS INVESTMENT CO., LTD. | Fund | Taishin Ta-Chong Money Market Fund | - | financial asset measured at fair value through profit or loss-Current | 829,070 | 11,897 | N/A | 11,897 | N/A |
| " | 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 | 0.63% | 1,000 | 0.70% |
| Mayin Investment Co., Ltd | Fund | Mega Diamond Money Market Fund | - | financial asset measured at fair value through profit or loss-Current | 946,873 | 12,004 | N/A | 12,004 | N/A |
| PEGAVISION CORPORATION | Fund | FSITC Money Market | - | financial asset measured at fair value through profit or loss-Current | 3,556,527 | 55,024 | N/A | 55,024 | N/A |
| Lumens Digital Optics Inc. | Fund | Fuh Hwa Money Market | - | financial asset measured at fair value through profit or loss-Current | 71,899,897 | 1,047,215 | N/A | 1,047,215 | N/A |
| " | Fund | CAPITAL MONEY MARKET FUND | - | financial asset measured at fair value through profit or loss-Current | 3,779,372 | 61,592 | N/A | 61,592 | N/A |
| HUA-YUAN INVESTMENT LIMITED | Stock | Chicony Power Technology Co. Ltd. | - | financial asset measured at fair value through profit or loss-Current | 418,644 | 32,696 | 0.11% | 32,696 | 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 | 220,000 | 42,680 | 0.17% | 42,680 | 0.61% |

Notes to the Consolidated Financial Statements

| Marketable securities (Note 1) | | | | Expressed in thousands of NT\$ | | | | | | |
|--------------------------------|----------|---------------------------------|------------------------------------|---|-------------------------|-----------------------------|---------------------|-------------------|-------|--|
| Name of holder | Category | Name | Relationship with company (Note 2) | Ending balance | | | | | | |
| | | | | Shares | Carrying value (Note 3) | Percentage of ownership (%) | Fair value (Note 3) | Maximum Ownership | Note | |
| HUA-YUAN INVESTMENT LIMITED | Stock | NEW SMART TECHNOLOGY CO., LTD. | - | | 500,000 | 7,704 | 2.50% | 7,704 | 4.05% | |
| " | Stock | KING YUAN ELECTRONICS CO., LTD. | - | financial asset measured at fair value through profit or loss-Current | 75,000 | 3,360 | 0.01% | 3,360 | 0.03% | |
| " | Stock | Excellence Optoelectronics Inc | - | financial asset measured at fair value through profit or loss-Current | 330,000 | 9,108 | 0.18% | 9,108 | 0.18% | |
| " | Stock | BizLink Holding Inc. | - | financial asset measured at fair value through profit or loss-Current | 40,000 | 10,440 | 0.03% | 10,440 | 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 | 46,169 | 7.49% | 46,169 | 7.49% | |

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, 2021

| Name of company | Marketable securities | | Relationship with the counter-party | Beginning Balance | | Purchases | | Sales | | Gain (loss) on disposal | | Expressed in thousands of NTD | |
|----------------------------|-----------------------|---|-------------------------------------|-------------------|-------------|---------------|--|----------------------|-----------|-------------------------|--|-------------------------------|------------|
| | Category | Name | | Shares | Amount | Shares | Amount | Shares | Price | Shares | Cost | Shares | Amount |
| PEGATRON CORPORATION | Stock | PEGATRON VIETNAM COMPANY LIMITED | - | - | 849,297 | - | 2,103,421 (Note 4) | - | - | - | 48,780 (Note 3) | - | 2,665,892 |
| PEGATRON CORPORATION | Stock | PEGATRON TECHNOLOGY INDIA PRIVATE LIMITED | - | - | 54,994,500 | 1,044,895,500 | 4,071,910 (Note 4) | - | - | - | 238,046 (Note 2) 193,157 (Note 3) | 1,099,890,000 | 3,760,945 |
| PEGATRON CORPORATION | Stock | CASETEK HOLDINGS LIMITED(CAYMAN) | - | - | 4,808,794 | 396,426 | 6,374,782 (Note 2) | - | - | - | 329,046 (Note 2) 2,299,111 (Note 3) | 1 | 37,051,112 |
| PEGATRON CORPORATION | Stock | Pegatron Holding Ltd. | - | - | 961,906,463 | 87,961,996 | 855,975 (Note 4) 7,032,726 (Note 2) | 412,965,345 (Note 7) | - | - | 2,615,192 (Note 3) | 991,906,463 | 93,235,505 |
| ASUS INVESTMENT CO., LTD. | Stock | PEGATRON Mexico, S.A. DE C.V. | - | - | 176,989 | - | 330,913 (Note 4) | - | - | - | 6,790 (Note 3) | - | 544,576 |
| PEGAVISION CORPORATION | Fund | Yuanta Wan Tai Money Market | - | - | 33,387,513 | 509,270 | 439,000 (Note 4) | 62,151,086 | 948,577 | - | 948,270 (Note 6) | - | - |
| Lumens Digital Optics Inc. | Fund | Fuh Hwa Money Market | - | - | 73,096,336 | 1,063,113 | 84,543,799 | 85,740,238 | 1,248,467 | 11,501 | 1,235,966 (Note 6) | 71,899,897 | 1,047,215 |
| | | | | | | | | | | | 9,932 (Note 5) | | |

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, 2021: USD/NTD: 27.683)

Note 2 : The investment profit or loss related to the investee is measured by equity method.

Note 3 : The investment is exchange gain or losses.

Note 4 : Which is investment related to this year.

Note 5 : Which is adjustment related to financial assets based on the fair value method.

Note 6 : Which is adjustment related to this year.

Note 7 : Which is effect of the corporate restructuring this year.

Note 8 : Which is adjustments on accumulated loss.

Note 9 : Which is adjustments on capital surplus.

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, 2021

| 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 | | | Expressed in thousands of NTD | | | | |
|---|---|--------------------------|--------------------|------------------------------|---|---|-------|-------------------------------|-------------------------------|--------|--|--|--------|
| | | | | | | Relationship with the Company | Owner | Relationship with the Company | Date of transfer | Amount | References for determining price | Purpose of acquisition and current condition | Others |
| PEGATRON VIETNAM COMPANY LIMITED | Plant | 2021.01.27 | 2,161,895 | On the basis of the contract | Jianxing Vietnam Construction Development 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 | None |
| PEGATRON VIETNAM COMPANY LIMITED | Plant (electrical and air-conditioning engineering) | 2021.05.05 | 712,122 | On the basis of the contract | MIC-TECH (VN) CO., LTD. (MARKTECH) | 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 | None |
| PEGATRON TECHNOLOGY INDIA PRIVATE LIMITED | Plant use rights | 2021.01.28 | 381,779 | On the basis of the contract | Chengshupata Logistics Parks Private Limited , Malindra World City Developers Private Limited | 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 | None |
| KINSUS INTERCONNECT TECHNOLOGY CORP. | Land and buildings (including machinery equipment and clean room) | 2021.02.05 | 4,409,585 | On the basis of the contract | WINTER CORPORATION | None | None | None | None | None | Tender | For capacity expansion and company operation planning. | None |
| KINSUS INTERCONNECT TECHNOLOGY CORP. | Buildings | 2021.10.25 2021.11.10 | 1,536,000 | On the basis of the contract | Fan Da Construction Co., Ltd | None | None | None | None | None | Bargain | For capacity expansion and company operation planning. | None |

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, 2021: INR/NTD: 0.3715216; VND/NTD: 0.00121764)

Notes to the Consolidated Financial Statements

Table 6: Disposal of individual real estate with amount exceeding the lower of TWD300 million or 20% of the capital stock
December 31, 2021

| Name of company | Type of property | Transaction date | Acquisition date | Book value | Transaction amount | Status of payment | Gain from disposal | Counter-party | Nature of relationship | Price reference | Purpose of acquisition and condition | Expressed in thousands of NTD Other terms |
|--|---------------------------------------|------------------|-------------------------------|------------|--------------------|--|--------------------|---|------------------------|-----------------|--------------------------------------|--|
| KAI HE COMPUTER ACCESSORY (SUZHOU) CO., LTD. | Land use rights, houses and buildings | 2021.03.25 | February 2004 to October 2012 | 104,980 | 464,589 | Execute in accordance with the terms of the contract | 359,609 | Suzhou Heyuan Biomedical Technology Development Co., Ltd. | Non-related party | Bargain | Asset activation | None |

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, 2021: CNY/NTD: 4.34195)

Notes to the Consolidated Financial Statements

Table 7: Related-party transactions for purchases and sales with amounts exceeding the lower of TWD100 million or 20% of the capital stock
December 31, 2021

| Transaction | | | | Transactions with terms different from others | | | Expressed in thousands of NTD | |
|--|--|------------------------|-------------------|---|---------------------------------------|----------------------|-------------------------------|---|
| Name of company | Related party | Nature of relationship | Purchases (sales) | Amount | Percentage of total purchases (sales) | Payment terms | Ending balance | Percentage of total notes/accounts receivables (payables) |
| | | | | | | | | |
| PEGATRON CORPORATION | ASIAROCK TECHNOLOGY LIMITED | Note 2 | Sale | (342,455) | (0.03%) | Open Account 90 days | 140,512 | 0.03% |
| PEGATRON CORPORATION | PEGATRON Czech s.r.o. | Note 2 | Sale | (1,124,803) | (0.10%) | 120 days on delivery | 313,594 | 0.07% |
| PEGATRON CORPORATION | AZURE WAVE TECHNOLOGIES, INC. | Note 2 | Purchase | 156,039 | 0.01% | Open Account 60 days | (22,785) | (0.01%) |
| PEGATRON CORPORATION | PEGAGLOBE (KUNSHAN) CO., LTD. | Note 2 | Purchase | 50,444,423 | 4.39% | Open Account 60 days | (84,342,828) | (18.33%) |
| PEGATRON CORPORATION | MAINTEK COMPUTER (SUZHOU) CO., LTD. | Note 2 | Purchase | 17,025,928 | 1.48% | Open Account 60 days | - | - |
| PEGATRON CORPORATION | MAINTEK COMPUTER (SUZHOU) CO., LTD. | Note 2 | Sale | (959,521) | (0.08%) | Open Account 60 days | 12,658,305 | 2.64% |
| PEGATRON CORPORATION | DIGITEK (CHONGQING) LTD. | Note 2 | Purchase | 2,050,329 | 0.18% | Open Account 60 days | (49,357,663) | (10.76%) |
| PEGATRON CORPORATION | PROTEK (SHANGHAI) LTD. | Note 2 | Purchase | 22,469,483 | 1.95% | Open Account 60 days | (74,677,470) | (16.29%) |
| PEGATRON CORPORATION | CASETEK COMPUTER (SUZHOU) CO., LTD. | Note 2 | Purchase | 336,486 | 0.03% | Open Account 60 days | (42,235) | (0.01%) |
| PEGATRON CORPORATION | COTEK ELECTRONICS (SUZHOU) CO., LTD. | Note 2 | Sale | (543,413) | (0.05%) | Open Account 60 days | 2,027,331 | 0.42% |
| PEGATRON CORPORATION | COTEK ELECTRONICS (SUZHOU) CO., LTD. | Note 2 | Purchase | 4,480,308 | 0.39% | Open Account 60 days | (1,513,047) | (0.33%) |
| PEGATRON CORPORATION | POWTEK (SHANGHAI) LTD. | Note 2 | Sale | (8,488,945) | (0.73%) | 120 days on delivery | 2,774,444 | 0.58% |
| PEGATRON CORPORATION | PT. PEGATRON TECHNOLOGY INDONESIA | Note 2 | Purchase | 1,887,335 | 0.16% | 120 days on delivery | (5,232,825) | (1.14%) |
| PEGATRON CORPORATION | PEGATRON TECHNOLOGY INDIA PRIVATE LIMITED | Note 2 | Sale | (584,310) | (0.05%) | Open Account 60 days | 908,037 | 0.08% |
| PEGATRON CORPORATION | PEGATRON VIETNAM COMPANY LIMITED | Note 2 | Sale | (127,326) | (0.01%) | Open Account 60 days | 408,828 | 0.03% |
| PEGATRON CORPORATION | Ri Da Intelligent Manufacturing Technology (Rugao) Co., Ltd. | Note 2 | Sale | (110,246) | (0.01%) | 90 days on delivery | 21,432 | 0.00% |
| PEGATRON CORPORATION | PEGATRON CORPORATION | Note 2 | Purchase | 189,644 | 0.02% | Open Account 60 days | (132,164) | (0.03%) |
| PEGATRON TECHNOLOGY SERVICE INC. | PEGATRON CORPORATION | Note 1 | Purchase | 110,246 | 20.47% | 90 days on delivery | (21,432) | (76.82%) |
| PEGATRON VIETNAM COMPANY LIMITED | PEGATRON CORPORATION | Note 1 | Purchase | 127,326 | 36.34% | 90 days on delivery | (408,828) | (50.81%) |
| PT. PEGATRON TECHNOLOGY INDONESIA | PEGATRON CORPORATION | Note 1 | Sale | (1,887,335) | (8.19%) | 120 days on delivery | 5,232,825 | 100.00% |
| PEGATRON TECHNOLOGY INDIA PRIVATE LIMITED | PEGATRON CORPORATION | Note 1 | Purchase | 584,310 | 100.00% | Open Account 60 days | (908,037) | (76.64%) |
| PEGATRON Czech s.r.o. | PEGATRON CORPORATION | Note 1 | Purchase | 1,124,803 | 74.40% | 120 days on delivery | (313,594) | (79.38%) |
| Ri Da Intelligent Manufacturing Technology (Rugao) Co., Ltd. | PEGATRON CORPORATION | Note 1 | Sale | (189,644) | N/A | Open Account 60 days | 132,164 | N/A |
| POWTEK (SHANGHAI) LTD. | PEGATRON CORPORATION | Note 1 | Purchase | 8,488,945 | 81.82% | 120 days on delivery | (2,774,444) | (57.07%) |
| POWTEK (SHANGHAI) LTD. | COTEK ELECTRONICS (SUZHOU) CO., LTD. | Note 3 | Purchase | 1,874,027 | 18.06% | 120 days on delivery | (2,087,510) | (273.76%) |
| PROTEK (SHANGHAI) LTD. | PEGATRON CORPORATION | Note 1 | Sale | (22,469,483) | (5.72%) | Open Account 60 days | 74,677,470 | 84.70% |
| PROTEK (SHANGHAI) LTD. | PEGAGLOBE (KUNSHAN) CO., LTD. | Note 3 | Sale | (35,436,119) | (9.02%) | Open Account 60 days | 13,124,996 | 14.89% |
| PROTEK (SHANGHAI) LTD. | PEGAGLOBE (KUNSHAN) CO., LTD. | Note 3 | Purchase | 681,797 | 0.02% | Open Account 60 days | (55,714) | (0.05%) |
| PROTEK (SHANGHAI) LTD. | COTEK ELECTRONICS (SUZHOU) CO., LTD. | Note 3 | Purchase | 267,395 | 0.08% | Open Account 60 days | (21,407) | (0.02%) |
| PEGAGLOBE (KUNSHAN) CO., LTD. | COTEK ELECTRONICS (SUZHOU) CO., LTD. | Note 1 | Sale | (50,444,423) | (15.93%) | Open Account 60 days | 84,342,828 | 98.74% |
| PEGAGLOBE (KUNSHAN) CO., LTD. | PROTEK (SHANGHAI) LTD. | Note 3 | Sale | (681,797) | (0.02%) | Open Account 60 days | 55,714 | 0.07% |
| MAINTEK COMPUTER (SUZHOU) CO., LTD. | PROTEK (SHANGHAI) LTD. | Note 3 | Purchase | 35,436,119 | 11.85% | Open Account 60 days | (13,124,996) | (16.10%) |
| MAINTEK COMPUTER (SUZHOU) CO., LTD. | COTEK ELECTRONICS (SUZHOU) CO., LTD. | Note 3 | Purchase | 1,902,705 | 0.63% | Open Account 60 days | (1,281,550) | (1.55%) |
| MAINTEK COMPUTER (SUZHOU) CO., LTD. | COTEK ELECTRONICS (SUZHOU) CO., LTD. | Note 3 | Sale | (3,713,139) | (1.18%) | Open Account 60 days | 1,779,896 | 2.59% |
| MAINTEK COMPUTER (SUZHOU) CO., LTD. | CASETEK COMPUTER (SUZHOU) CO., LTD. | Note 3 | Purchase | 3,869,905 | 1.29% | Open Account 60 days | (976,633) | (1.18%) |
| MAINTEK COMPUTER (SUZHOU) CO., LTD. | PEGATRON CORPORATION | Note 1 | Sale | (17,025,928) | (5.41%) | Open Account 60 days | - | - |
| COTEK ELECTRONICS (SUZHOU) CO., LTD. | PEGATRON CORPORATION | Note 1 | Purchase | 959,521 | 2.06% | Open Account 60 days | (12,658,305) | (15.31%) |
| COTEK ELECTRONICS (SUZHOU) CO., LTD. | MAINTEK COMPUTER (SUZHOU) CO., LTD. | Note 3 | Sale | (1,902,705) | (13.41%) | Open Account 60 days | 1,281,550 | 24.01% |
| COTEK ELECTRONICS (SUZHOU) CO., LTD. | MAINTEK COMPUTER (SUZHOU) CO., LTD. | Note 3 | Purchase | 3,713,139 | 33.12% | Open Account 60 days | (1,779,896) | (33.58%) |
| COTEK ELECTRONICS (SUZHOU) CO., LTD. | CASETEK COMPUTER (SUZHOU) CO., LTD. | Note 3 | Sale | (167,286) | (1.18%) | Open Account 60 days | 54,061 | 54.061 |
| COTEK ELECTRONICS (SUZHOU) CO., LTD. | CASETEK COMPUTER (SUZHOU) CO., LTD. | Note 3 | Purchase | 141,970 | 1.27% | Open Account 60 days | (26,412) | (0.50%) |
| COTEK ELECTRONICS (SUZHOU) CO., LTD. | PEGATRON CORPORATION | Note 1 | Purchase | 543,413 | 4.90% | Open Account 60 days | (2,027,331) | (38.25%) |
| COTEK ELECTRONICS (SUZHOU) CO., LTD. | PEGATRON CORPORATION | Note 1 | Sale | (4,480,308) | (31.57%) | Open Account 60 days | 1,513,047 | 28.35% |
| COTEK ELECTRONICS (SUZHOU) CO., LTD. | PROTEK (SHANGHAI) LTD. | Note 3 | Sale | (267,395) | (1.89%) | Open Account 60 days | 21,407 | 0.40% |
| COTEK ELECTRONICS (SUZHOU) CO., LTD. | DIGITEK (CHONGQING) LTD. | Note 3 | Sale | (435,805) | (3.07%) | Open Account 60 days | 62,512 | 1.17% |
| COTEK ELECTRONICS (SUZHOU) CO., LTD. | POWTEK (SHANGHAI) LTD. | Note 3 | Sale | (1,874,027) | (13.21%) | Open Account 60 days | 2,087,510 | 39.11% |
| DIGITEK (CHONGQING) LTD. | KAI-CHUAN ELECTRONICS (CHONGQING) CO., LTD. | Note 3 | Purchase | 1,093,641 | 1.08% | Open Account 60 days | (187,550) | (0.35%) |

Notes to the Consolidated Financial Statements

Expressed in thousands of NTD

| Transaction | | | Transactions with terms different from others | | | | Notes/accounts receivables (payables) | | | |
|--|---|------------------------|---|---------------------------------------|----------|--------------------------|---|----------------|---|-----------|
| Name of company | Related party | Nature of relationship | Purchases (sales) | Percentage of total purchases (sales) | | Payment terms | Unit price | Ending balance | Percentage of total notes/accounts receivables (payables) | Note |
| | | | | Amount | (sales) | | | | | |
| DIGITEK (CHONGQING) LTD. | PEGATRON CORPORATION | Note 1 | Sale | (2,050,329) | (2.01%) | Open Account 60 days | - | 49,357,663 | 99.79% | (99.79%) |
| DIGITEK (CHONGQING) LTD. | CASETEK COMPUTER (SUZHOU) CO., LTD. | Note 3 | Purchase | 227,579 | 0.22% | Open Account 60 days | - | (39,702) | (0.07%) | (0.07%) |
| DIGITEK (CHONGQING) LTD. | COTEK ELECTRONICS (SUZHOU) CO., LTD. | Note 3 | Purchase | 435,805 | 0.43% | Open Account 60 days | - | (62,512) | (0.13%) | (0.13%) |
| CASETEK COMPUTER (SUZHOU) CO., LTD. | MAINTeK COMPUTER (SUZHOU) CO., LTD. | Note 3 | Sale | (3,869,905) | (77.71%) | Open Account 60 days | - | 976,633 | 75.29% | 75.29% |
| CASETEK COMPUTER (SUZHOU) CO., LTD. | PEGATRON CORPORATION | Note 1 | Sale | (336,486) | (6.76%) | Open Account 60 days | - | 42,235 | 3.26% | 3.26% |
| CASETEK COMPUTER (SUZHOU) CO., LTD. | DIGITEK (CHONGQING) LTD. | Note 3 | Sale | (227,579) | (4.57%) | Open Account 60 days | - | 39,702 | 3.06% | 3.06% |
| CASETEK COMPUTER (SUZHOU) CO., LTD. | COTEK ELECTRONICS (SUZHOU) CO., LTD. | Note 3 | Purchase | 167,286 | 5.14% | Open Account 60 days | - | (54,061) | (4.21%) | (4.21%) |
| CASETEK COMPUTER (SUZHOU) CO., LTD. | COTEK ELECTRONICS (SUZHOU) CO., LTD. | Note 3 | Sale | (141,970) | (2.85%) | Open Account 60 days | - | 26,412 | 2.04% | 2.04% |
| KAI-CHUAN ELECTRONICS (CHONGQING) CO., LTD. | DIGITEK (CHONGQING) LTD. | Note 3 | Sale | (1,093,641) | (75.74%) | Open Account 60 days | - | 187,550 | 59.69% | 59.69% |
| PIOTEK COMPUTER (SUZHOU) CO., LTD. | PIOTEK (HK) TRADING LIMITED | Note 3 | Sale | (131,168) | (5.61%) | Open Account 60 days | No comparable non-related party | 7,170 | 1.07% | 1.07% |
| PIOTEK (HK) TRADING LIMITED | PIOTEK COMPUTER (SUZHOU) CO., LTD. | Note 3 | Purchase | 131,168 | 100.00% | Open Account 60 days | Incomparable due to different product specification | (7,170) | (100.00%) | (100.00%) |
| KINSUS INTERCONNECT TECHNOLOGY CORP. | KINSUS INTERCONNECT TECHNOLOGY (SUZHOU) CORP | Note 2 | Purchase | 3,133,718 | 25.66% | Open Account 60 days | Incomparable due to different product specification | (61,152) | (25.18%) | (25.18%) |
| KINSUS INTERCONNECT TECHNOLOGY (SUZHOU) CORP | KINSUS INTERCONNECT TECHNOLOGY CORP. | Note 1 | Sale | (3,133,718) | (84.85%) | Open Account 60 days | Incomparable due to different product specification | 61,152 | 86.20% | 86.20% |
| PEGAVISION CORPORATION | Pegavision Japan Inc. | Note 2 | Sale | (1,850,825) | (35.85%) | Open Account 90 days | Telex transfer-Open Account 90 days | 301,885 | 35.20% | 35.20% |
| PEGAVISION CORPORATION | Gemvision Technology (Zhejiang) Limited. | Note 2 | Sale | (211,692) | (4.10%) | Open Account 180 days | Telex transfer-Open Account 90 days | 85,662 | 9.99% | 9.99% |
| PEGAVISION CORPORATION | BeautyTech Platform Corporation | Note 2 | Sale | (411,064) | (7.96%) | Open Account 120 days | Telex transfer-Open Account 90 days | 139,387 | 16.25% | 16.25% |
| Pegavision Japan Inc. | PEGAVISION CORPORATION | Note 1 | Purchase | 1,850,825 | 100.00% | Open Account 90 days | No other comparable vendors | (301,885) | (100.00%) | (100.00%) |
| Gemvision Technology (Zhejiang) Limited. | PEGAVISION CORPORATION | Note 1 | Purchase | 211,692 | 100.00% | Open Account 180 days | No other comparable vendors | (85,662) | (100.00%) | (100.00%) |
| BeautyTech Platform Corporation | PEGAVISION CORPORATION | Note 1 | Purchase | 411,064 | 96.97% | Open Account 120 days | No other comparable vendors | (139,387) | (99.40%) | (99.40%) |
| MEGA MERIT LIMITED | RI SHAN COMPUTER ACCESSORY (JIASHAN) CO., LTD. | Note 3 | Purchase | 471,114 | 97.20% | Open Account 60-90 days | - | (1,495) | (5.49%) | (5.49%) |
| MEGA MERIT LIMITED | CASETEK SINGAPORE PTE. LTD. | Note 3 | Sale | (158,242) | (17.59%) | Open Account 60-90 days | - | - | - | - |
| RIH KUAN METAL CORPORATION | CASETEK SINGAPORE PTE. LTD. | Note 3 | Sale | (470,834) | (11.47%) | Open Account 60-90 days | - | - | - | - |
| RIH KUAN METAL CORPORATION | RI-MING (SHANGHAI) CO., LTD. | Note 3 | Purchase | 648,339 | 18.44% | Open Account 90-120 days | - | 55 | 0.27% | 0.27% |
| RIH KUAN METAL CORPORATION | Luxcase Precision Technology (Yancheng) Co., Ltd. | Note 3 | Purchase | 1,254,905 | 35.69% | Open Account 60-90 days | - | - | - | - |
| RI SHAN COMPUTER ACCESSORY (JIASHAN) CO., LTD. | RI SHAN COMPUTER ACCESSORY (JIASHAN) CO., LTD. | Note 3 | Purchase | 1,592,611 | 45.30% | Open Account 60-90 days | - | (24,195) | (100.00%) | (100.00%) |
| ASROCK Incorporation | ASIA ROCK TECHNOLOGY LIMITED | Note 2 | Purchase | 10,345,855 | 95.84% | Open Account 60 days | No other comparable vendors | (543,189) | (81.74%) | (81.74%) |
| ASROCK Incorporation | ASROCK AMERICA, INC. | Note 2 | Sale | (3,731,808) | (25.67%) | Open Account 90 days | Same as other clients | 767,816 | 44.94% | 44.94% |
| ASROCK Incorporation | ASROCK EUROPE B.V. | Note 2 | Sale | (3,896,085) | (26.80%) | Open Account 45 days | Same as other clients | 59,480 | 3.48% | 3.48% |
| ASROCK Industrial Computer Corporation | ASIA ROCK TECHNOLOGY LIMITED | Note 3 | Purchase | 337,206 | 43.32% | Open Account 60 days | No other comparable vendors | (99,914) | (26.13%) | (26.13%) |
| ASROCK Industrial Computer Corporation | ASIA ROCK EUROPE B.V. | Note 3 | Sale | (168,933) | (13.60%) | Open Account 60 days | Same as other clients | 9,435 | 8.33% | 8.33% |
| ASRock Rack Incorporation | ASIA ROCK TECHNOLOGY LIMITED | Note 3 | Purchase | 2,032,823 | 80.94% | Open Account 60 days | No other comparable vendors | (102,159) | (21.52%) | (21.52%) |
| ASRock Rack Incorporation | ASROCK EUROPE B.V. | Note 3 | Sale | (159,217) | (5.03%) | Open Account 60 days | Same as other clients | 28,321 | 5.77% | 5.77% |
| ASRock Rack Incorporation | ASROCK AMERICA, INC. | Note 3 | Sale | (352,551) | (11.14%) | Open Account 90 days | Same as other clients | 121,325 | 24.73% | 24.73% |
| ASIA ROCK TECHNOLOGY LIMITED | PEGATRON CORPORATION | Note 1 | Purchase | 342,455 | 1.93% | Open Account 90 days | No other comparable vendors | (140,512) | (3.50%) | (3.50%) |
| ASIA ROCK TECHNOLOGY LIMITED | ASROCK Incorporation | Note 1 | Sale | (10,345,855) | (73.30%) | Open Account 60 days | No other comparable vendors | 543,189 | 61.29% | 61.29% |

Notes to the Consolidated Financial Statements

Expressed in thousands of NTD

| Transaction | | | Transactions with terms different from others | | | Notes/accounts receivables (payables) | |
|--|--|------------------------|---|---------------------------------------|---|---------------------------------------|---|
| Name of company | Related party | Nature of relationship | Purchases (sales) | Percentage of total purchases (sales) | | Ending balance | Percentage of total notes/accounts receivables (payables) |
| | | | | Amount | Payment terms | | |
| ASIAROCK TECHNOLOGY LIMITED | ASRock Industrial Computer Corporation | Note 3 | Sale | (337,206) | Open Account 60 days | 99,914 | 11.27% |
| ASIAROCK TECHNOLOGY LIMITED | ASRock Rack Incorporation | Note 3 | Sale | (2,032,823) | Open Account 60 days | 102,159 | 11.53% |
| ASROCK AMERICA, INC. | ASROCK Incorporation | Note 1 | Purchase | 3,731,808 | Open Account 90 days | (767,816) | (86.35%) |
| ASROCK AMERICA, INC. | ASRock Rack Incorporation | Note 3 | Purchase | 352,551 | Open Account 90 days | (121,325) | (13.65%) |
| ASROCK EUROPE B.V. | ASROCK Incorporation | Note 1 | Purchase | 3,896,085 | Open Account 45 days | (59,480) | (61.17%) |
| ASROCK EUROPE B.V. | ASRock Industrial Computer Corporation | Note 3 | Purchase | 168,933 | Open Account 60 days | (9,435) | (9.70%) |
| ASROCK EUROPE B.V. | ASRock Rack Incorporation | Note 3 | Purchase | 159,217 | Open Account 60 days | (28,321) | (29.13%) |
| AzureWave Technologies (Shanghai) Inc. | AZURE WAVE TECHNOLOGIES, INC. | Note 1 | Sale | (1,984,542) | Open Account 30-60 days | 527,505 | 26.00% |
| AZURE WAVE TECHNOLOGIES, INC. | PEGATRON CORPORATION | Note 1 | Sale | (156,039) | Open Account 60-90 days | 22,785 | 1.00% |
| AZURE WAVE TECHNOLOGIES, INC. | AzureWave Technologies (Shanghai) Inc. | Note 2 | Purchase | 1,984,542 | Open Account 30-60 days | (522,177) | (23.00%) |
| Lumens Digital Optics Inc. | Lumens Integration Inc. | Note 2 | Sale | (389,791) | Depend on funding need · Open Account 75 days | 116,452 | 69.00% |
| Lumens Integration Inc. | Lumens Digital Optics Inc. | Note 1 | Purchase | 389,791 | Depend on funding need · Open Account 75 days | (116,452) | (99.00%) |

Note 1 : Parent company

Note 2 : Subsidiary measured by equity method.

Note 3 : Affiliate

Note 4 : 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 8: Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of capital stock
December 31, 2021

| Expressed in thousands of NT\$ | | | | | | | | |
|--|--|--------------------------------------|---------------------|---------------|---------|--------------|---------------------------------------|----------------|
| Name of company | Related party | Nature of relationship | Ending balance | Turnover rate | Overdue | | Amounts received in subsequent period | Loss allowance |
| | | | | | Amount | Action taken | | |
| PEGATRON CORPORATION | COTEK ELECTRONICS (SUZHOU) CO., LTD. | Subsidiary measured by equity method | 2,027,331 | 2.77 Times | - | - | - | - |
| " | PROTEK (SHANGHAI) LTD. | Subsidiary measured by equity method | 102,069,459 | 3.40 Times | - | - | - | - |
| " | POWTEK (SHANGHAI) LTD. | Subsidiary measured by equity method | 2,774,444 | 4.10 Times | - | - | - | - |
| " | PEGAGLOBE (KUNSHAN) CO., LTD. | Subsidiary measured by equity method | 65,386,390 | 3.20 Times | - | - | - | - |
| " | DIGITEK (CHONGQING) LTD. | Subsidiary measured by equity method | 52,659,300 | 2.94 Times | - | - | - | - |
| " | PEGATRON Czech s.r.o. | Subsidiary measured by equity method | 313,594 | 7.17 Times | - | - | - | - |
| " | ASIAROCK TECHNOLOGY LIMITED | Subsidiary measured by equity method | 140,512 | 2.83 Times | - | - | 806 | - |
| " | PT. PEGATRON TECHNOLOGY INDONESIA | Subsidiary measured by equity method | 7,259,536 | 3.01 Times | - | - | - | - |
| " | MAINTEK COMPUTER (SUZHOU) CO., LTD. | Subsidiary measured by equity method | 12,658,305 (Note 2) | 3.99 Times | - | - | - | - |
| " | PEGATRON TECHNOLOGY INDIA PRIVATE LIMITED | Subsidiary measured by equity method | 908,037 | 2.01 Times | - | - | - | - |
| " | PEGATRON VIETNAM COMPANY LIMITED | Subsidiary measured by equity method | 408,828 | 1.92 Times | - | - | - | - |
| ASUSPOWER CORPORATION | PEGATRON CORPORATION | Parent Company | 4,650,744 | N/A (Note 1) | - | - | - | - |
| " | ASUS INVESTMENT CO., LTD. | Affiliate | 581,343 | N/A (Note 1) | - | - | - | - |
| " | ASUSPOWER INVESTMENT CO., LTD. | Affiliate | 609,026 | N/A (Note 1) | - | - | - | - |
| CASETEK HOLDINGS LIMITED | PEGATRON CORPORATION | Parent Company | 1,065,796 | N/A (Note 1) | - | - | - | - |
| KAEDAR TRADING LTD. | PEGATRON CORPORATION | Parent Company | 484,453 | N/A (Note 1) | - | - | - | - |
| DIGITEK (CHONGQING) LTD. | PEGATRON CORPORATION | Parent Company | 49,357,663 | 3.29 Times | - | - | 8,595,997 | - |
| COTEK ELECTRONICS (SUZHOU) CO., LTD. | PEGATRON CORPORATION | Parent Company | 1,513,047 | 4.47 Times | - | - | 691,085 | - |
| " | MAINTEK COMPUTER (SUZHOU) CO., LTD. | Affiliate | 1,281,550 | 2.71 Times | - | - | - | - |
| " | POWTEK (SHANGHAI) LTD. | Affiliate | 2,087,510 | 1.80 Times | - | - | - | - |
| " | Pegatron Electronics Inc. | Affiliate | 281,034 | 1.58 Times | - | - | - | - |
| PEGAGLOBE (KUNSHAN) CO., LTD. | PEGATRON CORPORATION | Parent Company | 84,342,828 | 3.17 Times | - | - | 18,823,396 | - |
| PROTEK (SHANGHAI) LTD. | PEGATRON CORPORATION | Parent Company | 74,677,470 | 6.44 Times | - | - | 12,417,816 | - |
| " | PEGAGLOBE (KUNSHAN) CO., LTD. | Affiliate | 13,124,996 | 2.08 Times | - | - | - | - |
| " | PEGATRON TECHNOLOGY INDIA PRIVATE LIMITED | Affiliate | 216,939 | - Times | - | - | - | - |
| MAINTEK COMPUTER (SUZHOU) CO., LTD. | COTEK ELECTRONICS (SUZHOU) CO., LTD. | Affiliate | 1,779,896 | 3.04 Times | - | - | - | - |
| " | COTEK ELECTRONICS (SUZHOU) CO., LTD. | Affiliate | 1,384,150 | N/A (Note 1) | - | - | - | - |
| PT. PEGATRON TECHNOLOGY INDONESIA | PEGATRON CORPORATION | Parent Company | 5,232,825 | 4.51 Times | - | - | 1,981,356 | - |
| CASETEK COMPUTER (SUZHOU) CO., LTD. | MAINTEK COMPUTER (SUZHOU) CO., LTD. | Affiliate | 976,633 | 4.95 Times | - | - | - | - |
| KAI-CHUAN ELECTRONICS (CHONGQING) CO., LTD. | DIGITEK (CHONGQING) LTD. | Affiliate | 187,550 | 6.84 Times | - | - | - | - |
| CASETEK HOLDINGS LIMITED(CAYMAN) | MEGA MERIT LIMITED | Subsidiary measured by equity method | 172,991 | N/A (Note 1) | - | - | - | - |
| RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD. | RI SHAN COMPUTER ACCESSORY (JIASHAN) CO., LTD. | Affiliate | 3,690,670 | N/A (Note 1) | - | - | - | - |
| " | RI-PRO PRECISION MODEL (SHANGHAI) CO., LTD. | Affiliate | 130,249 | N/A (Note 1) | - | - | - | - |
| Ri Da Intelligent Manufacturing Technology (Rugao) Co., Ltd. | PEGATRON CORPORATION | Parent Company | 132,164 | 2.87 Times | - | - | 36,206 | - |
| RIH LI International Limited | RI SHAN COMPUTER ACCESSORY (JIASHAN) CO., LTD. | Subsidiary measured by equity method | 4,567,695 | N/A (Note 1) | - | - | - | - |
| " | RI SHAN COMPUTER ACCESSORY (JIASHAN) CO., LTD. | Subsidiary measured by equity method | 203,636 | N/A (Note 1) | - | - | - | - |
| ASROCK Incorporation | ASROCK AMERICA, INC. | Subsidiary measured by equity method | 767,816 | 3.38 Times | - | - | 100,904 | - |
| ASIAROCK TECHNOLOGY LIMITED | ASROCK Incorporation | Parent Company | 543,189 | 7.11 Times | - | - | 378,577 | - |
| " | ASRock Rack Incorporation | Affiliate | 102,159 | 6.43 Times | - | - | 367 | - |
| ASRock Rack Incorporation | ASROCK AMERICA, INC. | Affiliate | 121,325 | 3.40 Times | - | - | - | - |
| KINSUS INTERCONNECT TECHNOLOGY (SUZHOU) CORP | KINSUS INTERCONNECT TECHNOLOGY CORP. | Parent Company | 611,152 | 6.98 Times | - | - | - | - |
| PEGAVISION CORPORATION | Pegavision Japan Inc. | Subsidiary measured by equity method | 301,885 | 5.64 Times | - | - | - | - |
| " | BeautyTech Platform Corporation | Subsidiary measured by equity method | 139,387 | 5.82 Times | - | - | - | - |
| Lumens Digital Optics Inc. | Lumens Integration Inc. | Subsidiary measured by equity method | 116,452 | 3.78 Times | - | - | - | - |
| FUYANG TECHNOLOGY CORPORATION | FUYANG ELECTRONICS (SUZHOU) CO., LTD. | Subsidiary measured by equity method | 190,250 | 0.00 Times | - | - | - | - |
| AzureWave Technologies (Shanghai) Inc. | AZURE WAVE TECHNOLOGIES, INC. | Parent Company | 527,505 | 4.97 Times | - | - | 473,380 | - |

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 9: Information on investees
December 31, 2021

| Name of investor | Name of investee | Location | Main businesses and products | Original investment amount | | Balance as of December 31, 2021 | | Carrying value | Net income (losses) of investee | Share of profits/losses of investee | Note |
|--------------------------------------|---|----------------------|---|----------------------------|-------------------|---------------------------------|-------------------------|----------------|---------------------------------|-------------------------------------|------|
| | | | | December 31, 2021 | December 31, 2020 | Shares | Percentage of ownership | | | | |
| PEGATRON CORPORATION | ASUSPOWER INVESTMENT CO., LTD. | Taipei | Investment holding | 13,033,429 | 13,033,429 | 932,844,700 | 100.00% | 10,343,374 | 1,393,189 | 1,393,189 | |
| | ASUS INVESTMENT CO., LTD. | Taipei | Investment holding | 16,184,982 | 16,184,982 | 979,234,600 | 100.00% | 11,660,148 | 1,685,201 | 1,685,201 | |
| | ASUSTEK INVESTMENT CO., LTD. | Taipei | Investment holding | 14,593,543 | 14,593,543 | 951,278,300 | 100.00% | 7,613,944 | 775,275 | 775,275 | |
| | Pegatron Holding Ltd. | Cayman Islands | Investment holding | 34,318,691 | 33,462,716 | 991,906,463 | 100.00% | 93,235,505 | 7,032,726 | 7,032,726 | |
| | PEGATRON USA, INC. | CA, USA | Repairing and marketing center in Northern America | 16,085 | 16,085 | 50,000 | 100.00% | 17,179 | 109 | 109 | |
| | PEGATRON HOLLAND HOLDING B.V. | Wijchen, NETHERLANDS | Investment holding | 1,278,287 | 1,278,287 | - | 100.00% | 2,894,729 | 213,612 | 213,612 | |
| | AMA PRECISION INC. | Taipei | Research and design of computer components | 408,394 | 408,394 | 33,500,000 | 100.00% | 433,482 | 1,717 | 1,717 | |
| | 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% | 492,197 | 308,878 | 73,400 | |
| | Unihan Holding Ltd. | Cayman Islands | Investment holding | 5,823,962 | 5,823,962 | 170,110,010 | 100.00% | 5,734,488 | 252,739 | 252,739 | |
| | CASETEK HOLDINGS LIMITED(CAYMAN) | Cayman Islands | Investment holding | 14,717,122 | 442,409 | 1 | 100.00% | 37,051,112 | 6,374,782 | 6,374,782 | |
| | PEGATRON SERVICE AUSTRALIA PTY. LTD. | Australia | Investment holding | 139,088 | 139,088 | 6,000,000 | 100.00% | 201,423 | 31,064 | 31,064 | |
| | 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% | 1,246,851 | 84,163 | 84,163 | |
| | PEGATRON VIETNAM COMPANY LIMITED | Vietnam | Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts. | 2,973,516 | 870,095 | - | 100.00% | 2,665,892 | (238,046) | (238,046) | |
| | PEGATRON TECHNOLOGY HAI PHONG COMPANY LIMITED | Vietnam | Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts. | 429,459 | 178,755 | - | 100.00% | 221,520 | (132,030) | (132,030) | |
| | PEGATRON TECHNOLOGY INDIA PRIVATE LIMITED | India | Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts. | 4,287,623 | 215,713 | 1,099,890,000 | 99.99% | 3,760,945 | (329,079) | (329,046) | |
| ASUSPOWER INVESTMENT CO., LTD. | Pegatron Technology Texas Inc. | TX, USA | Sales center in North America | 27,813 | - | 100 | 100.00% | (9,563) | (37,669) | (37,669) | |
| | Pegatron Electronics Inc. | TX, USA | Sales center in North America | 278,125 | - | 1,000 | 100.00% | 277,907 | 1,089 | 1,089 | |
| | 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% | 241,645 | 5,831 | Not required to disclose | |
| | KINSUS INTERCONNECT TECHNOLOGY CORP. | Taiyuan | Manufacture of computer components, Sale and manufacture of electronic materials, Enterprise management consulting. | 727,473 | 727,473 | 55,556,221 | 12.32% | 3,581,096 | 3,858,984 | 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 | 2.27% | 186,907 | 2,381,060 | 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% | 96,313 | 308,878 | Not required to disclose | |
| | Lumens Digital Optics Inc. | Hsinchu | Development, manufacture and sale of projector and related product. | 508,932 | 508,932 | 10,043,490 | 50.22% | 1,106,358 | 175,046 | Not required to disclose | |
| | PEGAVISION CORPORATION | Taiyuan | Manufacture of medical equipment | 70,721 | 70,721 | 5,480,121 | 7.83% | 429,490 | 1,248,574 | Not required to disclose | |
| | ASUSPOWER CORPORATION | Virgin Islands | Investment holding and commercial affairs | 3,752,682 | 3,752,682 | 109,000,000 | 31.23% | 1,844,419 | (520) | 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% | 1,151,855 | 35,161 | Not required to disclose | |
| | PEGATRON LOGISTIC SERVICE INC. | CA, USA | Transferring and marketing center in Northern America | 30 | 30 | 1,000 | 100.00% | 11,014 | - | Not required to disclose | |
| | WISE Investment Co., Ltd. | Taipei | Investment holding | 48,780 | 48,780 | - | 48.78% | 262,149 | (130,059) | Not required to disclose | |
| | PEGA INTERNATIONAL LIMITED | Taipei | Design service and commercial affairs | 31,885 | 31,885 | - | 100.00% | 27,003 | (5,815) | Not required to disclose | |
| | PEGATRON JAPAN Inc. | Japan | Repairing and marketing center in Japan | 27,287 | 27,287 | - | 100.00% | 483,206 | 176,779 | Not required to disclose | |
| | PEGATRON Mexico, S.A. DE C.V. | Chihuahua, Mexico | Manufacturing consumer electronics and electronic parts | 456,761 | 231,424 | - | 40.51% | 370,832 | 73,060 | Not required to disclose | |
| PEGATRON SERVICE SINGAPORE PTE. LTD. | PT. PEGATRON TECHNOLOGY INDONESIA | Singapore | Repairing and marketing center in Singapore | 23,990 | 23,990 | 1,000,000 | 100.00% | 380,623 | 47,001 | Not required to disclose | |
| | | 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% | 32 | 111,033 | Not required to disclose | |

Notes to the Consolidated Financial Statements

| Name of investor | Name of investee | Location | Main businesses and products | Original investment amount | | Balance as of December 31, 2021 | | Expressed in thousands of NT\$ | |
|--------------------------------------|---|-------------------|--|----------------------------|-------------------|---------------------------------|-------------------------|--------------------------------|-------------------------------------|
| | | | | December 31, 2021 | December 31, 2020 | Shares | Percentage of ownership | Carrying value | Net income (losses) of investee |
| | | | | 429 | 22 | 110,000 | 0.01% | 376 | Share of profits/losses of investee |
| ASUSPOWER INVESTMENT CO., LTD. | PEGATRON TECHNOLOGY INDIA PRIVATE LIMITED | India | Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts | | | | | | Not required to disclose |
| ASUS INVESTMENT CO., LTD. | STARLINK ELECTRONICS CORPORATION | New Taipei City | Manufacturing electronic parts and plastic products, and manufacturing and wholesaling electronics | 90,000 | 90,000 | 9,000,000 | 30.00% | 144,987 | 5,831 |
| " | KINSUS INTERCONNECT TECHNOLOGY CORP. | Taoyuan | Manufacturing electronic parts, whole selling and retailing of electronic components, as well as providing business management consultant service | 938,098 | 938,098 | 60,128,417 | 13.34% | 3,875,832 | 3,858,984 |
| " | ASROCK Incorporation | Taipei | Data storage and processing equipment, manufacturing wired and wireless communication equipment, and whole selling of computer equipment and electronic components | 155,718 | 155,718 | 57,217,754 | 46.55% | 3,831,708 | 2,381,060 |
| " | Lumens Digital Optics Inc. | Hsinchu | Developing, manufacturing and selling computer data projectors and related peripherals | 7,338 | 7,338 | 587,079 | 2.94% | 64,671 | 175,046 |
| " | ASUSPOWER CORPORATION | Virgin Islands | Investment holding and commercial affairs | 3,488,741 | 3,488,741 | 103,000,000 | 29.51% | 1,742,838 | (520) |
| " | ASFLY TRAVEL SERVICE LIMITED | Taipei | Travel industry | 6,000 | 6,000 | - | 100.00% | 5,768 | 2,558 |
| " | HUA-YUAN INVESTMENT LIMITED | Taipei | Investment holding | 500,000 | 500,000 | - | 100.00% | 592,256 | 57,443 |
| " | PEGATRON Mexico, S.A. DE C.V. | Chihuahua, Mexico | Manufacturing consumer electronics and electronic parts | 700,851 | 369,938 | - | 59.49% | 544,576 | 73,060 |
| " | FUYANG TECHNOLOGY CORPORATION | Hsinchu | Manufacture of wire, cable and electronic components. Sale of electronic material. | 464,711 | 464,711 | 32,088,436 | 17.83% | 162,530 | 78,080 |
| ASUSTEK INVESTMENT CO., LTD. | 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% | 96,658 | 5,831 |
| " | 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% | 3,753,660 | 3,858,984 |
| " | 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 | 6.06% | 499,137 | 2,381,060 |
| " | 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% | 92,170 | 308,878 |
| " | Lumens Digital Optics Inc. | Hsinchu | Development, manufacture and sale of projector and related product. | 5,117 | 5,117 | 409,427 | 2.05% | 45,101 | 175,046 |
| " | PEGAVISION CORPORATION | Taoyuan | Manufacture of medical equipment | 64,292 | 64,292 | 4,934,434 | 7.05% | 386,723 | 1,248,574 |
| " | ASUSPOWER CORPORATION | Virgin Islands | Investment holding and commercial affairs | 4,652,885 | 4,652,885 | 137,000,000 | 39.26% | 2,318,665 | (520) |
| " | FUYANG TECHNOLOGY CORPORATION | Hsinchu | Manufacture of wire, cable and electronic components. Sale of electronic materials. | 929,422 | 929,422 | 64,176,872 | 35.65% | 324,970 | 78,080 |
| PEGATRON SERVICE SINGAPORE PTE. LTD. | PEGATRON SERVICE KOREA LLC. | Korea | Repairing and marketing center in Korea | 41,525 | 41,525 | 360,000 | 100.00% | 217,791 | 23,774 |
| Pegatron Holding Ltd. | MAGNIFICENT BRIGHTNESS LIMITED | Virgin Islands | Investment holding and commercial affairs | 7,208,123 | 7,208,123 | 177,961,090 | 100.00% | 29,800,103 | 2,445,680 |
| " | PROTEK GLOBAL HOLDINGS LTD. | Cayman Islands | Investment holding and commercial affairs | 8,288,249 | 8,288,249 | 308,100,000 | 100.00% | 36,736,002 | 1,528,656 |
| " | ASLINK PRECISION CO., LTD. | Virgin Islands | Investment holding and commercial affairs | 6,234,398 | 5,403,508 | 229,711,968 | 100.00% | 16,287,020 | 2,163,438 |
| " | DIGITEK GLOBAL HOLDINGS LIMITED | Virgin Islands | Investment holding and commercial affairs | 1,357,810 | 1,357,810 | 49,050,000 | 100.00% | 6,616,116 | 583,306 |
| " | COTEX HOLDINGS LIMITED | Virgin Islands | Investment holding and commercial affairs | 1,910,542 | 1,910,542 | 81,275,000 | 100.00% | 1,841,989 | 312,200 |
| " | TOP QUARK LIMITED | HongKong | Investment holding | 293,287 | 293,287 | 9,550,000 | 100.00% | 271,440 | 151,360 |
| " | POWTEK HOLDINGS LIMITED | Virgin Islands | Investment holding and commercial affairs | 363,907 | 363,907 | 8,050,000 | 100.00% | 1,287,519 | 157,837 |
| " | PROTEK HOLDINGS LTD.(CAYMAN) | Cayman Islands | Investment holding | 2,554,407 | 2,554,407 | 92,000,000 | 49.00% | 75,476 | (482,797) |
| " | GRAND UPRIGHT TECHNOLOGY LTD. | Santou | Investment holding and commercial affairs | 36,714 | 36,714 | 5,000,000 | 100.00% | 308,115 | (45,307) |
| KINSUS INTERCONNECT TECHNOLOGY CORP. | KINSUS CORP. (USA) | CA, USA | Developing and designing new technology and products; analyzing marketing strategy and developing new customers | 13,842 | 13,842 | 500,000 | 100.00% | 66,944 | 8,359 |
| " | KINSUS HOLDING (SAMOA) LIMITED | Samoa | Investment holding | 4,603,924 | 4,603,924 | 166,308,720 | 100.00% | 2,378,249 | 329,154 |
| " | KINSUS INVESTMENT CO., LTD. | Taoyuan | Investment holding | 1,600,000 | 1,600,000 | 160,000,000 | 100.00% | 2,678,046 | 407,075 |
| KINSUS INVESTMENT CO., LTD. | PEGAVISION CORPORATION | Taoyuan | Manufacture of medical equipment | 252,455 | 252,455 | 21,233,736 | 30.33% | 1,644,138 | 1,248,574 |
| " | FUYANG TECHNOLOGY CORPORATION | Hsinchu | Manufacture of wire, cable and electronic components. Sale of electronic material. | 929,422 | 929,422 | 64,176,872 | 35.65% | 325,005 | 78,080 |
| KINSUS HOLDING (SAMOA) LIMITED | KINSUS HOLDING (CAYMAN) LIMITED | Cayman Islands | Investment holding | 1,993,176 | 1,993,176 | 72,000,000 | 100.00% | 2,317,122 | 575,377 |
| " | PIOTEX HOLDINGS LTD.(CAYMAN) | Cayman Islands | Investment holding | 2,610,756 | 2,610,756 | 95,755,000 | 51.00% | 78,564 | (482,789) |
| " | PIOTEX HOLDING LIMITED | Virgin Islands | Investment holding | 3,871,213 | 3,871,213 | 139,840,790 | 100.00% | 154,028 | (482,789) |
| " | PIOTEX (H.K.) TRADING LIMITED | HongKong | Commercial affairs | 720 | 720 | 200,000 | 100.00% | 64,723 | (5,572) |
| " | BeautyTech Platform Corporation | Taoyuan | Sale of medical equipment | - | 40,000 | - | - | - | 18,766 |
| " | PEGAVISION JAPAN INC. | Japan | Sale of medical equipment | - | 2,381 | 198 | 100.00% | 59,801 | 21,135 |
| " | Mayin Investment Co., Ltd. | Taoyuan | Investment holding | 120,003 | - | 12,000,000 | 100.00% | 164,344 | 44,525 |
| " | BeautyTech Platform Corporation | Taoyuan | Selling medical appliances | 40,000 | - | 4,000,000 | 100.00% | 56,036 | 18,766 |
| " | FacialBeau International Corporation | Taoyuan | Selling cosmetics | 27,500 | - | 2,750,000 | 55.00% | 27,331 | (307) |
| " | BeautyTech Platform Corporation | CA, USA | Sale of medical equipment | 30,451 | 16,610 | 11,000,000 | 100.00% | 12,346 | (16,325) |

Notes to the Consolidated Financial Statements

| Name of investor | Name of investee | Location | Main businesses and products | Original investment amount | | Balance as of December 31, 2021 | | Carrying value | Net income (losses) of investee | Share of profits/losses of investee | Note |
|----------------------------------|--|-----------------------|--|----------------------------|-------------------|---------------------------------|-------------------------|----------------|---------------------------------|-------------------------------------|------|
| | | | | December 31, 2021 | December 31, 2020 | Shares | Percentage of ownership | | | | |
| 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% | 29,647 | (206,617) | Not required to disclose | |
| ASROCK Incorporation | ASROCK Rack Incorporation | Taipei | Manufacture and sale of computer related products | 291,278 | 291,278 | 27,296,220 | 59.67% | 418,174 | 66,691 | Not required to disclose | |
| " | ASIAROCK TECHNOLOGY LIMITED | Virgin Islands | Investment holding | 1,320,886 | 1,320,886 | 40,000,000 | 100.00% | 3,599,438 | 107,324 | Not required to disclose | |
| " | Leader Insight Holdings Ltd. | Virgin Islands | Investment holding | 71,559 | 71,559 | 2,100,000 | 100.00% | 102,306 | 68,350 | Not required to disclose | |
| " | ASRock Industrial Computer Corporation | Taipei | Manufacture and sale of computer related products | 239,683 | 239,683 | 23,895,700 | 65.83% | 399,697 | 156,396 | Not required to disclose | |
| " | ASLade Technology Inc. | Taipei | Information software service | 103,125 | - | 8,250,000 | 78.57% | 101,294 | (2,331) | Not required to disclose | |
| " | Yabo Trading Co. Ltd. | HongKong | International trade | 532 | 532 | 150,000 | 100.00% | 533 | - | Not required to disclose | |
| " | ASROCK EUROPE B.V. | Nijmegen, NETHERLANDS | Sale of data storage devices and electronic materials | 5,371 | 5,371 | 200,000 | 100.00% | 667,437 | 108,030 | Not required to disclose | |
| " | CalRock Holdings, LLC. | CA, USA | Renting offices | 55,366 | 55,366 | 2,000,000 | 100.00% | 59,611 | (1,132) | Not required to disclose | |
| ASROCK Incorporation | Orbweb Inc. (BVI) | Virgin Islands | Installation of computer equipment and sale of computer related product. | 27,683 | 27,683 | 4,000,000 | 27.59% | - | (2,682) | Not required to disclose | |
| Leader Insight Holdings Ltd. | First place International Ltd. | Virgin Islands | Investment holding | 56,750 | 56,750 | 2,050,000 | 100.00% | 102,263 | 68,350 | Not required to disclose | |
| Firstplace International Ltd. | ASROCK AMERICA, INC. | CA, USA | Sale of data storage devices and electronic materials | 55,366 | 55,366 | 2,000,000 | 100.00% | 101,335 | 68,350 | Not required to disclose | |
| Lumens Digital Optics Inc. | Lumens Integration Inc. | CA, USA | Purchase and sale on computer product and computer related product. | 33,524 | 33,524 | 1,222,000 | 100.00% | 5,351 | (23,196) | Not required to disclose | |
| " | Lumens Digit Image Inc. | Samoa | Investment holding | 6,921 | 6,921 | 250,000 | 100.00% | 19,916 | 3,800 | Not required to disclose | |
| PEGATRON TECHNOLOGY SERVICE INC. | PEGATRON SERVICOS DE INFORMATICA LTDA. | Brasil | Repairing service | 17,994 | 17,994 | - | 100.00% | 6,408 | (92) | Not required to disclose | |
| Unihain Holding Ltd. | CASETEK HOLDINGS LIMITED | Virgin Islands | Investment holding and commercial affairs | 4,537,265 | 4,537,265 | 115,375,668 | 100.00% | 5,724,128 | 253,980 | Not required to disclose | |
| CASETEK HOLDINGS LIMITED | SLITEK HOLDINGS LIMITED | Samoa | Investment holding and commercial affairs | 33,496 | 33,496 | 1,210,000 | 100.00% | 908 | (1,738) | Not required to disclose | |
| " | KAEDAR HOLDINGS LIMITED | HongKong | Investment holding and commercial affairs | 692,075 | 692,075 | 25,000,000 | 100.00% | 985,386 | (243,048) | Not required to disclose | |
| " | KAEDAR TRADING LTD. | Samoa | Investment holding | 138,415 | 138,415 | 5,000,000 | 100.00% | 518,308 | (50,908) | Not required to disclose | |
| AZURE WAVE TECHNOLOGIES, INC. | Azwave Holding (Samoa) Inc. | Samoa | Investment holding | 2,173,488 | 1,888,113 | 70,177,000 | 100.00% | 2,117,187 | 194,603 | Not required to disclose | |
| " | AZURE LIGHTING TECHNOLOGIES, INC. | New Taipei City | Information product service industry | 5,015 | 5,015 | 500,000 | 100.00% | (23,110) | (714) | Not required to disclose | |
| " | Azurewave Technologies (USA) INC. | New Taipei City | Sale of electronic materials | 25,000 | 25,000 | 2,000,000 | 100.00% | 38,406 | 6,291 | Not required to disclose | |
| " | RIH LI International Limited | CA, USA | Market development | 19,820 | 19,820 | 650,000 | 100.00% | 2,154 | 408 | Not required to disclose | |
| " | RIH KUAN METAL CORPORATION | Samoa | Investment holding | 21,220,018 | 27,702,491 | 581,331,000 | 100.00% | 35,264,410 | 5,824,587 | Not required to disclose | |
| " | APLUS PRECISION LIMITED | Taipei | Sales of iron and aluminum products | 279,090 | 279,090 | 30,000,000 | 100.00% | 604,202 | 70,417 | Not required to disclose | |
| " | MEGA MERIT LIMITED | Samoa | Investing and trading | 890,137 | 890,137 | 38,300,000 | 100.00% | 857,808 | 376,410 | Not required to disclose | |
| RIH KUAN METAL CORPORATION | UNITED NEW LIMITED | Samoa | Trading activities | 27,683 | 27,683 | 1,000,000 | 100.00% | 49,930 | 18,527 | Not required to disclose | |
| " | Riteng USA, Inc. | CA, USA | Investing and trading | 1,060,259 | 1,060,259 | 38,300,000 | 100.00% | 857,808 | 376,410 | Not required to disclose | |
| " | | | Market Research | 6,367 | 6,367 | 230,000 | 100.00% | 7,257 | (423) | Not required to disclose | |

Note 1 : Income and expenses for each statement of comprehensive income are translated at average exchange rates of 2021, the others are translated at the spot exchange rate on the financial statement date.

Notes to the Consolidated Financial Statements

Table 10: Information on investments in Mainland China
December 31, 2021

1. The names of investees in Mainland China, the main businesses and products, and other information

| Name of investee | Main businesses and products | Total amount of capital surplus | Method of investment (Note 1) | Accumulated outflow of investment from Taiwan as of January 1, 2021 | Amount remitted from Taiwan to Mainland China /Amount remitted back to Taiwan for the year ended December 31, 2021 | | Accumulated outflow of investment from Taiwan as of December 31, 2021 | Net income of investee for the year ended December 31, 2021 | Ownership held by the Company (direct or indirect) | Investment income (loss) recognized by the Company for the year ended December 31, 2021 (Note2, (2)) | Book value of investments in Mainland China as of December 31, 2021 | Accumulated amount of investment income remitted back to Taiwan as of December 31, 2021 |
|---|---|---------------------------------|--|---|--|-------------------------|---|---|--|---|---|---|
| | | | | | Remitted to Mainland China | Remitted back to Taiwan | | | | | | |
| MAINTeK COMPUTER (SUZHOU) CO., LTD. (Note 5) | Manufacturing, developing and selling power supply units, computer cases, computer systems, notebooks, main boards and computer peripherals, and providing after-sales service. | 6,328,057 USD 228,590,000 | Through setting up company in the third area, the Company then reinvest in the investee in Mainland China. | 4,894,354 USD 176,800,000 | - | - | 4,894,354 USD 176,800,000 | 2,445,742 USD 87,355,676 | 100% | 2,445,742 USD 87,355,676 | 29,929,345 USD 1,081,145,284 | - |
| 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. | 8,526,364 USD 308,000,000 | Through setting up company in the third area, the Company then reinvest in the investee in Mainland China. | 8,526,364 USD 308,000,000 | - | - | 8,526,364 USD 308,000,000 | 1,528,722 USD 54,602,060 | 100% | 1,528,722 USD 54,602,060 | 36,916,714 USD 1,333,551,776 | - |
| PIOTEK COMPUTER (SUZHOU) CO., LTD. (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. | 4,614,756 USD 166,700,000 | Through setting up company in the third area, the Company then reinvest in the investee in Mainland China. | 1,258,089 USD 45,446,280 | - | - | 1,258,089 USD 45,446,280 | (477,212) USD 17,044,788 | 68.68% | (327,729) (USD 11,705,645) | 61,333 USD 2,215,540 | - |
| COTEK ELECTRONICS (SUZHOU) CO., LTD. | Develop, manufacture and sale of new electrical component, plug-and corresponding precision mold. The company also provides after-sale service. | 2,242,323 USD 81,000,000 | Through setting up company in the third area, the Company then reinvest in the investee in Mainland China. | 1,910,127 USD 69,000,001 | - | - | 1,910,127 USD 69,000,001 | 312,080 USD 11,146,698 | 100% | 312,080 USD 11,146,698 | 1,764,604 USD 63,743,233 | - |
| RUNTOP (SHANGHAI) CO., LTD. (Note 20) | Manufacture and sale of computer components, digital automatic data processing machine, accessories of multimedia computer, power supplier, network switch and data machine. | 193,781 USD 7,000,000 | Through setting up company in the third area, the Company then reinvest in the investee in Mainland China. | 291,903 USD 10,544,482 | - | - | 291,903 USD 10,544,482 | - USD 0 | 0% | - USD 0 | USD 0 | - |
| POWTEK (SHANGHAI) LTD. | Sale of computer motherboard, computer, laptop, service machine and computer related items. The company also provides after sale service. | 221,464 USD 8,000,000 | Through setting up company in the third area, the Company then reinvest in the investee in Mainland China. | 363,907 USD 13,145,510 | - | - | 363,907 USD 13,145,510 | 157,904 USD 5,639,936 | 100% | 157,904 USD 5,639,936 | 1,287,228 USD 46,498,867 | - |
| 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. | 1,356,467 USD 49,000,000 | Through setting up company in the third area, the Company then reinvest in the investee in Mainland China. | 1,356,467 USD 49,000,000 | - | - | 1,356,467 USD 49,000,000 | 583,363 USD 20,836,254 | 100% | 583,363 USD 20,836,254 | 6,630,011 USD 239,497,563 | - |
| PEGAGLOBE (KUNSHAN) CO., LTD. | Manufacturing satellite, navigation and positioning receiving equipment and key components, mobile phones, third generation and subsequent mobile communication mobile phones, base stations, core equipment and network testify equipment, large and medium-sized electronic computers, portable microcomputers, high-ends servers, large-capacity optical, disk drives and their components, high-end server, disk drive, and other related components. | 5,370,502 USD 194,000,000 | Through setting up company in the third area, the Company then reinvest in the investee in Mainland China. | 5,370,502 USD 194,000,000 | - | - | 5,370,502 USD 194,000,000 | 2,152,745 USD 76,890,559 | 100% | 2,152,745 USD 76,890,559 | 13,488,868 USD 559,508,303 | - |
| Pegaglobe Investment (Jiangsu) Co., Ltd | Investing activities with own capital. Equity investment | 830,490 USD 30,000,000 | Through setting up company in the third area, the Company then reinvest in the investee in Mainland China. | - | 830,490 USD 30,000,000 | - | 830,490 USD 30,000,000 | 10,845 USD 387,348 | 100% | 10,845 USD 387,348 | 841,213 USD 30,387,348 | - |
| CASETEK COMPUTER (SUZHOU) CO., LTD. (Note 18) | Manufacture, development and research and sale of computer, computer system and its component. The company also provides after sale service. | 1,550,248 USD 56,000,000 | Through setting up company in the third area, the Company then reinvest in the investee in Mainland China. | 1,550,248 USD 56,000,000 | - | - | 1,550,248 USD 56,000,000 | 533,275 USD 19,047,230 | 100% | 533,275 USD 19,047,230 | 2,630,383 USD 95,017,979 | - |
| KAEDAR ELECTRONICS (KUNSHAN) CO., LTD. (Note 21) | Manufacture of plastic injection products. | 484,453 USD 17,500,000 | Through setting up company in the third area, the Company then reinvest in the investee in Mainland China. | 678,430 USD 24,307,092 | - | - | 678,430 USD 24,307,092 | (195,420) (USD 6,979,907) | 100% | (195,420) (USD 6,979,907) | 548,525 USD 19,814,524 | - |

Notes to the Consolidated Financial Statements

| Name of investee | Main businesses and products | Total amount of capital surplus | Method of investment (Note 1) | Accumulated outflow of investment from January 1, 2021 | Amount remitted from Taiwan to Mainland China /Amount remitted back to Taiwan for the year ended December 31, 2021 | | Accumulated outflow of investment from Taiwan as of December 31, 2021 | Net income of investee for the year ended December 31, 2021 | Ownership held by the Company (direct or indirect) | Investment income (loss) recognized by the Company for the year ended December 31, 2021 (Note2, (2)) | Book value of investments in Mainland China as of December 31, 2021 | Expressed in thousands of RMB |
|---|--|---------------------------------|--|--|--|-------------------------|---|---|--|---|---|-------------------------------|
| | | | | | 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. | 332,196 USD 12,000,000 | Through setting up company in the third area, the Company then reinvest in the investee in Mainland China. | 332,196 USD 12,000,000 | - | - | 332,196 USD 12,000,000 | 3,257 USD 116,345 | 100% | 3,257 USD 116,345 | 206,592 USD 7,462,788 | - |
| 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. | 276,830 USD 10,000,000 | Through setting up company in the third area, the Company then reinvest in the investee in Mainland China. | 276,830 USD 10,000,000 | - | - | 276,830 USD 10,000,000 | 12,950 USD 462,551 | 100% | 12,950 USD 462,551 | 313,401 USD 11,321,056 | - |
| Zhangjiagang East High-tech LTD. | Process, sale and transportation of steel. | 166,098 USD 6,000,000 | Through setting up company in the third area, the Company then reinvest in the investee in Mainland China. | 33,220 USD 1,200,000 | - | - | 33,220 USD 1,200,000 | - | 20% | - | - | - |
| FUYANG ELECTRONICS (SUZHOU) CO., LTD. (Note 13) | Research and develop, manufacture, test, repair and sale of Multilayer flexible board and computer number signal processor. | 1,218,052 USD 44,000,000 | Through setting up company in the third area, the Company then reinvest in the investee in Mainland China. | 1,218,052 USD 44,000,000 | - | - | 1,218,052 USD 44,000,000 | (206) (USD 7,372) | 67.22% | (139) (USD 4,955) | 28 USD 999 | - |
| HONGJIE (SHANGHAI) PACKING LIMITED (Note 14) | Manufacture of all kinds of paper boxes, paper materials, paper plastics, cushioning material, tray, etc. | 138,415 USD 5,000,000 | Through setting up company in the third area, the Company then reinvest in the investee in Mainland China. | 25,822 USD 932,769 | - | - | 25,822 USD 932,769 | - | - | - | - | - |
| HONGJIE (SUZHOU) PACKING LIMITED (Note 14) | Manufacture of all kinds of paper boxes, paper materials, paper plastics, cushioning material, tray, etc. | 368,460 USD 13,309,984 | Through setting up company in the third area, the Company then reinvest in the investee in Mainland China. | 166,811 USD 6,025,762 | - | - | 166,811 USD 6,025,762 | - | - | - | - | - |
| Suzhou Eastlee Packaging LTD. (Note 14) | Manufacture of all kinds of paper boxes, paper materials, paper plastics, cushioning material, tray, etc. | 141,183 USD 5,100,000 | Through setting up company in the third area, the Company then reinvest in the investee in Mainland China. | 32,028 USD 1,156,954 | - | - | 32,028 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. | 13,842 USD 500,000 | Through setting up company in the third area, the Company then reinvest in the investee in Mainland China. | 2,118 USD 76,500 | - | - | 2,118 USD 76,500 | - | - | - | - | - |
| Hongruiheng (Chengdu) packaging LTD. (Note 12) | Manufacture of all kinds of paper boxes, paper materials, paper plastics, cushioning material, tray, etc. | 72,253 USD 2,610,000 | Through setting up company in the third area, the Company then reinvest in the investee in Mainland China. | 17,523 USD 633,000 | - | - | 17,523 USD 633,000 | - | - | - | - | - |
| Heilongjiang Hongjie Packaging LTD. (Note 11) | Manufacture of all kinds of paper boxes, paper materials, paper plastics, cushioning material, tray, etc. | 68,100 USD 2,460,000 | Through setting up company in the third area, the Company then reinvest in the investee in Mainland China. | 12,258 USD 442,800 | - | - | 12,258 USD 442,800 | - | - | - | - | - |
| Suzhou Lamshuo Electronics LTD. (Note 6) | Manufacture of plugs | 193,350 USD 6,984,441 | Through setting up company in the third area, the Company then reinvest in the investee in Mainland China. | 211,947 USD 7,656,224 | - | - | 211,947 USD 7,656,224 | - | - | - | - | - |
| Shanghai Yiding Electronics LTD. (Note 8) | Research and develop, manufacture and sale of portable microcomputer, laptop and related products. | 858,173 USD 31,000,000 | Through setting up company in the third area, the Company then reinvest in the investee in Mainland China. | 542,587 USD 19,600,000 | - | - | 542,587 USD 19,600,000 | - | - | - | - | - |

Expressed in thousands of NTD

Notes to the Consolidated Financial Statements

| Name of investee | Main businesses and products | Total amount of capital surplus | Method of investment (Note 1) | Accumulated outflow of investment from Taiwan as of January 1, 2021 | Amount remitted from Taiwan to Mainland China /Amount remitted back to Taiwan for the year ended December 31, 2021 | | Accumulated outflow of investment from Taiwan as of December 31, 2021 | Net income of investee for the year ended December 31, 2021 | Ownership held by the Company (direct or indirect) | Investment income (loss) recognized by the Company for the year ended December 31, 2021 (Note 2, (2)) | Book value of investments in Mainland China as of December 31, 2021 | Accumulated amount of investment income remitted back to Taiwan as of December 31, 2021 |
|---|---|---------------------------------|--|---|--|-------------------------|--|---|--|--|---|---|
| | | | | | Remitted to Mainland China | Remitted back to Taiwan | | | | | | |
| 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. | 24,915 USD 900,000 | Through setting up company in the third area, the Company then reinvest in the investee in Mainland China. | 47,476 USD 1,715,000 | - | - | 47,476 USD 1,715,000 | - | - | - | - | - |
| Hongghua Technology (Suzhou) LTD. (Note 9) | Manufacture, research and develop, process non-metal molds, precision molds, standard molds, hardware components, new version of photo electric trigger, disk driver and their components, Manufacture of number camera, essential components and providing after sale service. | 177,171 USD 6,400,000 | Through setting up company in the third area, the Company then reinvest in the investee in Mainland China. | 86,814 USD 3,136,000 | - | - | 86,814 USD 3,136,000 | - | - | - | - | - |
| KAI HE COMPUTER ACCESSORY (SUZHOU) CO., LTD (Note 19) | Designing, manufacturing and selling electronic components and providing after-sales services, idle equipments leasing, commissio nagency, trading services, relevant corresponding services, and surface processing for the aforementioned products. | 1,494,882 USD 54,000,000 | Through setting up company in the third area, the Company then reinvest in the investee in Mainland China. | - | 468,547 USD 16,925,453 | - | 468,547 USD 16,925,453 | 372,333 USD 13,298,782 | 100% | 372,333 USD 13,298,782 | 857,553 USD 30,977,616 | - |
| 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. | 4,290,837 USD 154,999,000 | Through setting up company in the third area, the Company then reinvest in the investee in Mainland China. | - | 8,544,996 USD 308,673,038 | - | 8,544,996 USD 308,673,038 | 166,975 USD 5,963,931 | 100% | 170,778 USD 6,099,756 | 8,620,129 USD 311,387,103 | - |
| 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. | 83,049 USD 3,000,000 | Through setting up company in the third area, the Company then reinvest in the investee in Mainland China. | - | 17,460 USD 630,695 | - | 17,460 USD 630,695 | (6,177) (USD 220,631) | 100% | (6,177) (USD 220,631) | 10,406 USD 375,886 | - |
| Luxcase Precision Technology (Yancheng) 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. | 25,877,226 USD 944,769,575 | Through investing in the third area, the Company then reinvest in the investee in Mainland China. | - | 17,779,993 USD 642,271,181 | - | 17,779,993 USD 642,271,181 | 4,292,131 USD 153,303,988 | 48.17% | 1,611,478 USD 57,537,888 | 22,272,009 USD 804,537,402 | - |
| 2. Limitation on investment in Mainland China | | | | | | | | | | | | |
| Accumulated Investment in Mainland China as of December 31, 2021 (Note 16 and 19) | | | | | Investment Amounts Authorized by Investment Commission, MOEA (Note 15, 19 and 21) | | Ceiling on Investments in Mainland China imposed by the Investment Commission of MOEA (Note 4) | | | | | |
| 57,324,018 USD 2,070,729,981 | | | | | 61,138,372 USD 2,208,516,847 | | 116,560,126 | | | | | |

Notes to the Consolidated Financial Statements

US dollar exchange rate : year end exchange rate 27.683 ; average exchange rate 27.99752

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 of significant subsidiaries were audited by R.O.C. parent company's CPA.
 3. Others: The financial statements of significant subsidiaries were based on the audited and attested by R.O.C. parent company's 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 USD\$1,790,000.

Note 6 : Suzhou Lianshuo Electronics LTD. has completed liquidation process. As of December 31, 2021, 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 Indesat Holdings Limited(indirectly invested in Shanghai Yiding Electronics LTD.). As of December 31, 2021, the funds have not been remitted.

Note 9 : Honghua Technology (Suzhou) LTD. has completed liquidation process. As of December 31, 2021, the funds have not been remitted.

Note 10 : The Group has disposed shares of Jinlong Precision Mold Industrial (Suzhou) Co., Ltd.. As of December 31, 2021, the funds have not been remitted.

Note 11 : The Group has disposed shares of Heilongjiang Hongjie Packaging LTD.. As of December 31, 2021, the funds have not been remitted.

Note 12 : Hongruisheng (Chengdu) packaging LTD. has completed liquidation process. As of December 31, 2021, 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, 2021, 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 USD26,869,078, with the approval from the Investment Commission of MOEA.

Note 16 : The difference of USD17,211,240 between the accumulated amounts of remittance from Taiwan to Mainland China as of December 31, 2021 was the actual amount of investment in Mainland China made by China Renewable Energy Fund, LP(CREF) and Ark Semiconductor Corp. Ltd.

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 70,000,000.

Note 18 : CASITEK COMPUTER (SUZHOU) CO., LTD. remitted USD24,000,000 to CASITEK HOLDINGS LIMITED. the remittance have not been remitted back to Taiwan as of December 31, 2021

Note 19 : The merger of CASITEK HOLDINGS LIMITED (CAYMAN) has been approved and completed by the Investment Commission of MOEA, and is included in the investment amount and quota in Mainland China after its accounting and distribution.

Note 20 : The Group has disposed all shares of RUNTOP (SHANGHAI) CO., LTD. As of December 31, 2021, the funds have not been remitted.

Note 21 : Due to the investment of the Group's subsidiary, Ark Semiconductor Corp. Ltd, the Group increased its line of credit to USD5,339,028, with the approval from the Investment Commission of MOEA.

Note 22 : KAEDAR ELECTRONICS (KUNSHAN) CO., LTD. remitted RMB97,200,000 to KAEDAR HOLDINGS LIMITED. the remittance have not been remitted back to Taiwan as of December 31, 2021

Notes to the Consolidated Financial Statements

Table 11: Business relationships and significant intercompany transactions
December 31, 2021

| Expressed in thousands of NTD | | | | | | | |
|-------------------------------|--|--|--------------------------|------------------------|-------------|-------------------------|--|
| No. (Note 1) | Company name | Counterparty | Relationship (Note 2) | General ledger account | Amount | Transaction terms | Percentage of consolidated total operating revenues or total assets (Note 3) |
| 0 | PEGATRON CORPORATION | ASIA ROCK TECHNOLOGY LIMITED | 1 | Sales | 342,455 | Open Account 90 days | 0.03% |
| 0 | PEGATRON CORPORATION | ASIA ROCK TECHNOLOGY LIMITED | 1 | Account Receivables | 140,512 | Open Account 90 days | 0.02% |
| 0 | PEGATRON CORPORATION | PEGATRON Czech s.r.o. | 1 | Sales | 1,124,803 | 120 days on delivery | 0.09% |
| 0 | PEGATRON CORPORATION | PEGATRON Czech s.r.o. | 1 | Account Receivables | 313,594 | 120 days on delivery | 0.05% |
| 0 | PEGATRON CORPORATION | COTEK ELECTRONICS (SUZHOU) CO., LTD. | 1 | Account Receivables | 2,027,331 | Open Account 90 days | 0.30% |
| 0 | PEGATRON CORPORATION | PROTEK (SHANGHAI) LTD. | 1 | Account Receivables | 102,069,459 | Open Account 60 days | 15.08% |
| 0 | PEGATRON CORPORATION | MAINTEK COMPUTER (SUZHOU) CO., LTD. | 1 | Sales | 959,521 | Open Account 90 days | 0.08% |
| 0 | PEGATRON CORPORATION | MAINTEK COMPUTER (SUZHOU) CO., LTD. | 1 | Account Receivables | 12,658,305 | Open Account 90 days | 1.87% |
| 0 | PEGATRON CORPORATION | COTEK ELECTRONICS (SUZHOU) CO., LTD. | 1 | Sales | 543,513 | Open Account 90 days | 0.04% |
| 0 | PEGATRON CORPORATION | PEGAGLOBE (KUNSHAN) CO., LTD. | 1 | Account Receivables | 65,386,390 | Open Account 90 days | 9.66% |
| 0 | PEGATRON CORPORATION | DIGITEK (CHONGQING) LTD. | 1 | Account Receivables | 52,659,300 | Open Account 60 days | 7.78% |
| 0 | PEGATRON CORPORATION | PT. PEGATRON TECHNOLOGY INDONESIA | 1 | Account Receivables | 7,259,536 | 120 days on delivery | 1.07% |
| 0 | PEGATRON CORPORATION | POWTEK (SHANGHAI) LTD. | 1 | Sales | 8,488,945 | 120 days on delivery | 0.67% |
| 0 | PEGATRON CORPORATION | POWTEK (SHANGHAI) LTD. | 1 | Account Receivables | 2,774,444 | 120 days on delivery | 0.41% |
| 0 | PEGATRON CORPORATION | PEGATRON TECHNOLOGY INDIA PRIVATE LIMITED | 1 | Sales | 584,310 | Open Account 60 days | 0.05% |
| 0 | PEGATRON CORPORATION | PEGATRON TECHNOLOGY INDIA PRIVATE LIMITED | 1 | Account Receivables | 908,037 | Open Account 60 days | 0.13% |
| 0 | PEGATRON CORPORATION | PEGATRON VIETNAM COMPANY LIMITED | 1 | Sales | 127,326 | Open Account 60 days | 0.01% |
| 0 | PEGATRON CORPORATION | PEGATRON VIETNAM COMPANY LIMITED | 1 | Account Receivables | 408,828 | Open Account 60 days | 0.06% |
| 0 | PEGATRON CORPORATION | PEGATRON TECHNOLOGY SERVICE INC. | 1 | Sales | 110,246 | 90 days on delivery | 0.01% |
| 1 | PT. PEGATRON TECHNOLOGY INDONESIA | PEGATRON CORPORATION | 2 | Account Receivables | 5,232,825 | 120 days on delivery | 0.77% |
| 1 | PT. PEGATRON TECHNOLOGY INDONESIA | PEGATRON CORPORATION | 2 | Sales | 1,887,335 | 120 days on delivery | 0.15% |
| 2 | PROTEK (SHANGHAI) LTD. | PEGATRON CORPORATION | 2 | Sales | 22,469,483 | Open Account 60 days | 1.78% |
| 2 | PROTEK (SHANGHAI) LTD. | PEGATRON CORPORATION | 2 | Account Receivables | 74,677,470 | Open Account 60 days | 11.03% |
| 2 | PROTEK (SHANGHAI) LTD. | PEGAGLOBE (KUNSHAN) CO., LTD. | 3 | Sales | 35,436,119 | Open Account 60 days | 2.80% |
| 2 | PROTEK (SHANGHAI) LTD. | PEGAGLOBE (KUNSHAN) CO., LTD. | 3 | Account Receivables | 13,124,996 | Open Account 60 days | 1.94% |
| 2 | PROTEK (SHANGHAI) LTD. | PEGATRON TECHNOLOGY INDIA PRIVATE LIMITED | 3 | Account Receivables | 216,939 | Open Account 60 days | 0.03% |
| 3 | PEGAGLOBE (KUNSHAN) CO., LTD. | PEGATRON CORPORATION | 2 | Sales | 50,444,423 | Open Account 60 days | 3.99% |
| 3 | PEGAGLOBE (KUNSHAN) CO., LTD. | PEGATRON CORPORATION | 2 | Account Receivables | 84,342,828 | Open Account 60 days | 12.46% |
| 3 | PEGAGLOBE (KUNSHAN) CO., LTD. | PROTEK (SHANGHAI) LTD. | 3 | Sales | 681,797 | Open Account 60 days | 0.05% |
| 4 | MAINTEK COMPUTER (SUZHOU) CO., LTD. | PEGATRON CORPORATION | 2 | Sales | 17,025,928 | Open Account 60 days | 1.35% |
| 4 | MAINTEK COMPUTER (SUZHOU) CO., LTD. | COTEK ELECTRONICS (SUZHOU) CO., LTD. | 3 | Sales | 3,713,139 | Open Account 60 days | 0.29% |
| 4 | MAINTEK COMPUTER (SUZHOU) CO., LTD. | COTEK ELECTRONICS (SUZHOU) CO., LTD. | 3 | Account Receivables | 1,779,896 | Open Account 60 days | 0.26% |
| 4 | MAINTEK COMPUTER (SUZHOU) CO., LTD. | COTEK ELECTRONICS (SUZHOU) CO., LTD. | 3 | Other Receivables | 1,384,150 | Mutual Agreement | 0.20% |
| 5 | COTEK ELECTRONICS (SUZHOU) CO., LTD. | PEGATRON CORPORATION | 2 | Sales | 4,480,308 | Open Account 60 days | 0.35% |
| 5 | COTEK ELECTRONICS (SUZHOU) CO., LTD. | PEGATRON CORPORATION | 2 | Account Receivables | 1,513,047 | Open Account 60 days | 0.22% |
| 5 | COTEK ELECTRONICS (SUZHOU) CO., LTD. | MAINTEK COMPUTER (SUZHOU) CO., LTD. | 3 | Sales | 1,902,705 | Open Account 60 days | 0.15% |
| 5 | COTEK ELECTRONICS (SUZHOU) CO., LTD. | MAINTEK COMPUTER (SUZHOU) CO., LTD. | 3 | Account Receivables | 1,281,550 | Open Account 60 days | 0.19% |
| 5 | COTEK ELECTRONICS (SUZHOU) CO., LTD. | PROTEK (SHANGHAI) LTD. | 3 | Sales | 267,595 | Open Account 60 days | 0.02% |
| 5 | COTEK ELECTRONICS (SUZHOU) CO., LTD. | CASETEK COMPUTER (SUZHOU) CO., LTD. | 3 | Sales | 167,286 | Open Account 60 days | 0.01% |
| 5 | COTEK ELECTRONICS (SUZHOU) CO., LTD. | DIGITEK (CHONGQING) LTD. | 3 | Sales | 435,805 | Open Account 60 days | 0.03% |
| 5 | COTEK ELECTRONICS (SUZHOU) CO., LTD. | POWTEK (SHANGHAI) LTD. | 3 | Sales | 1,874,027 | Open Account 60 days | 0.15% |
| 5 | COTEK ELECTRONICS (SUZHOU) CO., LTD. | POWTEK (SHANGHAI) LTD. | 3 | Account Receivables | 2,087,510 | Open Account 60 days | 0.31% |
| 5 | COTEK ELECTRONICS (SUZHOU) CO., LTD. | Pegatron Electronics Inc. | 3 | Account Receivables | 281,034 | Open Account 60 days | 0.04% |
| 6 | DIGITEK (CHONGQING) LTD. | PEGATRON CORPORATION | 2 | Sales | 2,050,329 | Open Account 60 days | 0.16% |
| 6 | DIGITEK (CHONGQING) LTD. | PEGATRON CORPORATION | 2 | Account Receivables | 49,357,663 | Open Account 60 days | 7.29% |
| 7 | KAI-CHUAN ELECTRONICS (CHONGQING) CO., LTD. | DIGITEK (CHONGQING) LTD. | 3 | Sales | 1,093,641 | Open Account 60 days | 0.09% |
| 7 | KAI-CHUAN ELECTRONICS (CHONGQING) CO., LTD. | DIGITEK (CHONGQING) LTD. | 3 | Account Receivables | 187,550 | Open Account 60 days | 0.03% |
| 8 | CASETEK COMPUTER (SUZHOU) CO., LTD. | MAINTEK COMPUTER (SUZHOU) CO., LTD. | 3 | Sales | 3,869,905 | Open Account 60 days | 0.31% |
| 8 | CASETEK COMPUTER (SUZHOU) CO., LTD. | MAINTEK COMPUTER (SUZHOU) CO., LTD. | 3 | Account Receivables | 976,633 | Open Account 60 days | 0.14% |
| 8 | CASETEK COMPUTER (SUZHOU) CO., LTD. | DIGITEK (CHONGQING) LTD. | 3 | Sales | 227,579 | Open Account 60 days | 0.02% |
| 8 | CASETEK COMPUTER (SUZHOU) CO., LTD. | COTEK ELECTRONICS (SUZHOU) CO., LTD. | 3 | Sales | 141,970 | Open Account 60 days | 0.01% |
| 8 | CASETEK COMPUTER (SUZHOU) CO., LTD. | PEGATRON CORPORATION | 2 | Sales | 336,486 | Open Account 60 days | 0.03% |
| 9 | PIOTEK COMPUTER (SUZHOU) CO., LTD. | PIOTEK (H.K.) TRADING LIMITED | 3 | Sales | 131,168 | Open Account 60 days | 0.01% |
| 10 | KINSUS INTERCONNECT TECHNOLOGY (SUZHOU) CORP | KINSUS INTERCONNECT TECHNOLOGY CORP. | 2 | Sales | 3,133,718 | Open Account 30 days | 0.25% |
| 10 | KINSUS INTERCONNECT TECHNOLOGY (SUZHOU) CORP | KINSUS INTERCONNECT TECHNOLOGY CORP. | 2 | Account Receivables | 611,152 | Open Account 30 days | 0.09% |
| 11 | PEGAVISION CORPORATION | Pegavision Japan Inc. | 1 | Sales | 1,850,825 | Open Account 90 days | 0.15% |
| 11 | PEGAVISION CORPORATION | Pegavision Japan Inc. | 1 | Account Receivables | 301,885 | Open Account 90 days | 0.04% |
| 11 | PEGAVISION CORPORATION | GEMVISION TECHNOLOGY (ZHEJIANG) LIMITED | 1 | Sales | 211,692 | Open Account 180 days | 0.02% |
| 11 | PEGAVISION CORPORATION | BeautyTech Platform Corporation | 1 | Sales | 411,064 | Open Account 180 days | 0.03% |
| 11 | PEGAVISION CORPORATION | BeautyTech Platform Corporation | 1 | Account Receivables | 139,387 | Open Account 180 days | 0.02% |
| 12 | MEGA MERIT LIMITED | CASETEK SINGAPORE PTE. LTD. | 3 | Sales | 158,242 | Open Account 60-90 days | 0.01% |
| 13 | CASETEK HOLDINGS LIMITED(CAYMAN) | MEGA MERIT LIMITED | 1 | Other Receivables | 172,991 | Mutual Agreement | 0.03% |
| 14 | RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD. | RI SHAN COMPUTER ACCESSORY (JIASHAN) CO., LTD. | 3 | Short-term Receivables | 3,690,670 | Mutual Agreement | 0.55% |
| 14 | RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD. | RI-PRO PRECISION MODEL (SHANGHAI) CO., LTD. | 3 | Long-term Receivables | 130,249 | Mutual Agreement | 0.02% |
| 15 | Ri Da Intelligent Manufacturing Technology (Rugao) Co., Ltd. | PEGATRON CORPORATION | 2 | Sales | 189,644 | Open Account 60 days | 0.02% |
| 15 | Ri Da Intelligent Manufacturing Technology (Rugao) Co., Ltd. | PEGATRON CORPORATION | 2 | Account Receivables | 132,164 | Open Account 60 days | 0.02% |
| 16 | RIH KUAN METAL CORPORATION | CASETEK SINGAPORE PTE. LTD. | 3 | Sales | 470,834 | Open Account 60-90 days | 0.04% |
| 17 | RIH LI International Limited | RI SHAN COMPUTER ACCESSORY (JIASHAN) CO., LTD. | 1 | Short-term Receivables | 4,567,695 | Mutual Agreement | 0.67% |
| 17 | RIH LI International Limited | RI SHAN COMPUTER ACCESSORY (JIASHAN) CO., LTD. | 1 | Short-term Receivables | 203,636 | Mutual Agreement | 0.03% |
| 18 | FUYANG TECHNOLOGY CORPORATION | FUYANG ELECTRONICS (SUZHOU) CO., LTD. | 1 | Account Receivables | 190,250 | Open Account 60 days | 0.03% |
| 19 | ASROCK Incorporation | ASROCK AMERICA, INC. | 1 | Sales | 3,731,808 | Open Account 90 days | 0.30% |
| 19 | ASROCK Incorporation | ASROCK AMERICA, INC. | 1 | Account Receivables | 767,816 | Open Account 90 days | 0.11% |
| 19 | ASROCK Incorporation | ASROCK EUROPE B.V. | 1 | Sales | 3,896,085 | Open Account 45 days | 0.31% |
| 20 | ASIA ROCK TECHNOLOGY LIMITED | ASROCK Incorporation | 2 | Sales | 10,345,855 | Open Account 60 days | 0.82% |
| 20 | ASIA ROCK TECHNOLOGY LIMITED | ASROCK Incorporation | 2 | Account Receivables | 543,189 | Open Account 60 days | 0.08% |
| 20 | ASIA ROCK TECHNOLOGY LIMITED | ASRock Industrial Computer Corporation | 3 | Sales | 337,206 | Open Account 60 days | 0.03% |
| 20 | ASIA ROCK TECHNOLOGY LIMITED | ASRock Rack Incorporation | 3 | Sales | 2,032,823 | Open Account 60 days | 0.16% |
| 20 | ASIA ROCK TECHNOLOGY LIMITED | ASRock Rack Incorporation | 3 | Account Receivables | 102,159 | Open Account 60 days | 0.02% |
| 21 | ASRock Rack Incorporation | ASROCK AMERICA, INC. | 3 | Sales | 352,551 | Open Account 90 days | 0.03% |
| 21 | ASRock Rack Incorporation | ASROCK AMERICA, INC. | 3 | Account Receivables | 121,325 | Open Account 90 days | 0.02% |
| 21 | ASRock Rack Incorporation | ASROCK EUROPE B.V. | 3 | Sales | 159,217 | Open Account 60 days | 0.01% |
| 22 | ASRock Industrial Computer Corporation | ASROCK EUROPE B.V. | 3 | Sales | 168,933 | Open Account 60 days | 0.01% |
| 23 | AZURE WAVE TECHNOLOGIES, INC. | PEGATRON CORPORATION | 2 | Sales | 156,039 | Open Account 60 days | 0.01% |
| 24 | ASUSPOWER CORPORATION | PEGATRON CORPORATION | 2 | Other Receivables | 4,650,744 | Mutual Agreement | 0.69% |
| 24 | ASUSPOWER CORPORATION | ASUSPOWER INVESTMENT CO., LTD. | 2 | Other Receivables | 609,026 | Mutual Agreement | 0.09% |
| 24 | ASUSPOWER CORPORATION | ASUS INVESTMENT CO., LTD. | 2 | Other Receivables | 581,343 | Mutual Agreement | 0.09% |
| 25 | CASETEK HOLDINGS LIMITED | PEGATRON CORPORATION | 2 | Other Receivables | 1,065,796 | Mutual Agreement | 0.16% |

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) |
| 26 | KAEDAR TRADING LTD. | PEGATRON CORPORATION | 2 | Other Receivables | 484,453 | Mutual Agreement | 0.07% |
| 27 | AzureWave Technologies (Shanghai) Inc. | AZURE WAVE TECHNOLOGIES, INC. | 2 | Sales | 1,984,542 | Open Account 30-60 days | 0.16% |
| 27 | AzureWave Technologies (Shanghai) Inc. | AZURE WAVE TECHNOLOGIES, INC. | 2 | Account Receivables | 527,505 | Open Account 30-60 days | 0.08% |
| 28 | Lumens Digital Optics Inc. | Lumens Integration Inc. | 1 | Sales | 389,791 | Open Account 60-90 days | 0.03% |
| 28 | Lumens Digital Optics Inc. | Lumens Integration Inc. | 1 | Account Receivables | 116,452 | Open Account 60-90 days | 0.02% |

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

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, 2021 AND 2020

(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, 2021 and 2020, 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, 2021 and 2020, 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, 2021 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(n) 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, 2021 and 2020 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 2021 and 2020 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 investees, which represented investments in other entities accounted for using the equity method of the Company. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those investees, is based solely on the reports of other auditors. The investments in those investees accounted for using the equity method constituting 5.21% and 2.24% of total assets at December 31, 2021 and 2020, respectively, and the related share of profit of subsidiaries, associates and joint ventures accounted for using the equity method constituting 24.04% and 5.49% of total profit before tax for the years then ended 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, 2021. 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 10, 2022

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, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

| | | December 31, 2021 | | December 31, 2020 | |
|----------------------------|---|-----------------------|------------|--------------------|------------|
| | | Amount | % | Amount | % |
| Assets | | | | | |
| Current assets: | | | | | |
| 1100 | Cash and cash equivalents (Note 6(a)) | \$ 22,587,554 | 3 | 25,707,844 | 4 |
| 1110 | Current financial assets at fair value through profit or loss (Note 6(b)) | 566,105 | - | 442,890 | - |
| 1170 | Notes and accounts receivable, net (Notes 6(d) and 6(u)) | 231,788,533 | 31 | 184,199,690 | 28 |
| 1180 | Accounts receivable due from related parties, net (Notes 6(d) and 7) | 246,808,995 | 33 | 228,475,966 | 34 |
| 1200 | Other receivables, net (Notes 6(e) and 7) | 460,024 | - | 530,310 | - |
| 1220 | Current tax assets | - | - | 281,294 | - |
| 130X | Inventories (Note 6(f)) | 40,106,368 | 5 | 35,831,333 | 5 |
| 1476 | Other current financial assets (Notes 6(k) and 8) | 22,414,111 | 3 | 32,988,093 | 5 |
| 1479 | Other current assets (Note 6(k)) | 473,003 | - | 737,658 | - |
| | | <u>565,204,693</u> | <u>75</u> | <u>509,195,078</u> | <u>76</u> |
| Non-current assets: | | | | | |
| 1510 | Non-current financial assets at fair value through profit or loss (Note 6(b)) | 691,925 | - | 547,615 | - |
| 1520 | Non-current financial assets at fair value through other comprehensive income (Note 6(c)) | 1,015,597 | - | 497,030 | - |
| 1550 | Investments accounted for using equity method (Note 6(g)) | 177,850,696 | 24 | 147,643,776 | 22 |
| 1600 | Property, plant and equipment (Note 6(h)) | 10,529,131 | 1 | 10,182,540 | 2 |
| 1755 | Right-of-use assets (Note 6(i)) | 428,808 | - | 166,975 | - |
| 1780 | Intangible assets (Note 6(j)) | 118,522 | - | 92,409 | - |
| 1840 | Deferred tax assets (Note 6(q)) | 868,194 | - | 494,961 | - |
| 1980 | Other non-current financial assets (Notes 6(k) and 8) | 29,275 | - | 3,147,346 | - |
| 1990 | Other non-current assets (Note 6(k)) | - | - | 5,253 | - |
| | | <u>191,532,148</u> | <u>25</u> | <u>162,777,905</u> | <u>24</u> |
| Total assets | | \$ 756,736,841 | 100 | 671,972,983 | 100 |

See accompanying notes to financial statements.

PEGATRON CORPORATION

Non-Consolidated Balance Sheets (CONT' D)

December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

| | | December 31, 2021 | | December 31, 2020 | |
|--------------------------------------|---|-----------------------|------------|---------------------|------------|
| | | Amount | % | Amount | % |
| Liabilities and Equity | | | | | |
| Current liabilities: | | | | | |
| 2100 | Short-term loans (Note 6(l)) | \$ 48,168,420 | 7 | 59,130,238 | 9 |
| 2130 | Current contract liabilities (Note 6(u)) | 733,952 | - | 724,708 | - |
| 2150 | Notes and accounts payable | 243,070,527 | 32 | 215,243,299 | 32 |
| 2180 | Accounts payable to related parties (Note 7) | 215,469,688 | 29 | 164,677,435 | 25 |
| 2219 | Other payables (Notes 6(p), 7 and 9) | 19,247,973 | 2 | 17,439,616 | 3 |
| 2230 | Current tax liabilities | 63,504 | - | - | - |
| 2281 | Current lease liabilities (Note 6(o)) | 103,027 | - | 41,509 | - |
| 2321 | Bonds payable, current portion (Note 6(n)) | 2,000,000 | - | 1,000,000 | - |
| 2322 | Long-term loans payable, current portion (Note 6(m)) | 336,111 | - | - | - |
| 2399 | Other current liabilities (Notes 6(m) and 7) | 22,782,716 | 3 | 23,127,875 | 3 |
| | | <u>551,975,918</u> | <u>73</u> | <u>481,384,680</u> | <u>72</u> |
| Non-Current liabilities: | | | | | |
| 2530 | Bonds payable (Note 6(n)) | 34,869,595 | 5 | 24,478,182 | 4 |
| 2540 | Long-term loans (Note 6(m)) | 2,823,149 | - | 3,146,170 | - |
| 2570 | Deferred tax liabilities (Note 6(q)) | - | - | 120,971 | - |
| 2580 | Non-current lease liabilities (Note 6(o)) | 328,299 | - | 126,533 | - |
| 2650 | Credit balance of investments accounted for using equity method (Note 6(g)) | 9,563 | - | - | - |
| 2670 | Other non-current liabilities (Notes 6(m), 6(p) and 7) | 125,772 | - | 121,866 | - |
| | | <u>38,156,378</u> | <u>5</u> | <u>27,993,722</u> | <u>4</u> |
| | Total liabilities | <u>590,132,296</u> | <u>78</u> | <u>509,378,402</u> | <u>76</u> |
| Equity (Notes 6(r) and 6(s)): | | | | | |
| 3100 | Share capital | 26,691,316 | 4 | 26,628,737 | 4 |
| Capital surplus: | | | | | |
| 3210 | Capital surplus, premium on capital stock | 78,057,441 | 10 | 77,471,560 | 11 |
| 3280 | Capital surplus, others | 5,263,867 | 1 | 5,536,787 | 1 |
| | | <u>83,321,308</u> | <u>11</u> | <u>83,008,347</u> | <u>12</u> |
| Retained earnings: | | | | | |
| 3310 | Legal reserve | 15,698,039 | 2 | 13,706,083 | 2 |
| 3320 | Special reserve | 15,866,201 | 2 | 11,286,050 | 2 |
| 3350 | Unappropriated retained earnings | 46,661,789 | 6 | 44,978,224 | 7 |
| | | <u>78,226,029</u> | <u>10</u> | <u>69,970,357</u> | <u>11</u> |
| Other equity interest: | | | | | |
| 3410 | Exchange differences on translation of foreign financial statements | (21,363,627) | (3) | (15,808,892) | (3) |
| 3420 | Unrealized losses on financial assets measured at fair value through other comprehensive income | 444,778 | - | (57,309) | - |
| 3491 | Deferred compensation cost arising from issuance of restricted stock | (712,701) | - | (1,146,659) | - |
| | | <u>(21,631,550)</u> | <u>(3)</u> | <u>(17,012,860)</u> | <u>(3)</u> |
| 3500 | Treasury stock | (2,558) | - | - | - |
| | Total equity | <u>166,604,545</u> | <u>22</u> | <u>162,594,581</u> | <u>24</u> |
| | Total liabilities and equity | <u>\$ 756,736,841</u> | <u>100</u> | <u>671,972,983</u> | <u>100</u> |

See accompanying notes to financial statements.

PEGATRON CORPORATION

Non-Consolidated Statements of Comprehensive Income

For the years ended December 31, 2021 and 2020

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

| | | For the years ended December 31 | | | |
|------|--|---------------------------------|----------|-------------------|----------|
| | | 2021 | | 2020 | |
| | | Amount | % | Amount | % |
| 4110 | Operating revenue (Notes 6(u) and 7) | \$ 1,169,584,218 | 100 | 1,248,193,101 | 100 |
| 4170 | Less: Sales returns and allowances | 1,451,116 | - | 1,411,596 | - |
| | Operating revenue, net | 1,168,133,102 | 100 | 1,246,781,505 | 100 |
| 5000 | Cost of sales (Notes 6(f), 6(o), 6(p), 6(s), 6(v) and 7) | 1,152,860,663 | 99 | 1,228,743,006 | 99 |
| 5900 | Gross profit from operations | 15,272,439 | 1 | 18,038,499 | 1 |
| 5920 | Add: Realized (loss) profit on from sales | (10,301) | - | 7,444 | - |
| 5950 | Gross profit from operations | 15,262,138 | 1 | 18,045,943 | 1 |
| 6000 | Operating expenses (Notes 6(d), 6(o), 6(p), 6(s), 6(v) and 7): | | | | |
| 6100 | Selling expenses | 1,969,383 | - | 2,186,421 | - |
| 6200 | General and administrative expenses | 2,621,126 | - | 2,480,951 | - |
| 6300 | Research and development expenses | 8,298,282 | 1 | 8,840,869 | 1 |
| 6300 | Total operating expenses | 12,888,791 | 1 | 13,508,241 | 1 |
| | Net operating income | 2,373,347 | - | 4,537,702 | - |
| | Non-operating income and expenses: | | | | |
| 7100 | Interest income (Note 6(w)) | 120,434 | - | 264,961 | - |
| 7010 | Other income (Notes 6(w) and 7) | 892,562 | - | 907,516 | - |
| 7020 | Other gains and losses (Note 6(w)) | 1,078,237 | - | 1,788,188 | - |
| 7050 | Finance costs (Notes 6(d), 6(n), 6(o) and 6(w)) | (576,389) | - | (851,954) | - |
| 7070 | Share of profit of subsidiaries, associates and joint ventures accounted for using equity method, net (Note 6(g)) | 17,182,275 | 1 | 14,821,890 | 1 |
| 7590 | Miscellaneous disbursements (Note 7) | (6,772) | - | (40,490) | - |
| | Total non-operating income and expenses | 18,690,347 | 1 | 16,890,111 | 1 |
| | Profit from continuing operations before tax | 21,063,694 | 1 | 21,427,813 | 1 |
| 7950 | Less: Income tax expenses (Note 6(q)) | 518,051 | - | 1,220,215 | - |
| | Profit | 20,545,643 | 1 | 20,207,598 | 1 |
| 8300 | Other comprehensive income (Note 6(r)): | | | | |
| 8310 | Components of other comprehensive income (loss) that will not be reclassified to profit or loss | | | | |
| 8311 | Gains (losses) on remeasurements of defined benefit plans | 8,010 | - | (4,218) | - |
| 8316 | Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income | 518,567 | - | (54,673) | - |
| 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 | 4,507 | - | 140,661 | - |
| 8349 | Income tax related to components of other comprehensive income that will not be reclassified to profit or loss | - | - | - | - |
| | | 531,084 | - | 81,770 | - |
| 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 | (3,722,550) | - | (4,826,496) | - |
| 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 | (3,722,550) | - | (4,826,496) | - |
| 8300 | Other comprehensive income, net | (3,191,466) | - | (4,744,726) | - |
| 8500 | Total comprehensive income for the year | <u>\$ 17,354,177</u> | <u>1</u> | <u>15,462,872</u> | <u>1</u> |
| | Earnings per share, net of tax (Note 6(t)) | | | | |
| 9750 | Basic earnings per share | <u>\$ 7.71</u> | | <u>7.73</u> | |
| 9850 | Diluted earnings per share | <u>\$ 7.62</u> | | <u>7.64</u> | |

See accompanying notes to financial statements.

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

Non-Consolidated Statements of Changes in Equity

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

| | Share capital | | Retained earnings | | | | Total other equity interest | | | | | |
|---|---------------|-----------------|-------------------|-----------------|----------------------------------|-------------------------|---|---|----------------------------|-----------------------------|----------------|--------------|
| | Common stock | Capital surplus | Legal reserve | Special reserve | Unappropriated retained earnings | Total retained earnings | Exchange differences on translation of foreign financial statements | Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income | Deferred compensation cost | Total other equity interest | Treasury stock | Total equity |
| Balance at January 1, 2020 | \$ 26,110,919 | 81,052,101 | 11,774,310 | 7,868,877 | 42,156,192 | 61,799,379 | (10,982,396) | (303,654) | (8,287) | (11,294,337) | (3,000) | 157,665,062 |
| Profit for the year | - | - | - | - | 20,207,598 | 20,207,598 | - | - | - | - | - | 20,207,598 |
| Other comprehensive income (loss) for the year | - | - | - | - | (10,895) | (10,895) | (4,826,496) | 92,665 | - | (4,733,831) | - | (4,744,726) |
| Total comprehensive income (loss) for the year | - | - | - | - | 20,196,703 | 20,196,703 | (4,826,496) | 92,665 | - | (4,733,831) | - | 15,462,872 |
| Appropriation and distribution of retained earnings: | | | | | | | | | | | | |
| Legal reserve appropriated | - | - | 1,931,773 | - | (1,931,773) | - | - | - | - | - | - | - |
| Special reserve appropriated | - | - | - | 3,417,173 | (3,417,173) | - | - | - | - | - | - | - |
| Cash dividends of ordinary share | - | - | - | - | (11,748,563) | (11,748,563) | - | - | - | - | - | (11,748,563) |
| Difference between consideration and carrying amount of subsidiaries acquired or disposed | - | - | 187 | - | - | - | - | - | - | - | - | 187 |
| Changes in ownership interests in subsidiaries | - | 223,566 | - | - | (71,752) | (71,752) | - | - | - | - | - | 151,814 |
| Share-based payment transactions | 524,110 | - | - | - | - | - | - | - | - | - | - | 524,110 |
| Disposal of investments in equity instruments designated at fair value through other comprehensive income | - | - | - | - | (153,680) | (153,680) | - | 153,680 | - | 153,680 | - | - |
| Expiration of restricted shares of stock issued to employees | (6,292) | 3,076 | - | - | (51,730) | (51,730) | - | - | - | - | 3,000 | (51,946) |
| Compensation cost arising from restricted shares of stock | - | 1,729,417 | - | - | - | - | - | - | (1,138,372) | (1,138,372) | - | 591,045 |
| Balance at December 31, 2020 | 26,628,737 | 83,008,347 | 13,706,083 | 11,286,050 | 44,978,224 | 69,970,357 | (15,808,892) | (57,309) | (1,146,659) | (17,012,860) | - | 162,594,581 |
| Profit for the year | - | - | - | - | 20,545,643 | 20,545,643 | - | - | - | - | - | 20,545,643 |
| Other comprehensive income (loss) for the year | - | - | - | - | 8,678 | 8,678 | (3,722,550) | 522,406 | - | (3,200,144) | - | (3,191,466) |
| Total comprehensive income (loss) for the year | - | - | - | - | 20,554,321 | 20,554,321 | (3,722,550) | 522,406 | - | (3,200,144) | - | 17,354,177 |
| Appropriation and distribution of retained earnings: | | | | | | | | | | | | |
| Legal reserve appropriated | - | - | 1,991,956 | - | (1,991,956) | - | - | - | - | - | - | - |
| Special reserve appropriated | - | - | - | 4,580,151 | (4,580,151) | - | - | - | - | - | - | - |
| Cash dividends of ordinary share | - | - | - | - | (11,982,931) | (11,982,931) | - | - | - | - | - | (11,982,931) |
| Changes in equity of associates and joint ventures accounted for using equity method | - | 20,862 | - | - | (409,874) | (409,874) | - | - | - | - | - | (389,012) |
| Difference between consideration and carrying amount of subsidiaries acquired or disposed | - | (159,173) | - | - | - | - | (1,832,185) | - | - | (1,832,185) | - | (1,991,358) |
| Changes in ownership interests in subsidiaries | - | (55,620) | - | - | - | - | - | - | - | - | - | (55,620) |
| Share-based payments transactions | 75,740 | - | - | - | - | - | - | - | - | - | - | 75,740 |
| Disposal of investments in equity instruments designated at fair value through other comprehensive income | - | - | - | - | 20,319 | 20,319 | - | (20,319) | - | (20,319) | - | - |
| Expiration of restricted shares of stock issued to employees | (13,161) | 15,663 | - | - | 73,837 | 73,837 | - | - | - | - | (2,558) | 73,781 |
| Compensation cost arising from restricted shares of stock | - | 491,229 | - | - | - | - | - | - | 433,958 | 433,958 | - | 925,187 |
| Balance at December 31, 2021 | \$ 26,691,316 | 83,321,308 | 15,698,039 | 15,866,201 | 46,661,789 | 78,226,029 | (21,363,627) | 444,778 | (712,701) | (21,631,550) | (2,558) | 166,604,545 |

See accompanying notes to financial statements.

PEGATRON CORPORATION

Non-Consolidated Statements of Cash Flows

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

| | For the years ended December 31 | |
|--|---------------------------------|---------------------|
| | 2021 | 2020 |
| Cash flows used in operating activities: | | |
| Profit before tax | \$ 21,063,694 | 21,427,813 |
| Adjustments: | | |
| Adjustments to reconcile profit (loss): | | |
| Depreciation expense | 1,180,153 | 874,289 |
| Amortization expense | 74,454 | 99,483 |
| Expected credit (Reversal gain) loss | (16,136) | 10,771 |
| Net gain on financial assets and liabilities at fair value through profit or loss | (96,293) | (199,105) |
| Interest expense | 566,392 | 842,869 |
| Interest income | (120,434) | (264,961) |
| Dividend income | (36,480) | (23,357) |
| Compensation cost arising from employee stock options | 972,947 | 649,807 |
| Share of profit of subsidiaries, associates and joint ventures accounted for using equity method | (17,182,275) | (14,821,890) |
| (Gain) loss on disposal of property, plant and equipment | (999) | 6,930 |
| Property, plant and equipment charged to expenses | 27,250 | 66,982 |
| Gain on disposal of intangible assets | (19) | - |
| Other payables | 1,635,444 | - |
| Realized loss (profit) from sales | 10,301 | (7,444) |
| Amortization of issuance costs on bonds payable | 5,813 | 3,843 |
| Effect of movement in exchange rate | 243,271 | (100,965) |
| Gain on lease remeasurement | (7) | (326) |
| Government grants income | (13,232) | (10,104) |
| Total adjustments to reconcile profit (loss) | (12,749,850) | (12,873,178) |
| Changes in operating assets and liabilities: | | |
| Changes in operating assets: | | |
| Increase in financial assets at fair value through profit or loss | (171,232) | (306,644) |
| (Increase) decrease in notes and accounts receivable | (65,905,736) | 96,449,559 |
| Decrease (increase) in other receivables | 31,916 | (292,401) |
| Increase in inventories | (4,275,035) | (4,587,235) |
| Decrease (increase) in other current assets | 110,367 | (474,336) |
| Decrease (increase) in other financial assets | 10,573,982 | (32,160,018) |
| Total changes in operating assets | (59,635,738) | 58,628,925 |
| Changes in operating liabilities: | | |
| Increase in contract liabilities | 9,244 | 53,248 |
| Increase (decrease) in accounts and notes payable | 78,619,481 | (89,398,798) |
| (Decrease) increase in other payables | (256,832) | 895,480 |
| (Decrease) increase in other current liabilities | (345,159) | 4,229,325 |
| Increase in other non-current liabilities | 17,814 | 7,918 |
| Total changes in operating liabilities | 78,044,548 | (84,212,827) |
| Total changes in operating assets and liabilities | 18,408,810 | (25,583,902) |
| Total adjustments | 5,658,960 | (38,457,080) |
| Cash inflow (outflow) generated from operations | 26,722,654 | (17,029,267) |
| Interest received | 158,804 | 267,990 |
| Dividends received | 2,727,059 | 1,758,490 |
| Interest paid | (545,762) | (849,717) |
| Income taxes paid | (733,158) | (2,751,742) |
| Net cash flows from (used in) operating activities | 28,329,597 | (18,604,246) |

PEGATRON CORPORATION

Non-Consolidated Statements of Cash Flows (CONT' D)

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

| | For the year ended December 31 | |
|--|--------------------------------|--------------------|
| | 2021 | 2020 |
| Cash flows used in investing activities: | | |
| Acquisition of investments accounted for using equity method | (21,862,660) | (1,264,565) |
| Proceeds from capital reduction of investments accounted for using equity method | - | 835,722 |
| Acquisition of property, plant and equipment | (1,326,808) | (2,805,164) |
| Proceeds from disposal of property, plant and equipment | 31,424 | 59,497 |
| Acquisition of intangible assets | (101,036) | (48,121) |
| Proceeds from disposal of intangible assets | 236 | - |
| Decrease (increase) in other financial assets | 3,118,070 | (3,119,638) |
| Decrease (increase) in other non-current assets | 5,253 | (5,253) |
| Net cash flows used in investing activities | (20,135,521) | (6,347,522) |
| Cash flows from (used in) financing activities: | | |
| (Decrease) increase in short-term loans | (10,961,818) | 20,456,038 |
| Proceeds from issuing bonds | 12,385,600 | 4,994,000 |
| Repayments of bonds | (1,000,000) | (3,000,000) |
| Proceeds from long-term loans | - | 3,200,000 |
| Increase in other payables to related parties | 272,669 | 1,289,017 |
| Repayments of lease liabilities | (87,907) | (92,072) |
| Cash dividends paid | (11,982,931) | (11,748,563) |
| Issuance of restricted stock | 75,740 | 524,110 |
| Redemption of restricted stock | (15,719) | (3,292) |
| Net cash flows (used in) from financing activities | (11,314,366) | 15,619,238 |
| Net decrease in cash and cash equivalents | (3,120,290) | (9,332,530) |
| Cash and cash equivalents, beginning of the year | 25,707,844 | 35,040,374 |
| Cash and cash equivalents, end of the year | \$ 22,587,554 | 25,707,844 |

See accompanying notes to financial statements.

PEGATRON CORPORATION

Notes to the Non-Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(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 10, 2022.

(3) New standards, amendments and interpretations adopted:

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

The Company has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2021:

- 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”
- Amendments to IFRS 16 “Covid-19-Related Rent Concessions beyond June 30, 2021”

- (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, 2022, would not have a significant impact on its financial statements:

- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

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

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

| Standards or Interpretations | Content of amendment | Effective date per IASB |
|--|--|---|
| Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture” | The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. | Effective date to be determined by IASB |
| Amendments to IAS 1 “Classification of Liabilities as Current or Non-current” | The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. | January 1, 2023 |

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

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

- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

(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.

(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 ;

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

- 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 or joint venture that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

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

(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

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

- (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.

(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.

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

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.

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.

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

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.

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)

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

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.

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.

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

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.

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.

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

(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).

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.

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

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.

(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 not causing losing controls, 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.

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

(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.

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

| | |
|-------------------------|------------|
| Buildings | 1-50 years |
| Machine | 1-7 years |
| Instrument equipment | 0-3 years |
| Miscellaneous equipment | 1-10 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.

(j) Leases

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.

(i) 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.

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

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.

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;

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

- 3) any reduction in lease payments affects only payments originally due on or before 30 June 2022; 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.

(ii) 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.

(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.

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PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

(l) Impairment of non-financial assets

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

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

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.

(m) Provision

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

(n) 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.

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PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

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.

(o) 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.

(p) 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.

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PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

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.

(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.

(q) 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.

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PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

(r) Income Taxes

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

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

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are 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

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

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

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

- (i) the 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.

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PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

(s) 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.

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.

(t) 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.

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PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

(u) Operating segments

Please refer to the consolidated financial report of Pegatron Corporation for the years ended December 31, 2021 and 2020 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, 2021 and 2020 for judgment regarding control of subsidiaries.

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, 2021 | December 31, 2020 |
|----------------------------------|------------------------------|------------------------------|
| Cash on hand | \$ 150 | 150 |
| Cash in banks | 21,421,306 | 18,567,834 |
| Time deposits | 1,000,000 | 3,900,000 |
| Cash equivalent-repurchase bonds | 166,098 | 3,239,860 |
| | <u>\$ 22,587,554</u> | <u>25,707,844</u> |

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PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

- (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, 2021 | December 31, 2020 |
|---|------------------------------|------------------------------|
| Current mandatorily measured at fair value through profit or loss : | | |
| Non-derivative financial assets | | |
| Shares of stock of listed companies | \$ 566,105 | 442,890 |
| Non-current mandatorily measured at fair value through profit or loss : | | |
| Non-derivative financial assets | | |
| Shares of stock of listed companies | 220,850 | 218,750 |
| Beneficiary certificates | 471,075 | 328,865 |
| Total | <u>\$ 1,258,030</u> | <u>990,505</u> |

- (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, 2021 | December 31, 2020 |
|---|------------------------------|------------------------------|
| Equity instruments at fair value through other comprehensive income : | | |
| Shares of stock of listed companies | <u>\$ 1,015,597</u> | <u>497,030</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, 2021 and 2020, the Company has recognized the dividend income of \$16,259 thousand and \$9,941 thousand, respectively. Dividends are recognized as other income—non-operating income and expenses. Please refer to Note 6(w).

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PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

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

No strategic investments were disposed for the year ended December 31, 2021, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

- (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, 2021 | December 31, 2020 |
|---|------------------------------|------------------------------|
| Notes and accounts receivables-measured at amortized cost | \$ 231,805,932 | 184,233,225 |
| Accounts receivables-related parties | 246,808,995 | 228,475,966 |
| Less : Allowance for impairment | 17,399 | 33,535 |
| | <u>\$ 478,597,528</u> | <u>412,675,656</u> |

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, 2021 | | |
|-------------------------|----------------------------------|-------------------------------|-------------------------------------|
| | Gross carrying amount | Expected loss rate | Loss allowance provision |
| Current | \$ 462,697,637 | 0%~0.001% | (2,327) |
| Overdue 0 to 30 days | 9,741,802 | 0%~1% | (9,449) |
| Overdue 31 to 120 days | 6,102,564 | 0%~50% | (3,720) |
| Overdue 121 to 365 days | 72,924 | 0%~100% | (1,903) |
| | <u>\$ 478,614,927</u> | | <u>(17,399)</u> |

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

| | 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% | - |
| | <u>\$ 412,709,191</u> | | <u>(33,535)</u> |

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

| | For the years ended December 31 | |
|---|--|----------------------|
| | 2021 | 2020 |
| Balance at January 1 | \$ 33,535 | 1,524,216 |
| Impairment losses (reversed) recognized | (16,136) | 10,771 |
| Amounts written off | - | (1,501,452) |
| Balance at December 31 | <u>\$ 17,399</u> | <u>33,535</u> |

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.

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PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

As of December 31, 2021 and 2020, the relevant information on accounts receivables factored by the Company, but unsettled, were as follows :

| December 31, 2021 | | | | | | |
|--------------------------|--------------------------------|---|---|-------------------|---------------------------------------|--|
| Purchaser | Amount Derecognized | Factoring Line (thousands) | Amount Advanced (thousands) Paid | Collateral | Range of Interest Rate | Significant Factoring Terms |
| ANZ (Note 1 and 2) | \$ - | USD 760,000 | USD - | None | 0.40%~ 0.41% | The accounts receivable factoring is without recourse but the seller still bears the risks except for eligible obligor's insolvency. |

| December 31, 2020 | | | | | | |
|--------------------------|--------------------------------|---|---|-------------------|---------------------------------------|--|
| Purchaser | Amount Derecognized | Factoring Line (thousands) | Amount Advanced (thousands) Paid | Collateral | Range of Interest Rate | Significant Factoring Terms |
| ANZ (Note 1 and 2) | \$ - | USD 760,000 | 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. |

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: Part of the participating banks had withdrawn from the joint accounts receivable factoring agreement in 2020, resulting in the factoring line decreased to USD\$760,000 thousand.

For the years ended December 31, 2021 and 2020, the Company recognized a fee and interest on bank advance payment of \$629 thousand and \$2,686 thousand, respectively, from the factoring of accounts receivable, which was accounted under finance costs in the statement of comprehensive income. Please refer to Note 6(w).

(e) Other receivables

| | December 31, 2021 | December 31, 2020 |
|---------------------------------|------------------------------|------------------------------|
| Other receivables | \$ 460,024 | 530,310 |
| Less : Allowance for impairment | - | - |
| | \$ 460,024 | 530,310 |

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

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Notes to the Non-Consolidated Financial Statements

(f) Inventories

| | December 31, 2021 | December 31, 2020 |
|---|------------------------------|------------------------------|
| Merchandise | \$ 35,066,581 | 32,957,593 |
| Finished goods | 979,775 | 668,258 |
| Work in process | 529,903 | 333,076 |
| Raw materials | <u>4,652,762</u> | <u>2,521,470</u> |
| Subtotal | 41,229,021 | 36,480,397 |
| Less: Allowance for inventory market decline and obsolescence | <u>1,122,653</u> | <u>649,064</u> |
| Total | <u>\$ 40,106,368</u> | <u>35,831,333</u> |

For the years ended December 31, 2021 and 2020, the components of cost of goods sold were as follows :

| | For the years ended December 31 2021 | 2020 |
|---|---|-----------------------------|
| Cost of goods sold | \$ 1,152,286,231 | 1,228,608,278 |
| Provision on inventory market price decline | 473,589 | 30,425 |
| Loss on disposal of inventory | 100,843 | 104,303 |
| Unallocated manufacturing overhead | <u>-</u> | <u>-</u> |
| | <u>\$ 1,152,860,663</u> | <u>1,228,743,006</u> |

For the year ended December 31, 2021 and 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.

As of December 31, 2021 and 2020, the aforesaid inventories were not pledged as collateral.

(g) Investments accounted for using equity method

A summary of the Company's financial information for investments accounted for using the equity method at the reporting date is as follows:

| | December 31, 2021 | December 31, 2020 |
|--|------------------------------|------------------------------|
| Subsidiary | <u>\$ 177,850,696</u> | <u>147,643,776</u> |
| Credit balance of investments accounted for using equity method-subsidiary | <u>\$ 9,563</u> | <u>-</u> |

(i) Subsidiaries

Please refer to the consolidated financial statement for the years ended December 31, 2021 and 2020.

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PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

- (ii) For the years ended December 31, 2021, the Company had participated in the capital increase of PEGATRON HOLDING LTD, PEGATRON TECHNOLOGY HAI PHONG COMPANY LIMITED, PEGATRON VIETNAM COMPANY LIMITED, PEGATRON TECHNOLOGY TEXAS INC, PEGATRON ELECTRONICS INC. and PEGATRON TECHNOLOGY INDIA PRIVAT LIMITED with the amounts of USD30,000 thousand (approximately NTD855,975 thousand), USD9,000 thousand (approximately NTD250,704 thousand), USD75,000 thousand (approximately NTD2,103,421 thousand), USD1,000 thousand (approximately NTD27,812 thousand), USD10,000 thousand (approximately NTD278,125 thousand), and INR10,450,000 thousand (approximately NTD4,071,910 thousand), respectively. 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 thousand (approximately NTD178,755 thousand), USD30,000 thousand (approximately NTD870,094 thousand), INR550,000 thousand (approximately NTD215,713 thousand) and USD0.1 thousand (approximately NTD3 thousand), respectively.
- (iii) For the years ended December 31, 2021 and 2020, the Company received the cash dividends of \$2,690,579 thousand and \$1,735,133 thousand, respectively, as well as the cash capital reductions of \$835,722 thousand for the year ended December 31, 2020, from its investee companies accounted for under equity method.
- (iv) Pursuant to a resolution made in the Company's Extraordinary General Meeting on September 30, 2020, CASETEK HOLDINGS LIMITED, CAYMAN (CASETEK) will complete a triangular merger with the Company and its wholly owned subsidiary, PEGASUS ACE LIMITED. The Company acquired all non-controlling interest of CASETEK in accordance with the merger agreement on January 15, 2021, the date of merger.

The effects of the changes in the Company's interests in CASETEK were as follows:

| | January 15, 2021 |
|--|-----------------------------|
| Carrying amount of non-controlling interest on acquisition | \$ 12,283,355 |
| Consideration paid to non-controlling interest | (14,274,713) |
| Exchange differences on translation of foreign financial statements | <u>1,832,185</u> |
| Capital surplus differences between the consideration and the carrying amounts the subsidiaries acquired or disposed | <u>\$ (159,173)</u> |

- (v) On January 15, 2021, the investee company, CASETEK, reduced its capital to the original shareholder (one of the Company's subsidiaries) and issued new shares to the Company in accordance with the agreement, resulting in a decrease of the Company's shareholdings in ASUSPOWER INVESTMENT CO., LTD, ASUS INVESTMENT CO., LTD. and ASUSTEK INVESTMENT CO., Ltd., an increase of the Company's shareholding in CASETEK, wherein the effect of changes in equity have no significant changes to the equity of parent company.

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

(vi) As of December 31, 2021 and 2020, 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, 2021 and 2020 were as follows :

| | <u>Land</u> | <u>Buildings</u> | <u>Machinery equipment</u> | <u>Instrument equipment</u> | <u>Other facilities</u> | <u>Construction in progress and equipment under test</u> | <u>Total</u> |
|---|---------------------|------------------|--------------------------------|---------------------------------|-----------------------------|--|-------------------|
| Cost or deemed cost: | | | | | | | |
| Balance at January 1, 2021 | \$ 5,150,822 | 3,928,464 | 429,126 | 448,738 | 1,788,048 | 118,016 | 11,863,214 |
| Additions | 211,592 | 166,155 | 87,067 | 160,053 | 621,586 | 94,313 | 1,340,766 |
| Disposals and obsolescence | - | (11,419) | (46,278) | (65,998) | (212,866) | - | (336,561) |
| Reclassifications | - | 70,945 | (21,973) | (3,961) | 219,643 | (138,073) | 126,581 |
| Balance at December 31, 2021 | <u>\$ 5,362,414</u> | <u>4,154,145</u> | <u>447,942</u> | <u>538,832</u> | <u>2,416,411</u> | <u>74,256</u> | <u>12,994,000</u> |
| Balance at 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 at 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> |
| Depreciation and impairment loss : | | | | | | | |
| Balance at January 1, 2021 | \$ - | 1,021,753 | 77,203 | 178,337 | 403,381 | - | 1,680,674 |
| Depreciation for the year | - | 270,189 | 72,145 | 164,291 | 584,163 | - | 1,090,788 |
| Disposals and obsolescence | - | (11,419) | (20,448) | (64,484) | (209,785) | - | (306,136) |
| Reclassifications | - | (772) | - | - | 315 | - | (457) |
| Balance at December 31, 2021 | <u>\$ -</u> | <u>1,279,751</u> | <u>128,900</u> | <u>278,144</u> | <u>778,074</u> | <u>-</u> | <u>2,464,869</u> |
| Balance at 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 at 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> |
| Carrying value : | | | | | | | |
| Balance at December 31, 2021 | <u>\$ 5,362,414</u> | <u>2,874,394</u> | <u>319,042</u> | <u>260,688</u> | <u>1,638,337</u> | <u>74,256</u> | <u>10,529,131</u> |
| Balance at January 1, 2020 | <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> |
| Balance at 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> |

(i) Please refer to Note 6(w) for gain or loss on disposal of property, plant and equipment.

(ii) As of December 31, 2021 and 2020, the property, plant and equipment were not pledged as collateral.

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PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

(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 at January 1, 2021 | \$ 61,790 | 155,855 | 217,645 |
| Additions | 2,354 | 349,256 | 351,610 |
| Reductions | (3,452) | (1,790) | (5,242) |
| Balance at December 31, 2021 | <u>\$ 60,692</u> | <u>503,321</u> | <u>564,013</u> |
| Balance at January 1, 2020 | \$ 17,692 | 196,544 | 214,236 |
| Additions | 45,549 | 158,860 | 204,409 |
| Reductions | (1,451) | (199,549) | (201,000) |
| Balance at December 31, 2020 | <u>\$ 61,790</u> | <u>155,855</u> | <u>217,645</u> |
| Accumulated depreciation: | | | |
| Balance at January 1, 2021 | \$ 17,795 | 32,875 | 50,670 |
| Depreciation for the year | 13,917 | 75,448 | 89,365 |
| Reductions | (3,041) | (1,789) | (4,830) |
| Balance at December 31, 2021 | <u>\$ 28,671</u> | <u>106,534</u> | <u>135,205</u> |
| Balance at January 1, 2020 | \$ 5,582 | 70,168 | 75,750 |
| Depreciation for the year | 13,664 | 79,241 | 92,905 |
| Reductions | (1,451) | (116,534) | (117,985) |
| Balance at December 31, 2020 | <u>\$ 17,795</u> | <u>32,875</u> | <u>50,670</u> |
| Carrying value: | | | |
| Balance at December 31, 2021 | <u>\$ 32,021</u> | <u>396,787</u> | <u>428,808</u> |
| Balance at January 1, 2020 | <u>\$ 12,110</u> | <u>126,376</u> | <u>138,486</u> |
| Balance at December 31, 2020 | <u>\$ 43,995</u> | <u>122,980</u> | <u>166,975</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 at January 1, 2021 | \$ 229,960 |
| Additions | 101,036 |
| Disposals | (145,677) |
| Reclassifications | (238) |
| Balance at December 31, 2021 | <u>\$ 185,081</u> |

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

| | |
|------------------------------|--------------------------|
| Balance at January 1, 2020 | \$ 430,789 |
| Additions | 48,121 |
| Disposals | (249,066) |
| Reclassifications | 116 |
| Balance at December 31, 2020 | <u><u>\$ 229,960</u></u> |

Amortization and Impairment Loss:

| | |
|------------------------------|--------------------------|
| Balance at January 1, 2021 | \$ 137,551 |
| Amortization for the year | 74,454 |
| Disposals | (145,460) |
| Reclassifications | 14 |
| Balance at December 31, 2021 | <u><u>\$ 66,559</u></u> |
| Balance at January 1, 2020 | \$ 287,134 |
| Amortization for the year | 99,483 |
| Disposals | (249,066) |
| Balance at December 31, 2020 | <u><u>\$ 137,551</u></u> |

Carrying amounts:

| | |
|------------------------------|--------------------------|
| Balance at December 31, 2021 | <u><u>\$ 118,522</u></u> |
| Balance at January 1, 2020 | <u><u>\$ 143,655</u></u> |
| Balance at December 31, 2020 | <u><u>\$ 92,409</u></u> |

- (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, 2021 and 2020, 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, 2021 | December 31, 2020 |
|-----------------------------------|------------------------------|------------------------------|
| Other financial assets-current | \$ 22,414,111 | 32,988,093 |
| Other financial assets-noncurrent | 29,275 | 3,147,346 |
| Other current assets | 473,003 | 737,658 |
| Other noncurrent assets | - | 5,253 |
| | <u><u>\$ 22,916,389</u></u> | <u><u>36,878,350</u></u> |

- (i) Other financial assets are assets that do not qualify as cash equivalents which consisted of time deposits, restricted time deposits, repurchase bonds 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.

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

(iii) Other noncurrent assets consisted of prepayments for construction.

(l) Short-term loans

| | December 31, 2021 | December 31, 2020 |
|----------------------|----------------------|----------------------|
| Unsecured bank loans | <u>\$ 48,168,420</u> | <u>\$ 59,130,238</u> |
| Interest rate | <u>0.32%~4.54%</u> | <u>0.30%~4.25%</u> |

The Company's assets were not pledged as guarantee for the Company's credit loan facility.

(m) Long-term loans

The details were as follows:

| December 31, 2021 | | | | |
|------------------------|----------|---------------|------------|---------------------|
| | Currency | Interest rate | Expiration | Amount |
| Unsecured bank loans | NTD | 0.35%~0.80% | 2025 | \$ 3,159,260 |
| Less : Current portion | | | | (336,111) |
| Total | | | | <u>\$ 2,823,149</u> |

| 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> |

Government low-interest loan

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

(n) Bonds payable

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

| | December 31, 2021 | December 31, 2020 |
|---------------------------------------|----------------------|----------------------|
| Ordinary corporate bonds issued | \$ 36,900,000 | 25,500,000 |
| Unamortized discount on bonds payable | (30,405) | (21,818) |
| Bonds payable, end of the year | 36,869,595 | 25,478,182 |
| Less: current portion | (2,000,000) | (1,000,000) |
| | <u>\$ 34,869,595</u> | <u>24,478,182</u> |

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

| | For the years ended December 31 | |
|------------------|--|----------------|
| | 2021 | 2020 |
| Interest expense | \$ 241,708 | 217,205 |

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

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

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

| Item | 2nd unsecured ordinary bonds issued in 2017 |
|--------------------|---|
| 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 thousand, which comprise Tranche A, and Tranche B. The issuing amounts of Tranche A and Tranche B are \$6,000,000 thousand and \$2,500,000 thousand, respectively. |
| 2.Par value | Each unit is valued at \$1,000 thousand. |
| 3.Offering price | The Bonds are issued by par value at the issuance date. |
| 4.Issuance period | Each of Tranche A and Tranche B has 5-year term and 7-year term, respectively. The issuance period of Tranche A commences from June 13, 2019 and matures on June 13, 2024. The issuance period of Tranche B commences from June 13, 2019 and matures on June 13, 2026. |
| 5.Coupon rate | Tranche A, and B bear annual coupon rates of 0.85% and 0.95%, respectively. |
| 6.Repayment | Tranche A, and Tranche B are repayable on maturity. |
| 7.Interest payment | Interests are payable annually at coupon rate from the issuance date. The payment of each bond is rounded to the nearest dollar. If the repayment date and interest payment date are bank closing days, principal and interest shall be paid without extra interest on the next business day. If bondholders receive principal and interest past due the repayment date and interest payment date, there will no calculation of extra interest. |
| 8.Guarantee | The Bonds are unsecured ordinary corporate bonds. |

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Notes to the Non-Consolidated Financial Statements

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

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

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Notes to the Non-Consolidated Financial Statements

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

The offering Information and main rights and obligations was as follows :

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

(o) Lease liabilities

The Company's lease liabilities were as follows :

| | December 31, 2021 | December 31, 2020 |
|-------------|----------------------|----------------------|
| Current | \$ 103,027 | 41,509 |
| Non-current | \$ 328,299 | 126,533 |

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 2021 | 2020 |
|--|---|-------|
| Interest on lease liabilities | \$ 4,011 | 2,490 |
| Expenses relating to short-term leases | \$ 3,495 | 4,917 |

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PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

The amounts recognized in the statement of cash flows for the Company was as follows :

| | For the years ended December 31 | |
|-------------------------------|--|---------------|
| | 2021 | 2020 |
| Total cash outflow for leases | \$ 95,413 | 99,479 |

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.

(p) Employee benefits

(i) Defined benefit plans

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

| | December 31, 2021 | December 31, 2020 |
|--|------------------------------|------------------------------|
| Present value of defined benefit obligations | \$ 41,235 | 46,071 |
| Fair value of plan assets | (13,486) | (12,742) |
| Net defined benefit liabilities | \$ 27,749 | 33,329 |

The Company' s employee benefit liabilities were as follows :

| | December 31, 2021 | December 31, 2020 |
|--|------------------------------|------------------------------|
| Short-term employee benefits | \$ 229,356 | 198,103 |
| Cash-settled share-based payment liabilities | 158,988 | 201,972 |
| Total employee benefit liabilities | \$ 388,344 | 400,075 |

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.

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Notes to the Non-Consolidated Financial Statements

As of December 31, 2021, the Company's contributions to the pension funds which amounted to \$13,486 thousand were deposited with Bank of Taiwan. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movements in the present value of the defined benefit obligations for the years ended December 31, 2021 and 2020 were as follows :

| | For the years ended December 31 | |
|--|--|---------------|
| | 2021 | 2020 |
| Defined benefit obligation, January 1 | \$ 46,071 | 39,144 |
| Current service costs and interest | 3,002 | 2,337 |
| Re-measurement of the net defined benefit liability | | |
| — Actuarial loss arising from changes in demographic assumptions | (486) | 2,385 |
| — Actuarial gain arising from changes in financial assumptions | (3,517) | 4,623 |
| — Experience adjustment | (3,835) | (2,418) |
| Defined benefit obligation, December 31 | \$ 41,235 | 46,071 |

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, 2021 and 2020 were as follows :

| | For the years ended December 31 | |
|---|--|---------------|
| | 2021 | 2020 |
| Fair value of plan assets, January 1 | \$ 12,742 | 11,760 |
| Interests revenue | 55 | 108 |
| Re-measurement of the net defined benefit liability | | |
| — Experience adjustment | 172 | 372 |
| Benefits paid by the plan | 517 | 502 |
| Fair value of plan assets, December 31 | \$ 13,486 | 12,742 |

4) Expenses recognized in profit or loss

The Company's pension expenses recognized in profit or loss for the years ended December 31, 2021 and 2020 were as follows :

| | For the years ended December 31 | |
|---|--|--------------|
| | 2021 | 2020 |
| Current service cost | \$ 2,804 | 1,977 |
| Net interest on net defined benefit liability | 143 | 252 |
| | \$ 2,947 | 2,229 |
| Operating expense | \$ 2,947 | 2,229 |

(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, 2021 and 2020 were as follows :

| | For the years ended December 31 | |
|--------------------------------|--|--------------|
| | 2021 | 2020 |
| Cumulative amount, January 1 | \$ 4,460 | 8,678 |
| Recognized during the year | 8,010 | (4,218) |
| Cumulative amount, December 31 | \$ 12,470 | 4,460 |

- 6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows :

| | December 31, 2021 | December 31, 2020 |
|-----------------------------|------------------------------|------------------------------|
| Discount rate | 0.81% | 0.43% |
| 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 \$517 thousand.

The weighted average lifetime of the defined benefit plans is 21 years.

- 7) Sensitivity Analysis

As of December 31, 2021 and 2020, 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, 2021 | | |
| Discount rate | (4,073) | 4,592 |
| Future salary increase rate | 4,465 | (4,010) |
| December 31, 2020 | | |
| Discount rate | (4,877) | 5,535 |
| Future salary increase rate | 5,361 | (4,784) |

(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, 2021 and 2020 amounted to \$334,180 thousand and \$327,700 thousand, respectively.

(q) Income Tax

(i) The components of income tax expense for the years ended December 31, 2021 and 2020 were as follows :

| | For the years ended December 31 | |
|---|--|------------------|
| | 2021 | 2020 |
| Current income tax expense | | |
| Current period incurred | \$ 872,162 | 884,217 |
| Prior years income tax adjustment | 68,280 | (78,596) |
| 10% surtax on undistributed earnings | 71,813 | 110,809 |
| Deferred tax expense | | |
| The origination and reversal of temporary differences | (494,204) | 303,785 |
| Income tax expense | \$ 518,051 | 1,220,215 |

(ii) The amounts of income tax recognized directly in equity for the years ended December 31, 2021 and 2020 were as follows :

| | For the years ended December 31 | |
|--|--|------------------|
| | 2021 | 2020 |
| Profit before income tax | \$ 21,063,694 | 21,427,813 |
| Income tax on pre-tax financial income calculated at the domestic rates applicable to profits in the country concerned | 4,212,739 | 4,285,563 |
| Permanent differences | (1,329,254) | (700,891) |
| Changes in unrecognized temporary differences | (2,505,527) | (2,396,670) |
| Prior years income tax adjustment | 68,280 | (78,596) |
| 10% surtax on undistributed earnings | 71,813 | 110,809 |
| Income tax expense | \$ 518,051 | 1,220,215 |

(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, 2021 and 2020, 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, 2021 | December 31, 2020 |
|---|----------------------|----------------------|
| The aggregate temporary differences associated with investments in subsidiaries | <u>\$ 80,360,437</u> | <u>67,832,800</u> |
| Unrecognized deferred tax liabilities | <u>\$ 16,072,087</u> | <u>13,566,560</u> |

2) Recognized deferred tax assets and liabilities

The movements in deferred tax assets and liabilities for the years ended December 31, 2021 and 2020 were as follows :

| | Gain on foreign investments | Others | Total |
|----------------------------------|--|----------------|----------------|
| Deferred tax liabilities: | | | |
| Balance at January 1, 2021 | \$ 120,378 | 593 | 120,971 |
| Recognized in loss (profit) | (120,378) | (593) | (120,971) |
| Balance at December 31, 2021 | <u>\$ -</u> | <u>-</u> | <u>-</u> |
| Balance at January 1, 2020 | \$ - | - | - |
| Recognized in loss (profit) | 120,378 | 593 | 120,971 |
| Balance at December 31, 2020 | <u>\$ 120,378</u> | <u>593</u> | <u>120,971</u> |
| | | | |
| | Gain or loss on valuation of inventory | Others | Total |
| Deferred tax assets: | | | |
| Balance at January 1, 2021 | \$ 129,813 | 365,148 | 494,961 |
| Recognized in profit (loss) | 94,718 | 278,515 | 373,233 |
| Balance at December 31, 2021 | <u>\$ 224,531</u> | <u>643,663</u> | <u>868,194</u> |
| Balance at January 1, 2020 | \$ 123,728 | 554,047 | 677,775 |
| Recognized in profit (loss) | 6,085 | (188,899) | (182,814) |
| Balance at December 31, 2020 | <u>\$ 129,813</u> | <u>365,148</u> | <u>494,961</u> |

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

(iv) Status of approval of income tax

The Company's income tax returns through 2019 have been assessed and approved by the Tax Authority (the year 2018 has not been approved).

(r) Share capital and other interests

(i) Ordinary shares

Reconciliation of shares outstanding for 2021 and 2020 was as follows :

| (In thousands of shares) | Ordinary Shares | |
|--|------------------|------------------|
| | 2021 | 2020 |
| Beginning balance at January 1 | 2,662,874 | 2,611,092 |
| Issuance of restricted shares of stock | 7,574 | 52,411 |
| Retirement of restricted shares of stock | (1,316) | (629) |
| Ending balance at December 31 | 2,669,132 | 2,662,874 |

For the year ended December 31, 2021 and 2020, the Company issued 7,574 thousand and 52,411 thousand restricted shares of stock, respectively, at par value of \$10, amounting to \$75,740 and \$524,110 thousand, respectively. 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, 2021 and 2020, the Company had retired 1,316 and 629 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 2,669,132 and 2,662,874 thousand common shares of stock, as of December 31, 2021 and 2020, respectively. All share proceeds from outstanding capital have been collected.

As of December 31, 2021 and 2020, the restricted Company shares of stock issued to employees have expired, of which 256 thousand and 0 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, 2021 and 2020, the Company has listed, in total, 253 thousand and 709 thousand units of GDRs, respectively, on the Euro MTF market of the Luxembourg Stock Exchange. As each unit of these GDRs represents 5 common shares of the Company, the Company has listed Company shares totaling 1,267 and 3,544 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, 2021 | December 31, 2020 |
|---|------------------------------|------------------------------|
| From issuance of share capital | \$ 66,983,778 | 66,397,897 |
| From conversion of convertible bonds | 11,073,663 | 11,073,663 |
| From treasury stock transactions | 47,865 | 47,865 |
| Difference between consideration and carrying amount of subsidiaries acquired or disposed | 2,273,401 | 2,432,574 |
| Changes in equity of associates accounted for using the equity method | 20,862 | - |
| Changes in ownership interest in subsidiaries | 1,441,117 | 1,441,117 |
| Employee stock options | 1,304 | 1,304 |
| Restricted stock to employees | 1,069,401 | 1,204,010 |
| Other | 409,917 | 409,917 |
| | <u>\$ 83,321,308</u> | <u>83,008,347</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 the rules issued by the FSC, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholder's equity. For the year 2019 earnings distribution in 2020, the amount to be reclassified to special reserve shall be a portion of current-period earnings and undistributed prior-period earnings. As for the year 2020 earnings distribution in 2021, the amount to be reclassified to special reserve shall be a portion of current-period earnings plus other line items in the retained earnings movements and undistributed prior-period earnings. 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

The amount of cash dividend on the appropriations of earnings for 2020 had been approved during the board meeting on March 25, 2021. Other distribution items for 2020 had been approved in the general meeting of the shareholders held on August 4, 2021. Furthermore, earnings distribution for 2019 was decided by the resolution adopted, at the general meeting of shareholders held on June 19, 2020. These relevant dividend distribution to shareholders were as follows :

| | For the years ended December 31 | |
|--|--|--------------------|
| | 2020 | 2019 |
| Common stock dividends per share (dollars) | | |
| — Cash | <u><u>\$ 4.50</u></u> | <u><u>4.50</u></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 at January 1, 2021 | \$ (15,808,892) | (57,309) | (1,146,659) | (17,012,860) |
| Exchange differences on subsidiaries accounted for using equity method | (3,722,550) | - | - | (3,722,550) |
| Difference between consideration and carrying amount of subsidiaries acquired or disposed | (1,832,185) | - | - | (1,832,185) |
| Unrealized losses from financial assets measured at fair value through other comprehensive income | - | 518,567 | - | 518,567 |
| Disposal of investments in equity instruments designated at fair value through other comprehensive income | - | (20,319) | - | (20,319) |
| Unrealized losses on subsidiaries accounted for using equity method from financial assets measured at fair value through other comprehensive income | - | 3,839 | - | 3,839 |
| Deferred compensation cost arising from issuance of restricted stock | - | - | 433,958 | 433,958 |
| Balance at December 31, 2021 | <u>\$ (21,363,627)</u> | <u>444,778</u> | <u>(712,701)</u> | <u>(21,631,550)</u> |
| Balance at 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 at December 31, 2020 | <u>\$ (15,808,892)</u> | <u>(57,309)</u> | <u>(1,146,659)</u> | <u>(17,012,860)</u> |

(s) Share-based payment

Information on share-based payment transactions as of December 31, 2021 and 2020 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 | 3.11% and 0.81% | 8.65% and 3.10% |
| Estimated future turnover rate for each or the three years of employees | 6.50%~25.51%, | - |

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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. On January 4, 2021, the registration procedures were completed. On May 11, 2021, Board of Directors of the Company approved to issue secondary new restricted shares of stock totaling 7,589 thousand shares with fair value of \$69.3 each at grant date. The record date for the capital increase through issuance of restricted shares of stock was June 11, 2021. The actual issuance number for the capital increase was 7,574 thousand shares. On July 12, 2021, the registration procedures were completed.

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PEGATRON CORPORATION
Notes to the Non-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. 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 2020-2 | Issued in 2020-1 | Issued in 2016-2 | Issued in 2016-1 |
| | 05/11/2021 | 09/22/2020 | 09/15/2017 | 05/09/2017 |
| Fair value at grant date | | | | |
| Stock price at grant date | \$ 69.30 | 63.20 | 88.50 | 89.70 |
| Exercise price | 10.00 | 10.00 | 10.00 | 10.00 |
| Expected life of the option | 4 years | 4 years | 3 years | 3 years |
| Current market price | 69.30 | 63.20 | 88.50 | 89.70 |
| Expected volatility | 25.25%~28.65% | 27.76%~31.92% | 22.46% | 33.31% |
| Expected dividend yield | -% | -% | -% | -% |
| Risk-free interest rate | (Note A) | (Note B) | (Note C) | (Note D) |

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

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

Note C : The risk-free interest rate is 0.13% for the period between three and six month.

Note D : 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, 2021 and 2020, 1,572 and 329 thousand shares of the restricted shares of stock issued to employees have expired, which were converted to capital surplus of \$15,663 thousand and \$3,076 thousand, respectively. As of December 31, 2021 and 2020, the Company has deferred compensation cost arising from issuance of restricted stock of \$712,701 thousand and \$1,146,659 thousand, respectively.

For the years ended December 31, 2021 and 2020, the Company recognized and reversed salary cost of \$73,837 thousand and \$51,730 thousand 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.

(Continued)

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Notes to the Non-Consolidated Financial Statements

(iii) Expenses recognized in profit or loss

The Company incurred expenses of share-based arrangements for the years ended December 31, 2021 and 2020 as follows :

| | For the years ended December 31 | |
|---|--|-----------------------|
| | 2021 | 2020 |
| Expenses resulting from the issuance of restricted stock to employees | <u><u>\$ 972,947</u></u> | <u><u>649,807</u></u> |

(t) Earnings per share

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

| | For the years ended December 31 | |
|--|--|--------------------------|
| | 2021 | 2020 |
| Basic earnings per share | | |
| Profit attributable to ordinary shareholders | <u><u>\$ 20,545,643</u></u> | <u><u>20,207,598</u></u> |
| Weighted-average number of ordinary shares | <u>2,666,276</u> | <u>2,614,021</u> |
| | <u><u>\$ 7.71</u></u> | <u><u>7.73</u></u> |
| Diluted earnings per share | | |
| Profit attributable to ordinary shareholders (diluted) | <u><u>\$ 20,545,643</u></u> | <u><u>20,207,598</u></u> |
| Weighted-average number of ordinary shares | <u>2,666,276</u> | <u>2,614,021</u> |
| Effect of potentially dilutive ordinary shares | | |
| Employee stock bonus | <u>28,292</u> | <u>31,279</u> |
| Weighted-average number of ordinary shares (diluted) | <u>2,694,568</u> | <u>2,645,300</u> |
| | <u><u>\$ 7.62</u></u> | <u><u>7.64</u></u> |

(u) Revenue from contracts with customers

(i) Disaggregation of revenue

| | For the years ended December 31 | |
|------------------------------|--|-----------------------------|
| | 2021 | 2020 |
| Primary geographical markets | | |
| Europe | <u>\$ 556,127,747</u> | <u>560,649,731</u> |
| U.S.A. | <u>441,393,100</u> | <u>492,150,035</u> |
| Taiwan | <u>97,955,563</u> | <u>93,968,296</u> |
| China | <u>20,258,323</u> | <u>17,868,816</u> |
| Japan | <u>12,198,488</u> | <u>25,410,773</u> |
| Other countries | <u>40,199,881</u> | <u>56,733,854</u> |
| | <u><u>\$ 1,168,133,102</u></u> | <u><u>1,246,781,505</u></u> |

(Continued)

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Notes to the Non-Consolidated Financial Statements

(ii) Contract balances

| | December 31, 2021 | December 31, 2020 | January 1, 2020 |
|--------------------------------|------------------------------|---------------------------|---------------------------|
| Accounts receivable | \$ 231,805,932 | 184,233,225 | 189,015,899 |
| Less: Allowance for impairment | 17,399 | 33,535 | 1,524,216 |
| Total | <u>\$ 231,788,533</u> | <u>184,199,690</u> | <u>187,491,683</u> |
| Contract liabilities | <u>\$ 733,952</u> | <u>724,708</u> | <u>671,460</u> |

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

The major change in the balance of contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received. There were no other significant changes for the year ended December 31, 2021 and 2020.

(v) Employee compensation and directors' remuneration

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

For the years ended December 31, 2021 and 2020, the Company estimated its employee remuneration amounting to \$1,605,000 thousand and \$1,633,000 thousand, and directors' remuneration amounting to \$159,000 thousand and \$162,000 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees and directors of each period, multiplied by the percentage of remuneration to employees and directors as specified in the Company's articles. Such amounts were recognized as operating costs or operating expenses during 2021 and 2020. Management is expecting that the differences, if any, between the actual distributed amounts and estimated amounts will be treated as changes in accounting estimates and charged to profit or loss. The numbers of shares to be distributed for 2021 and 2020 were calculated based on the closing price of the Company's ordinary shares, one day before the date of the meeting of Board of Directors. Related information would be available at the Market Observation Post System website. The amounts, as stated in the non-consolidated financial statements, are identical to those of the actual distributions for 2021 and 2020.

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

(w) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

| | For the years ended December 31 | |
|------------------------------------|--|----------------|
| | 2021 | 2020 |
| Interest income from bank deposits | \$ 120,434 | 264,961 |

(ii) Other income

The components of other income were as follows:

| | For the years ended December 31 | |
|--------------------------|--|----------------|
| | 2021 | 2020 |
| Rent income | \$ 129,442 | 131,461 |
| Technical service income | 539,647 | 501,406 |
| Government grants | 32,566 | 10,104 |
| Dividend income | 36,480 | 23,357 |
| Other income | 154,427 | 241,188 |
| | \$ 892,562 | 907,516 |

(iii) Other gains and losses

The details of other gains and losses were as follows:

| | For the years ended December 31 | |
|---|--|------------------|
| | 2021 | 2020 |
| Gains on disposals of property, plant and equipment | \$ 1,056 | 355 |
| Foreign exchange gains | 2,616,325 | 1,588,402 |
| Gains on lease modifications | 7 | 326 |
| Net profits on evaluation of financial assets measured at fair value through profit or loss | 96,293 | 199,105 |
| Provisions and others | (1,635,444) | - |
| | \$ 1,078,237 | 1,788,188 |

(iv) Finance costs

The details of finance costs were as follows:

| | For the years ended December 31 | |
|---|--|----------------|
| | 2021 | 2020 |
| Interest expenses | \$ 566,392 | 842,869 |
| Finance expense—bank fees and factoring fees, etc | 9,997 | 9,085 |
| | \$ 576,389 | 851,954 |

(Continued)

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Notes to the Non-Consolidated Financial Statements

(x) Financial instruments

(i) Credit risk

1) Exposure to credit risk

The carrying amount of financial assets represents the Company's maximum credit exposure.

2) Credit risk concentrations

As of December 31, 2021 and 2020, the accounts receivable from the Company's top three customers were amounted to \$298,616,017 thousand and \$286,388,390 thousand, representing 62% and 69% 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, 2021 | | | | | |
| Non-derivative financial liabilities | | | | | |
| Unsecured bank loans | \$ 51,327,680 | 51,368,420 | 48,504,531 | 1,300,000 | 1,563,889 |
| Unsecured ordinary corporate bonds | 36,869,595 | 36,900,000 | 2,000,000 | 4,500,000 | 30,400,000 |
| Non-interest bearing liabilities | 477,851,700 | 477,851,700 | 477,788,188 | 63,512 | - |
| Lease liabilities | 431,326 | 431,326 | 103,027 | 91,747 | 236,552 |
| | <u>\$ 566,480,301</u> | <u>566,551,446</u> | <u>528,395,746</u> | <u>5,955,259</u> | <u>32,200,441</u> |
| December 31, 2020 | | | | | |
| Non-derivative financial liabilities | | | | | |
| Unsecured bank loans | \$ 62,276,408 | 62,330,238 | 59,130,238 | 336,111 | 2,863,889 |
| Unsecured ordinary corporate bonds | 25,478,182 | 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>\$ 485,331,109</u> | <u>485,406,757</u> | <u>457,532,097</u> | <u>2,420,167</u> | <u>25,454,493</u> |

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

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.

(iii) Currency risk

1) Exposure to foreign currency risk

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

(Unit: Foreign currency / NTD in Thousands)

| | December 31, 2021 | | | December 31, 2020 | | |
|------------------------------|---------------------|------------------|-------------|---------------------|------------------|-------------|
| | Foreign Currency | Exchange Rate | NTD | Foreign Currency | Exchange Rate | NTD |
| <u>Financial assets</u> | | | | | | |
| <u>Monetary items</u> | | | | | | |
| USD | \$ 18,024,479 | 27.6830 | 498,971,652 | 15,151,606 | 28.4965 | 431,767,740 |
| <u>Financial liabilities</u> | | | | | | |
| <u>Monetary items</u> | | | | | | |
| USD | 18,645,043 | 27.6830 | 516,150,725 | 15,666,576 | 28.4965 | 446,442,583 |

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, 2021 and 2020 would have increased or decreased the before-tax net income by \$171,791 thousand and \$146,748 thousand, respectively. The analysis is performed on the same basis for both periods.

3) Foreign exchange gains or losses on monetary items

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, 2021 and 2020, the foreign exchange losses, including both realized and unrealized, amounted to \$2,616,325 thousand and \$1,588,402 thousand, respectively.

(iv) Interest rate analysis

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

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non derivative financial instruments at the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year. The Company's internal management reported the increase/decrease in the interest rates and the exposure to change in interest rates of 1% is considered by management to be a reasonable change of interest rate.

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

If the interest rate increases / decreases by 1%, the Company' s net income will decrease /increase by \$0 and \$91,189 thousand for the years ended December 31, 2021 and 2020, 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.

(v) Other market price risk

For the years ended December 31, 2021 and 2020, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below :

| | For the years ended December 31 | | | |
|--|-----------------------------------|-------------------|-----------------------------------|-------------------|
| | 2021 | | 2020 | |
| | Other comprehensive income (Loss) | Net Income (Loss) | Other comprehensive income (Loss) | Net Income (Loss) |
| Price of securities at the reporting date | | | | |
| Increase 3% | <u>\$ 30,468</u> | <u>23,609</u> | <u>14,911</u> | <u>19,849</u> |
| Decrease 3% | <u>\$ (30,468)</u> | <u>(23,609)</u> | <u>(14,911)</u> | <u>(19,849)</u> |

(vi) Fair value of financial instruments

1) 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 the 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, 2021 | | | | |
|--|-------------------|------------|---------|---------|-----------|
| | 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 | \$ 1,258,030 | 786,955 | - | 471,075 | 1,258,030 |
| Financial assets at fair value through other comprehensive income | | | | | |
| Stock of listed companies | \$ 1,015,597 | 1,015,597 | - | - | 1,015,597 |
| Financial assets at amortized cost | | | | | |
| Cash and cash equivalents | \$ 22,587,554 | - | - | - | - |
| Notes and accounts receivable | 478,597,528 | - | - | - | - |
| Other receivables | 460,024 | - | - | - | - |
| Other financial assets | 22,443,386 | - | - | - | - |
| Subtotal | 524,088,492 | - | - | - | - |

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

| December 31, 2021 | | | | | |
|--|-------------------|-------------------|----------------|----------------|--------------|
| | Book Value | Fair Value | | | Total |
| | | Level 1 | Level 2 | Level 3 | |
| Financial liabilities at amortized cost | | | | | |
| Bank loans | \$ 51,327,680 | - | - | - | - |
| Non-interest bearing liabilities | 477,851,700 | - | - | - | - |
| Lease liabilities | 431,326 | - | - | - | - |
| Unsecured ordinary corporate bond | 36,869,595 | - | - | - | - |
| Subtotal | 566,480,301 | - | - | - | - |
| 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 | \$ 990,505 | 661,640 | - | 328,865 | 990,505 |
| Financial assets at fair value through other comprehensive income | | | | | |
| Stock of listed companies | \$ 497,030 | 497,030 | - | - | 497,030 |
| 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 | 36,135,439 | - | - | - | - |
| Subtotal | 475,049,249 | - | - | - | - |
| 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 | 25,478,182 | - | - | - | - |
| Subtotal | 485,331,109 | - | - | - | - |

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

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

a) Financial assets and financial liabilities measured at amortized cost

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

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

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

a) Non-derivative financial instruments

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

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

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

b) Derivative financial instruments

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

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

4) Transfers between Level 1 and Level 2

There have been no transfers from each level for the years ended December 31, 2021 and 2020.

5) Reconciliation of Level 3 fair values

| | Non derivative mandatorily measured at fair value through profit or loss |
|------------------------------------|---|
| Opening balance, January 1, 2021 | \$ 328,865 |
| Total gains and losses recognized: | |
| In profit or loss | (24,814) |
| Purchased | 167,024 |
| Ending Balance, December 31, 2021 | <u><u>\$ 471,075</u></u> |

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PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

| | 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><u>\$ 328,865</u></u> |

For the years ended December 31, 2021 and 2020, total gains and losses that were included in “other gains and losses” were as follows:

| | For the years ended December 31 | |
|---|--|------------------------|
| | 2021 | 2020 |
| Total gains and losses recognized: | | |
| In profit or loss, and including “other gains and losses” | <u><u>\$ (24,814)</u></u> | <u><u>(25,345)</u></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.

Quantified information of significant unobservable inputs was 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-private fund | Net Asset Value Method | • Net Asset Value | Not applicable |

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

(vii) Offsetting of financial assets and financial liabilities

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

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

| December 31, 2021 | | | | | | |
|---|---|---|--|--|-----------------------------------|----------------------------|
| Financial assets that are offset which have an exercisable master netting arrangement or similar agreement | | | | | | |
| | Gross amounts of recognized financial assets (a) | Gross amounts of financial liabilities offset in the balance sheet (b) | Net amount of financial assets presented in the balance sheet (c)=(a)-(b) | Amounts not offset in the balance sheet (d) | | Net amounts (e)=(c)-(d) |
| | | | | Financial Instruments (Note) | Cash collateral instruments | |
| Accounts Receivable and Payable | \$ 105,203,391 | 86,380,572 | 18,822,819 | - | - | 18,822,819 |
| December 31, 2021 | | | | | | |
| Financial liabilities that are offset which have an exercisable master netting arrangement or similar agreement | | | | | | |
| | Gross amounts of recognized financial liabilities (a) | Gross amounts of financial assets offset in the balance sheet (b) | Net amount of financial liabilities presented in the balance sheet (c)=(a)-(b) | Amounts not offset in the balance sheet (d) | | Net amounts (e)=(c)-(d) |
| | | | | Financial Instruments (Note) | Cash collateral instruments | |
| Accounts Receivable and Payable | \$ 86,380,572 | 86,380,572 | - | - | - | - |
| December 31, 2020 | | | | | | |
| Financial assets that are offset which have an exercisable master netting arrangement or similar agreement | | | | | | |
| | Gross amounts of recognized financial assets (a) | Gross amounts of financial liabilities offset in the balance sheet (b) | Net amount of financial assets presented in the balance sheet (c)=(a)-(b) | Amounts not offset in the balance sheet (d) | | Net amounts (e)=(c)-(d) |
| | | | | Financial Instruments (Note) | Cash collateral instruments | |
| Accounts Receivable and Payable | \$ 85,181,577 | 66,048,341 | 19,133,236 | - | - | 19,133,236 |
| December 31, 2020 | | | | | | |
| Financial assets that are offset which have an exercisable master netting arrangement or similar agreement | | | | | | |
| | Gross amounts of recognized financial liabilities (a) | Gross amounts of financial assets offset in the balance sheet (b) | Net amount of financial assets presented in the balance sheet (c)=(a)-(b) | Amounts not offset in the balance sheet (d) | | Net amounts (e)=(c)-(d) |
| | | | | Financial Instruments (Note) | Cash collateral instruments | |
| Accounts Receivable and Payable | \$ 66,048,341 | 66,048,341 | - | - | - | - |

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

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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) Structure of risk management

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Company's risk management policies. The committee 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 its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company Audit Committee 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. The Company Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from cash, accounts receivables and equity securities. 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.

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

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, 2021, 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 cash and cash equivalents 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.

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PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

(v) Market risk

Market risk is a risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will 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 purchases and sales are denominated mainly in US dollars, which exposes the Company's current and future cash flows to foreign currency assets to the risk of market exchange rate fluctuations in market exchange rates. The company follows the principle of natural hedging, the currency held by the company is consistent with the actual foreign exchange demand of the company's import and export transactions, the company's overall internal positions (foreign currency income and expense) are self-levelling as the principle, and spot foreign exchange tools are used to avoid exchange rates risk.

The interest is denominated in the same currency as borrowings. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the 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.

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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, 2021 | December 31, 2020 |
|---------------------------------|------------------------------|------------------------------|
| Total liabilities | \$ 590,132,296 | 509,378,402 |
| Less: cash and cash equivalents | <u>(22,587,554)</u> | <u>(25,707,844)</u> |
| Net debt | 567,544,742 | 483,670,558 |
| Total capital | <u>166,604,545</u> | <u>162,594,581</u> |
| Adjusted capital (Note) | <u>\$ 734,149,287</u> | <u>646,265,139</u> |
| Debt to equity ratio | <u>77.31%</u> | <u>74.84%</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, 2021 and 2020.

(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, 2021 and 2020, were as follows :

Reconciliation of liabilities arising from financing activities was as follows :

| | January 1, 2021 | Cash flows | Non-cash changes | | December 31, 2021 |
|---|-----------------------------|-----------------------|--|-----------------------|------------------------------|
| | | | Foreign exchange movement | Other | |
| Short-term loans | \$ 59,130,238 | (10,961,818) | - | - | 48,168,420 |
| Other payables-related parties | 5,685,052 | 272,669 | 243,271 | - | 6,200,992 |
| Other payables-restricted employee stock | 201,972 | (16,964) | - | (26,020) | 158,988 |
| Bonds payable | 25,478,182 | 11,385,600 | - | 5,813 | 36,869,595 |
| Long-term loans | 3,146,170 | - | - | 13,090 | 3,159,260 |
| Lease liabilities | 168,042 | (87,907) | - | 351,191 | 431,326 |
| Total liabilities from financing activities | <u>\$ 93,809,656</u> | <u>591,580</u> | <u>243,271</u> | <u>344,074</u> | <u>94,988,581</u> |

(Continued)

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Notes to the Non-Consolidated Financial Statements

| | January 1, 2020 | Cash flows | Non-cash changes | | December 31, 2020 |
|---|----------------------|-------------------|---------------------------------|----------------|----------------------|
| | | | Foreign exchange movement | Other | |
| Short-term loans | \$ 38,674,200 | 20,456,038 | - | - | 59,130,238 |
| Other payables-related parties | 4,497,000 | 1,289,017 | (100,965) | - | 5,685,052 |
| Other payables-restricted employee stock | 94,337 | (3,292) | - | 110,927 | 201,972 |
| Bonds payable | 23,480,339 | 1,994,000 | - | 3,843 | 25,478,182 |
| Long-term loans | - | 3,200,000 | - | (53,830) | 3,146,170 |
| Lease liabilities | 139,046 | (92,072) | - | 121,068 | 168,042 |
| Total liabilities from financing activities | <u>\$ 66,884,922</u> | <u>26,843,691</u> | <u>(100,965)</u> | <u>182,008</u> | <u>93,809,656</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 | |
| POWTEK (SHANGHAI) LTD. | The Company's subsidiary | |
| PIOTEK COMPUTER (SUZHOU) CO., LTD. | The Company's subsidiary | |
| PEGAGLOBE (KUNSHAN) CO., LTD. | The Company's subsidiary | |
| PEGAGLOBE INVESTMENT (JIANGSU) CO., LTD. | The Company's subsidiary | Note 8 |
| DIGITEK (CHONGQING) LTD. | The Company's subsidiary | |
| CHONGQING ZUANSUO 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 | Note 5 |
| ASUSPOWER INVESTMENT CO., LTD. | The Company's subsidiary | |

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PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

| Name of related party | Relationship with the Company | Notes |
|---|----------------------------------|---------|
| ASUS INVESTMENT CO., LTD. | The Company' s subsidiary | |
| ASUSTEK INVESTMENT CO., LTD. | The Company' s subsidiary | |
| ASROCK INCORPORATION | The Company' s subsidiary | |
| ASRock Rack Incorporation | The Company' s subsidiary | |
| ASRock Industrial Computer Corporation | The Company' s subsidiary | |
| ASJade Technology Inc. | The Company' s subsidiary | Note 10 |
| 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 | |
| BeautyTech Platform Corporation | The Company' s subsidiary | Note 2 |
| PEGAVISION (SHANGHAI) LIMITED | The Company' s subsidiary | |
| Pegavision (Jiangsu) Limited. | The Company' s subsidiary | Note 11 |
| Mayin Investment Co., Ltd. | The Company' s subsidiary | Note 9 |
| FacialBeau International Corporation | The Company' s subsidiary | Note 10 |
| 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 associate | Note 7 |
| SHENG-RUI ELECTRONIC TECHNOLOGY (SHANGHAI) LIMITED | The Company' s associate | Note 7 |
| RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD. | The Company' s associate | Note 7 |
| RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD. | The Company' s associate | Note 7 |
| Luxcase Precision Technology (Yancheng) Co., Ltd. | The Company' s associate | Note 7 |
| Rida Intelligent Manufacture Technology (Rugao) Co., ltd. | The Company' s associate | |
| 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 1 |
| APLUS PRECISION 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 |
|--------------------------------------|----------------------------------|------------------|
| Aquamax Vision Corporation | The Company's subsidiary | Note 3 |
| 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 | |
| CASETEK HOLDINGS LIMITED | The Company's subsidiary | |
| CASETEK SINGAPORE PTE. LTD. | The Company's associate | Note 7 |
| COTEK HOLDINGS LIMITED | The Company's subsidiary | |
| DIGITEK GLOBAL HOLDINGS LIMITED | The Company's subsidiary | |
| Firstplace 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 | Notes 3 and 6 |

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

| Name of related party | Relationship with the Company | Notes |
|---|----------------------------------|---------|
| PEGATRON SERVICOS DE INFORMATICA LTDA. | The Company' s subsidiary | |
| PEGATRON TECHNOLOGY HAI PHONG COMPANY LIMITED | The Company' s subsidiary | Note 2 |
| PEGATRON TECHNOLOGY INDIA PRIVATE LIMITED | The Company' s subsidiary | Note 3 |
| PEGATRON TECHNOLOGY SERVICE INC. | The Company' s subsidiary | |
| PEGATRON USA, Inc. | The Company' s subsidiary | |
| PEGATRON VIETNAM COMPANY LIMITED | The Company' s subsidiary | Note 2 |
| PEGATRON TECHNOLOGY TEXAS INC. | The Company' s subsidiary | Note 10 |
| PEGATRON ELECTRONICS INC. | The Company' s subsidiary | Note 10 |
| PEGAVISION HOLDINGS CORPORATION | The Company' s subsidiary | Note 4 |
| 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 | |
| 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 | |
| ADVANTECH CO., LTD. | Other related party | |

Note 1: It was written off in the 2nd quarter of 2020.

Note 2: It was established in the 2nd quarter of 2020.

Note 3: It was established in the 3rd quarter of 2020.

Note 4: It completed its delisting application in September 2020.

Note 5: It was sold to a non-related party in the 1st quarter of 2021.

Note 6: It was merged in the 1st quarter of 2021.

Note 7: It was no longer the Company's subsidiary but the Company's associate's subsidiary as of February 3, 2021. For more details, please refer to Note 4(c).

Note 8: It was established in the 2nd quarter of 2021.

Note 9: It was established in the 3rd quarter of 2021.

Note 10: It was established in the 4th quarter of 2021.

Note 11: It was established in the 1st quarter of 2021.

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

(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:

| | | Sales | |
|---|-----------|---|---------------------|
| | | For the years ended December 31 | |
| | | 2021 | 2020 |
| Subsidiaries | \$ | 12,477,015 | 5,838,303 |
| Other related parties | | 34,623 | - |
| | \$ | 12,511,638 | 5,838,303 |
| | | Receivables from related parties | |
| | | December 31, | December 31, |
| | | 2021 | 2020 |
| Subsidiaries, PROTEK (SHANGHAI) LTD. | \$ | 102,069,459 | 93,386,147 |
| Subsidiaries, PEGAGLOBE (KUNSHAN) CO., LTD. | | 65,386,391 | 94,709,929 |
| Subsidiaries, DIGITEK (CHONGQING) LTD. | | 52,659,300 | 15,441,939 |
| Subsidiaries, Other | | 26,693,845 | 24,937,951 |
| | \$ | 246,808,995 | 228,475,966 |

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 two 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.

(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 | |
| | | 2021 | 2020 |
| Subsidiaries | \$ | 98,403,839 | 40,957,337 |
| Associates | | 270,015 | - |
| | \$ | 98,673,854 | 40,957,337 |

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

| | Payables to Related Parties | |
|---|------------------------------------|------------------------------|
| | December 31, 2021 | December 31, 2020 |
| Subsidiaries, PEGAGLOBE (KUNSHAN) CO., LTD. | \$ 84,342,828 | 108,888,894 |
| Subsidiaries, PROTEK (SHANGHAI) LTD. | 74,677,470 | 35,448,023 |
| Subsidiaries, DIGITEK (CHONGQING) LTD. | 49,357,663 | 12,594,314 |
| Subsidiaries, Other | 6,909,453 | 7,746,204 |
| Associates | 182,274 | - |
| | <u>\$ 215,469,688</u> | <u>164,677,435</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 (from) paid to Related Parties

| | For the years ended December 31 | |
|--------------|--|----------------------|
| | 2021 | 2020 |
| Subsidiaries | <u>\$ (13,678)</u> | <u>60,829</u> |

- (iv) Other income and losses from Related Parties

| | For the years ended December 31 | |
|--------------|--|----------------------|
| | 2021 | 2020 |
| Subsidiaries | <u>\$ 12,529</u> | <u>20,804</u> |

- (v) Rental revenue

For the years ended December 31, 2021 and 2020, the Company incurred subsidiaries transactions of \$102,497 thousand and \$113,783 thousand, 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, 2021 and 2020, the Company incurred subsidiaries transactions recorded as expenses such as rental expense, royalty payment, storage expense, and professional service fee, etc, aggregating to \$312,170 thousand and \$189,507 thousand, respectively.

- (vii) Purchase and sales of real estate property and other assets

For the years ended December 31, 2021 and 2020, molds and equipment purchased from subsidiaries are amounted to \$131,236 thousand and \$214,480 thousand, respectively.

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

(viii) Other related party transactions accounted for as assets and liabilities in the balance sheet

| | December 31, 2021 | December 31, 2020 |
|-------------------------------|------------------------------|------------------------------|
| Other receivables | | |
| Subsidiaries | \$ 22,332 | 14,867 |
| Other payables | | |
| Subsidiaries | \$ 349,383 | 595,579 |
| Other current liabilities | | |
| Subsidiaries | \$ 10,727 | 1,019 |
| Other non-current liabilities | | |
| Subsidiaries | \$ 10,438 | 10,438 |

(ix) Borrowings from related parties

| | December 31, 2021 | December 31, 2020 |
|------------------|------------------------------|------------------------------|
| Subsidiaries | \$ 6,200,992 | 5,685,052 |
| Interest rate | 0% | 0% |
| Interest expense | \$ - | - |

(x) As of December 31, 2021, please refer to Note 13 for endorsements and guarantees for related party.

(c) Key management personnel compensation

| | For the years ended December 31 2021 | 2020 |
|------------------------------|---|----------------|
| Short-term employee benefits | \$ 194,089 | 226,350 |
| Post-employment benefits | 2,403 | 2,513 |
| Share-based payments | 156,847 | 149,711 |
| | \$ 353,339 | 378,574 |

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, 2021 and 2020, pledged assets were as follows:

| <u>Asset</u> | <u>Purpose of pledge</u> | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|---|------------------------------------|------------------------------|------------------------------|
| Other financial asset-restricted deposits | Deposits for customs duties | \$ 114,111 | 108,093 |
| Other financial asset-refundable deposits | Deposits for performance guarantee | 29,276 | 27,346 |
| | | <u>\$ 143,387</u> | <u>135,439</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, 2021</u> | <u>December 31, 2020</u> |
|-----|------------------------------|------------------------------|
| NTD | <u>\$ 10,490</u> | <u>16,391</u> |

(b) Significant contingent liability :

AIG Specialty Insurance Company, as assignee and subrogee of the Group' s customer, filed a lawsuit against the Company in the United Stated District Court for the Northern District of Georgia, seeking damages based on certain quality issue occurred on the products sold by the Company. The Court found that the Company is liable for the products in issue through a summary judgement order. The specific amount of the damages will be decided by the Jury in the subsequent trial proceeding. The Company has reached a settlement with AIG Specialty Insurance Company for USD \$59,000 thousand as of December 31, 2021. The Company has recognized relevant provision. The Court administratively closed this case till March 14, 2022. As of the release date of the non-consolidated financial statements, the Company is in the process of negotiating and finalizing the formal settlement agreement with the Plaintiff AIG Specialty Insurance Company.

(10) Losses due to major disasters: None.

(11) Subsequent events: None

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

(12) Other:

A summary of employee benefits, depreciation, and amortization, by function, is as follows:

| By function By item | For the years ended December 31 | | | | | |
|----------------------------|---------------------------------|--------------------|------------|---------------|--------------------|------------|
| | 2021 | | | 2020 | | |
| | Cost of sales | Operating expenses | Total | Cost of sales | Operating expenses | Total |
| Employee benefit | | | | | | |
| Salary | \$ 2,268,678 | 8,491,275 | 10,759,953 | 1,776,997 | 9,118,235 | 10,895,232 |
| Labor and health insurance | 212,716 | 522,623 | 735,339 | 154,898 | 491,115 | 646,013 |
| Pension | 64,103 | 273,024 | 337,127 | 57,449 | 272,480 | 329,929 |
| Remuneration of directors | - | 159,000 | 159,000 | - | 162,000 | 162,000 |
| Others | 320,541 | 529,192 | 849,733 | 267,764 | 600,769 | 868,533 |
| Depreciation | 723,448 | 456,705 | 1,180,153 | 500,399 | 373,890 | 874,289 |
| Amortization | 52,042 | 22,412 | 74,454 | 56,497 | 42,986 | 99,483 |

For the years ended December 31, 2021 and 2020, the information on the number of employees and employee benefit expense of the Company is as follows :

| | 2021 | 2020 |
|---|-----------------|--------------|
| Number of employees | <u>8,519</u> | <u>7,881</u> |
| Number of directors (non-employee) | <u>8</u> | <u>8</u> |
| Average employee benefit expense | <u>\$ 1,490</u> | <u>1,618</u> |
| Average employee salary expense | <u>\$ 1,264</u> | <u>1,384</u> |
| Percentage of average employee salary expense | <u>(8.67)%</u> | |
| Remuneration for supervisors | <u>\$ -</u> | <u>-</u> |

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.

(Continued)

PEGATRON CORPORATION
Notes to the Non-Consolidated Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the 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, 2021 (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 | Table 6 |
| 7 | Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock | Table 7 |
| 8 | Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock | Table 8 |
| 9 | Trading in derivative instruments | None |

(b) Information on investees:

Please refer to Table 9 for the information on investees for the year ended December 31, 2021.

(c) Information on investment in mainland China:

- (i) Please refer to Table 10 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 | 16.80% |

(14) Segment information:

Please refer to the consolidated financial statements for the year ended December 31, 2021.

Notes to the Non-Consolidated Financial Statements

Table 1 : Loans to other parties
December 31, 2021

| Number (Note 1) | Name of lender | Name of borrower | Account name (Note 2) | Related party | Highest balance of financing to other parties during the period | Ending balance | Actual usage amount during this period | Range of interest rates during the period | Nature of loan (Note 3) | Transaction amount for business between two parties (Note 4) | | Reasons for short-term financing (Note 5) | Collateral | | Expressed in thousands of NTD | |
|--------------------|--|--|-----------------------------------|------------------|--|----------------|---|--|-------------------------------|---|---|---|------------|---|---|--|
| | | | | | | | | | | | | | | | Individual funding loan limits (Note 6) | Maximum limit of fund financing (Note 6) |
| 1 | MAINTENK COMPUTER (SUZHOU) CO., LTD. | COTEK ELECTRONICS SUZHOU) CO., LTD. | Other Receivables | Y | 1,384,150 | 1,384,150 | 1,384,150 | 2.59% | 2 | - | - | Fund accommodation | - | - | 14,964,672 | 29,929,345 |
| 1 | MAINTENK COMPUTER (SUZHOU) CO., LTD. | RI SHAN COMPUTER ACCESSORY (JIASHAN) CO., LTD. | Other Receivables | Y | 2,768,300 | - | - | 0.92% | 2 | - | - | Fund accommodation | - | - | 11,971,738 | 29,929,345 |
| 2 | ASUSPOWER CORPORATION | PEGATRON CORPORATION | Other Receivables | Y | 5,877,996 | 4,650,744 | 4,650,744 | 0.00% | 2 | - | - | Fund accommodation | - | - | 5,905,922 | 5,905,922 |
| 2 | ASUSPOWER CORPORATION | ASUS INVESTMENT CO., LTD. | Other Receivables | Y | 581,343 | 581,343 | 581,343 | 0.00% | 2 | - | - | Fund accommodation | - | - | 1,771,777 | 3,543,553 |
| 2 | ASUSPOWER CORPORATION | ASUSPOWER INVESTMENT CO., LTD. | Other Receivables | Y | 609,026 | 609,026 | 609,026 | 0.00% | 2 | - | - | Fund accommodation | - | - | 1,771,777 | 3,543,553 |
| 3 | CASETEK HOLDINGS LIMITED | PEGATRON CORPORATION | Other Receivables | Y | 1,093,479 | 1,065,796 | 1,065,796 | 0.00% | 2 | - | - | Fund accommodation | - | - | 5,724,128 | 5,724,128 |
| 4 | KAEDAR TRADING LTD. | PEGATRON VIETNAM COMPANY LIMITED | Other Receivables | Y | 498,294 | - | - | 1.00% | 2 | - | - | Fund accommodation | - | - | 518,308 | 518,308 |
| 4 | KAEDAR TRADING LTD. | PEGATRON CORPORATION | Other Receivables | Y | 525,977 | 484,453 | 484,453 | 0.00% | 2 | - | - | Fund accommodation | - | - | 518,308 | 518,308 |
| 5 | PROTEK (SHANGHAI) LTD. | RI SHAN COMPUTER ACCESSORY (JIASHAN) CO., LTD. | Other Receivables | Y | 4,152,450 | - | - | 0.92% | 2 | - | - | Fund accommodation | - | - | 5,537,507 | 11,075,014 |
| 6 | RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD. | RI SHAN COMPUTER ACCESSORY (JIASHAN) CO., LTD. | Short-Term Accounts Receivable | Y | 5,427,438 | 3,690,658 | 3,690,658 | 1.00% | 2 | - | - | Business operation | - | - | 3,448,052 | 3,448,052 |
| 6 | RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD. | RI-PRO PRECISION MODEL (SHANGHAI) CO., LTD. | Long-Term Accounts Receivable | Y | 130,259 | 130,259 | 130,259 | 1.00% | 2 | - | - | Business operation | - | - | 8,620,129 | 8,620,129 |
| 7 | RIH LI International Limited | RI SHAN COMPUTER ACCESSORY (JIASHAN) CO., LTD. | Short-Term Accounts Receivable | Y | 9,689,050 | 4,567,695 | 4,567,695 | 1.00% | 2 | - | - | Business operation | - | - | 14,018,280 | 14,018,280 |
| 8 | KAI HE COMPUTER ACCESSORY (SUZHOU) CO., LTD. | RI SHAN COMPUTER ACCESSORY (JIASHAN) CO., LTD. | Short-Term Accounts Receivable | Y | 347,356 | - | - | 1.00% | 2 | - | - | Business operation | - | - | 343,021 | 343,021 |
| 9 | CASETEK HOLDINGS LIMITED(CAYMAN) | CASETEK SINGAPORE PTE. LTD. | Short-Term Accounts Receivable | Y | 4,844,525 | - | - | 0.00% | 2 | - | - | Business operation | - | - | 14,820,445 | 14,820,445 |
| 10 | Azwave Holding (Samoa) Inc. | AGALE CORPORATION (SHANGHAI) | Other Receivables | Y | 27,683 | 27,683 | - | 0.00% | 2 | - | - | Cash flow adequacy | - | - | 846,875 | 846,875 |

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)1: the borrower has business contact with the creditor

(2)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 maximum limit of fund financing

Notes to the Non-Consolidated Financial Statements

Maximum limit of fund financing

According to our(MAINTEK COMPUTER (SUZHOU) CO., LTD.) policy for loans granted, the maximum limit of fund financing 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: maximum limit of fund financing to which is 40% of our(MAINTEK COMPUTER (SUZHOU) CO., LTD.)'s net assets.

According to our(ASUSPOWER CORPORATION) policy for loans granted, the maximum limit of fund financing 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: maximum limit of fund financing to which is 100% of ASUSPOWER CORPORATION's net assets.

According to our(CASETEK HOLDINGS LIMITED) policy for loans granted, the maximum limit of fund financing 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: maximum limit of fund financing to which is 100% of CASETEK HOLDINGS LIMITED's net assets.

According to our(KAEDAR TRADING LIMITED) policy for loans granted, the maximum limit of fund financing to all parties is 30% 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: maximum limit of fund financing to which is 100% of KAEDAR TRADING LIMITED's net assets.

According to our(PROTEK (SHANGHAI) LTD.) policy for loans granted, the maximum limit of fund financing 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: maximum limit of fund financing to which is 100% of PROTEK (SHANGHAI) LTD.'s 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 maximum limit of fund financing to which is 100% of our(RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.) net assets, the maximum limit of fund financing to all other parties is 40% of our(RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.) 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 maximum limit of fund financing to which is 100% of our(RIH LI International Limited) 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 maximum limit of fund financing to which is 100% of our(KAI HE COMPUTER ACCESSORY (SUZHOU) CO., LTD.) net assets, the maximum limit of fund financing to all other parties is 40% of our(KAI HE COMPUTER ACCESSORY (SUZHOU) CO., LTD.) net assets.

According to our(CASETEK HOLDINGS LIMITED(CAYMAN)) policy for loans granted, the maximum limit of fund financing to all parties is 40% of our(CASETEK HOLDINGS LIMITED(CAYMAN)) 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: maximum limit of fund financing to which is 40% of our net assets.

Maximum limit of fund financing to single party

According to our(MAINTEK COMPUTER (SUZHOU) CO., LTD.) policy for loans granted, the maximum limit of fund financing 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: maximum limit of fund financing to which is 40% of our(MAINTEK COMPUTER (SUZHOU) CO., LTD.)'s net assets.

According to our(ASUSPOWER CORPORATION) policy for loans granted, the maximum limit of fund financing 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: maximum limit of fund financing to which is 100% of ASUSPOWER CORPORATION's net assets.

According to our(CASETEK HOLDINGS LIMITED) policy for loans granted, the maximum limit of fund financing to a single party 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: maximum limit of fund financing to which is 100% of CASETEK HOLDINGS LIMITED's net assets.

According to our(KAEDAR TRADING LIMITED) policy for loans granted, the maximum limit of fund financing to a single party 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: maximum limit of fund financing to which is 100% of KAEDAR TRADING LIMITED's net assets.

According to our(PROTEK (SHANGHAI) LTD.) policy for loans granted, the maximum limit of fund financing to a single party 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: maximum limit of fund financing to which is 100% of PROTEK (SHANGHAI) LTD.'s 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 maximum limit of fund financing to which is 100% of our(RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.) net assets, the maximum limit of fund financing to other single party is 40% of our(RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.) 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), the maximum limit of fund financing to which is 100% of our(RIH LI International Limited) 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 maximum limit of fund financing to which is 100% of our(KAI HE COMPUTER ACCESSORY (SUZHOU) CO., LTD.) net assets, the maximum limit of fund financing to other single party is 40% of our(KAI HE COMPUTER ACCESSORY (SUZHOU) CO., LTD.) net assets.

According to our(CASETEK HOLDINGS LIMITED(CAYMAN)) policy for loans granted, the maximum limit of fund financing to which is 40% of our(CASETEK HOLDINGS LIMITED(CAYMAN)) 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: maximum limit of fund financing to a subsidiary is 40% of our(AZWAVE HOLDING (SAMOA) INC.) net assets.

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, 2021 was USD/NTD : 27.683 ; CNY/NTD : 4.34195)

Notes to the Non-Consolidated Financial Statements

Table 2: Guarantees and endorsements for other parties
December 31, 2021

| No. (Note 1) | Name of guarantor | Counter-party of guarantee and endorsement Relationship with the Company (Note 2) | Limitation on amount of guarantees and endorsements for a specific enterprise (Note 3) | Highest balance for guarantees and endorsements during the period | Balance of guarantees and endorsements as of reporting date (Note 4) (Note 5) | Actual usage amount during the period | Property pledged for guarantees and endorsements (Amount) | Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements | Maximum amount for guarantees and endorsements (Note 3) | Parent company endorsements/ guarantees to third parties on behalf of subsidiary | Subsidiary endorsements/guarantees to third parties on behalf of parent company | Endorsements/guarantees to third parties on behalf of companies in Mainland |
|-----------------|----------------------------------|--|--|--|--|--|--|---|--|--|---|--|
| | | | | | | | | | | | | |
| 1 | AZURE WAVE TECHNOLOGIES, INC. | AzureWave Technologies (Shanghai) Inc. | 1,042,683 | 470,611 | 138,415 | - | - | 6.64% | 1,042,683 | Y | N | Y |
| 2 | ASROCK Incorporation | ASIAROCK TECHNOLOGY LIMITED | 5,789,798 | 2,224,360 | 2,214,640 | 1,660,980 | - | 26.78% | 5,789,798 | Y | N | 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 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.

According to ASROCK Incorporation's policy of endorsements and guarantees, the total endorsements and guarantees of the Company to others should not exceed 70% of the Company's net assets.

Ceiling on endorsements/guarantees provided for a single party

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.

According to ASROCK Incorporation's policy of endorsements and guarantees, the endorsements and guarantees of the Company to the wholly-owned corporate should not exceed 70% 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, 2021 is USD/NTD: 27.683)

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, 2021 (excluding investment in subsidiaries, associates and joint ventures)
December 31, 2021

| Marketable securities (Note 1) | | | | Ending balance | | | | Expressed in thousands of NTD | |
|--------------------------------|----------|---|------------------------------------|---|------------|-------------------------|-----------------------------|-------------------------------|-------------------|
| Name of holder | Category | Name | Relationship with company (Note 2) | Account title | Shares | Carrying value (Note 3) | Percentage of ownership (%) | Fair value (Note 3) | Maximum Ownership |
| PEGATRON CORPORATION | Stock | ABILITY ENTERPRISE CO., LTD. | - | financial asset measured at fair value through other comprehensive income-Non current | 33,135,300 | 1,015,597 | 11.52% | 1,015,597 | 11.74% |
| " | Stock | Fubon Financial Holding Co., Ltd. | - | financial asset measured at fair value through profit or loss-Non current | 3,500,000 | 220,850 | 0.53% | 220,850 | 0.53% |
| " | Fund | China Renewable Energy Fund, LP(CREF) | - | financial asset measured at fair value through profit or loss-Non current | - | 471,075 | N/A | 471,075 | N/A |
| " | Stock | TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY | - | financial asset measured at fair value through profit or loss-Current | 470,000 | 289,050 | 0.00% | 289,050 | 0.00% |
| " | Stock | DELTA ELECTRONICS, INC. | - | financial asset measured at fair value through profit or loss-Current | 290,000 | 79,750 | 0.01% | 79,750 | 0.01% |
| " | Stock | MEDIATEK INC. | - | financial asset measured at fair value through profit or loss-Current | 155,000 | 184,450 | 0.01% | 184,450 | 0.01% |
| " | Stock | Airtac International Group | - | financial asset measured at fair value through profit or loss-Current | 12,603 | 12,855 | 0.01% | 12,855 | 0.03% |
| ASUSPOWER CORPORATION | Stock | Tesla, Inc. | - | financial asset measured at fair value through profit or loss-Current | 100 | 2,925 | 0.00% | 2,925 | 0.00% |
| PROTEK (SHANGHAI) LTD. | Stock | LUXSHARE ICT CO., LTD. | - | financial asset measured at fair value through profit or loss-Current | 39,845,105 | 8,253,001 | 0.56% | 8,253,001 | 0.57% |
| " | Stock | Contemporary Amperex Technology Co. Limited | - | financial asset measured at fair value through profit or loss-Current | 3,000 | 7,479 | 0.00% | 7,479 | 0.00% |
| " | Bond | LUXSHARE ICT CO., LTD. (Convertible Bond) | - | financial asset measured at fair value through profit or loss-Current | 170,816 | 92,543 | N/A | 92,543 | N/A |
| " | Stock | Ark Semiconductor Corp. Ltd. | - | financial asset measured at fair value through profit or loss-Non current | - | 147,631 | 6.34% | 147,631 | 6.34% |
| ASUSPOWER INVESTMENT CO., LTD. | Stock | SPORTON INTERNATIONAL INC. | - | financial asset measured at fair value through profit or loss-Current | 272,265 | 59,082 | 0.28% | 59,082 | 0.28% |
| " | Stock | WIN SEMICONDUCTORS CORP. | - | financial asset measured at fair value through profit or loss-Current | 395,000 | 147,928 | 0.09% | 147,928 | 0.09% |
| " | Stock | Topoint Technology Co., Ltd. | - | financial asset measured at fair value through other comprehensive income-Non current | - | - | 0.00% | - | 0.78% |
| " | Stock | ABILITY ENTERPRISE CO., LTD. | - | financial asset measured at fair value through other comprehensive income-Non current | 6,495 | 199 | 0.00% | 199 | 0.00% |
| " | Stock | ZOWIE Technology Corporation | - | financial asset measured at fair value through other comprehensive income-Non current | 90,973 | - | 0.33% | - | 0.46% |
| " | Stock | Syntnrix 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 | 3,092,412 | 659,176 | 3.15% | 659,176 | 4.03% |
| " | Stock | Cognito Health Inc | - | financial asset measured at fair value through other comprehensive income-Non current | 1,136,363 | - | 1.61% | - | 1.61% |

Notes to the Non-Consolidated Financial Statements

| Marketable securities (Note 1) | | | | Relationship with company (Note 2) | Ending balance | | | | | Expressed in thousands of NTD | |
|--------------------------------------|----------|--|---|------------------------------------|----------------|-------------------------|-----------------------------|---------------------|-------------------|-------------------------------|--|
| Name of holder | Category | Name | Account title | | Shares | Carrying value (Note 3) | Percentage of ownership (%) | Fair value (Note 3) | Maximum Ownership | Note | |
| ASUS INVESTMENT CO., LTD. | Stock | SPEED TECH CORPORATION | financial asset measured at fair value through profit or loss-Current | - | 8,000,000 | 659,200 | 4.70% | 659,200 | 4.73% | | |
| " | Stock | TAIWAN UNION TECHNOLOGY CORPORATION | financial asset measured at fair value through profit or loss-Current | - | 277,000 | 28,254 | 0.10% | 28,254 | 0.10% | | |
| " | Stock | GLOBAL PMX CO., LTD. | financial asset measured at fair value through profit or loss-Current | - | 46,000 | 8,326 | 0.04% | 8,326 | 0.04% | | |
| " | Stock | TONG HSING ELECTRONIC INDUSTRIES, LTD. | financial asset measured at fair value through profit or loss-Current | - | 45,000 | 13,388 | 0.03% | 13,388 | 0.03% | | |
| " | Stock | Lightel 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% | | |
| " | Stock | PT Sat Nusapersada Tbk | financial asset measured at fair value through other comprehensive income-Non current | - | 531,434,100 | 241,285 | 10.00% | 241,285 | 10.00% | | |
| " | Fund | New Economy Ventures LP | financial asset measured at fair value through other comprehensive income-Non current | - | - | 41,784 | N/A | 41,784 | N/A | | |
| " | Stock | Neuroblade | financial asset measured at fair value through profit or loss-Non current | - | 33,268 | 55,921 | 0.80% | 55,921 | 0.80% | | |
| " | Stock | Reed Semiconductor | financial asset measured at fair value through profit or loss-Non current | - | 819,616 | 33,427 | 2.07% | 33,427 | 2.07% | | |
| ASUSTEK INVESTMENT CO., LTD. | Stock | ACCTON TECHNOLOGY CORPORATION | financial asset measured at fair value through profit or loss-Current | - | 9,000 | 2,340 | 0.00% | 2,340 | 0.01% | | |
| KINSUS INTERCONNECT TECHNOLOGY CORP. | Fund | Mega Diamond Money Market Fund | financial asset measured at fair value through profit or loss-Current | - | 21,355,432 | 270,736 | N/A | 270,736 | N/A | | |
| " | Fund | Jih Sun Money Market | financial asset measured at fair value through profit or loss-Current | - | 17,776,549 | 266,419 | N/A | 266,419 | N/A | | |
| KINSUS INVESTMENT CO., LTD. | Fund | Taishin Tu-Chong Money Market Fund | financial asset measured at fair value through profit or loss-Current | - | 829,070 | 11,897 | N/A | 11,897 | N/A | | |
| " | 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 | 0.63% | 1,000 | 0.70% | | |
| Mayin Investment Co., Ltd | Fund | Mega Diamond Money Market Fund | financial asset measured at fair value through profit or loss-Current | - | 946,873 | 12,004 | N/A | 12,004 | N/A | | |
| PEGAVISION CORPORATION | Fund | FSITC Money Market | financial asset measured at fair value through profit or loss-Current | - | 3,556,527 | 55,024 | N/A | 55,024 | N/A | | |
| Lumens Digital Optics Inc. | Fund | Fuh Hwa Money Market | financial asset measured at fair value through profit or loss-Current | - | 71,899,897 | 1,047,215 | N/A | 1,047,215 | N/A | | |
| " | Fund | CAPITAL MONEY MARKET FUND | financial asset measured at fair value through profit or loss-Current | - | 3,779,372 | 61,592 | N/A | 61,592 | N/A | | |
| HUA-YUAN INVESTMENT LIMITED | Stock | Chicony Power Technology Co. Ltd. | financial asset measured at fair value through profit or loss-Current | - | 418,644 | 32,696 | 0.11% | 32,696 | 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 | - | 220,000 | 42,680 | 0.17% | 42,680 | 0.61% | | |

Notes to the Non-Consolidated Financial Statements

| Marketable securities (Note 1) | | | | Ending balance | | | | Expressed in thousands of NTD | |
|--------------------------------|----------|---------------------------------|------------------------------------|---|-----------|-------------------------|-----------------------------|-------------------------------|-------------------|
| Name of holder | Category | Name | Relationship with company (Note 2) | Account title | Shares | Carrying value (Note 3) | Percentage of ownership (%) | Fair value (Note 3) | Maximum Ownership |
| HUA-YUAN INVESTMENT LIMITED | Stock | NEW SMART TECHNOLOGY CO., LTD. | - | financial asset measured at fair value through profit or loss-Current | 500,000 | 7,704 | 2.50% | 7,704 | 4.05% |
| " | Stock | KING YUAN ELECTRONICS CO., LTD. | - | financial asset measured at fair value through profit or loss-Current | 75,000 | 3,360 | 0.01% | 3,360 | 0.03% |
| " | Stock | Excellence Optoelectronics Inc | - | financial asset measured at fair value through profit or loss-Current | 330,000 | 9,108 | 0.18% | 9,108 | 0.18% |
| " | Stock | BizLink Holding Inc. | - | financial asset measured at fair value through profit or loss-Current | 40,000 | 10,440 | 0.03% | 10,440 | 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 | 46,169 | 7.49% | 46,169 | 7.49% |

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, 2021

| Name of company | Marketable securities | | Relationship with the counter-party | Beginning Balance | | Purchases | | Sales | | Ending Balance | |
|----------------------------|-----------------------|---|-------------------------------------|-------------------|------------|---------------|--------------------|-------------|-----------|---|-------------------------|
| | Category | Name | | Shares | Amount | Shares | Amount | Shares | Price | Cost | Gain (loss) on disposal |
| | | Account name | | | | | | | | | Amount |
| PEGATRON CORPORATION | Stock | PEGATRON VIETNAM COMPANY LIMITED | - | - | 849,297 | - | 2,103,421 (Note 4) | - | - | 48,780 (Note 3) | - |
| PEGATRON CORPORATION | Stock | PEGATRON TECHNOLOGY INDIA PRIVATE LIMITED | - | 54,994,500 | 211,238 | 1,044,895,500 | 4,071,910 (Note 4) | - | - | 238,046 (Note 2) 153,157 (Note 5) | 1,099,890,000 |
| PEGATRON CORPORATION | Stock | CASETEK HOLDINGS LIMITED(CAYMAN) | - | 4,808,794 | 396,426 | - | 6,374,782 (Note 2) | - | - | 329,046 (Note 2) 2,299,111 (Note 3) | 1 |
| PEGATRON CORPORATION | Stock | Pegatron Holding Ltd. | - | 961,906,463 | 87,961,996 | 30,000,000 | 855,975 (Note 4) | 412,965,345 | - | 409,874 (Note 8) 18,693,314 (Note 7) | 991,906,463 |
| ASUS INVESTMENT CO., LTD. | Stock | PEGATRON Mexico, S.A. DE C.V. | - | - | 176,989 | - | 7,032,726 (Note 2) | - | - | 2,615,192 (Note 3) | 544,576 |
| PEGAVISION CORPORATION | Fund | Yuanta Wan Tai Money Market | - | 33,387,513 | 509,270 | 28,763,573 | 43,464 (Note 2) | 62,151,086 | 948,577 | 948,270 (Note 6) | - |
| Lumens Digital Optics Inc. | Fund | Fuh Hwa Money Market | - | 73,096,336 | 1,063,113 | 84,543,799 | 1,231,000 (Note 4) | 85,740,238 | 1,248,467 | 1,236,966 (Note 6) | 71,899,897 |
| | | | | | | | | | | 9,932 (Note 5) | 1,047,215 |

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, 2021: USD/NTD: 27.683)

Note 2 : The investment profit or loss related to the in vestee is measured by equity method.

Note 3 : The amount is exchange gains or losses.

Note 4 : Which is investments added this year.

Note 5 : Which is adjustments related to financial assets based on the fair value method.

Note 6 : Which is disposal of investment this year.

Note 7 : Which is effect of the corporate restructuring this year.

Note 8 : Which is adjustments on accumulated loss.

Note 9 : Which is adjustments on capital surplus.

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, 2021

| 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 | | | References for determining price | Purpose of acquisition and current condition | Others |
|---|---|--------------------------|--------------------|------------------------------|--|---|-------|-------------------------------|--|--|--------|
| | | | | | | Relationship with the Company | Owner | Relationship with the Company | | | |
| PEGATRON VIETNAM COMPANY LIMITED | Plant | 2021.01.27 | 2,161,895 | On the basis of the contract | Jianxing Vietnam Construction Development Co., Ltd. | None | None | None | After bargaining, the price will be approved by the chairman of the board of directors to determine. | For production and business use | None |
| PEGATRON VIETNAM COMPANY LIMITED | Plant (electrical and air-conditioning engineering) | 2021.05.05 | 712,122 | On the basis of the contract | MIC-TECH (VN) CO., LTD. (MARKTECH) | None | None | None | After bargaining, the price will be approved by the chairman of the board of directors to determine. | For production and business use | None |
| PEGATRON TECHNOLOGY INDIA PRIVATE LIMITED | Plant use rights | 2021.01.28 | 381,779 | On the basis of the contract | Chengalpattu Logistics Parks Private Limited , Mahindra World City Developers Private Limited | None | None | None | After bargaining, the price will be approved by the chairman of the board of directors to determine. | For business use | None |
| KINSUS INTERCONNECT TECHNOLOGY CORP. | Land and buildings (including machinery equipment and clean room) | 2021.02.05 | 4,409,385 | On the basis of the contract | WINTEK CORPORATION | None | None | None | Tender | For capacity expansion and company operation planning. | None |
| KINSUS INTERCONNECT TECHNOLOGY CORP. | Buildings | 2021.10.25 2021.11.10 | 1,536,000 | On the basis of the contract | Fan Da Construction Co., Ltd | None | None | None | Bargain | For capacity expansion and company operation planning. | None |

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, 2021: INR/NTD: 0.3715216; VND/NTD: 0.0021764)

Notes to the Non-Consolidated Financial Statements

Table 6: Disposal of individual real estate with amount exceeding the lower of TWD300 million or 20% of the capital stock
December 31, 2021

| Name of company | Type of property | Transaction date | Acquisition date | Book value | Transaction amount | Status of payment | Gain from disposal | Counter-party | Nature of relationship | Price reference | Purpose of acquisition and condition | Expressed in thousands of NTD |
|--|---------------------------------------|------------------|-------------------------------|------------|--------------------|--|--------------------|---|------------------------|-----------------|--------------------------------------|-------------------------------|
| KAI HE COMPUTER ACCESSORY (SUZHOU) CO., LTD. | Land use rights, houses and buildings | 2021.03.25 | February 2004 to October 2012 | 104,980 | 464,589 | Execute in accordance with the terms of the contract | 359,609 | Suzhou Heyuan Biomedical Technology Development Co., Ltd. | Non-related party | Bargain | Asset activation | None |

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, 2021 : CNY/NTD: 4.34195)

Notes to the Non-Consolidated Financial Statements

Table 7: Related-party transactions for purchases and sales with amounts exceeding the lower of TWD100 million or 20% of the capital stock December 31, 2021

| Transaction | | | Transactions with terms different from others | | | | Notes/accounts receivables (payables) | | Expressed in thousands of NTD |
|--|----------------------|------------------------|---|--------------|---------------------------------------|---|---------------------------------------|---|-------------------------------|
| Name of company | Related party | Nature of relationship | Purchases (sales) | Amount | Percentage of total purchases (sales) | Transactions with terms different from others | | Percentage of total notes/accounts receivables (payables) | Note |
| | | | | | | Unit price | Payment terms | | |
| ASIAROCK TECHNOLOGY LIMITED | | Note 2 | Sale | (342,455) | (0.03%) | Note 4 | Open Account 90 days | 140,512 | 0.03% |
| PEGATRON Czech s.r.o. | | Note 2 | Sale | (1,124,803) | (0.10%) | | 120 days on delivery | 313,594 | 0.07% |
| PEGATRON CORPORATION | PEGATRON CORPORATION | Note 2 | Purchase | 156,039 | 0.01% | | Open Account 60 days | (22,785) | (0.01%) |
| PEGAGLOBE (KUNSHAN) CO., LTD. | | Note 2 | Purchase | 50,444,423 | 4.39% | Note 4 | Open Account 60 days | (84,342,828) | (18.39%) |
| MAINTeK COMPUTER (SUZHOU) CO., LTD. | | Note 2 | Purchase | 17,025,928 | 1.48% | Note 4 | Open Account 60 days | - | - % |
| MAINTeK COMPUTER (SUZHOU) CO., LTD. | | Note 2 | Sale | (959,521) | (0.08%) | Note 4 | Open Account 60 days | 12,658,305 | 2.64% |
| DIGITEK (CHONGQING) LTD. | | Note 2 | Purchase | 2,050,329 | 0.18% | Note 4 | Open Account 60 days | (49,357,663) | (10.76%) |
| PROTEK (SHANGHAI) LTD. | | Note 2 | Purchase | 22,469,483 | 1.95% | Note 4 | Open Account 60 days | (74,677,470) | (16.29%) |
| CASETEK COMPUTER (SUZHOU) CO., LTD. | | Note 2 | Purchase | 336,486 | 0.03% | | Open Account 60 days | (42,235) | (0.01%) |
| COTEK ELECTRONICS (SUZHOU) CO., LTD. | | Note 2 | Sale | (543,513) | (0.05%) | Note 4 | Open Account 60 days | 2,027,331 | 0.42% |
| COTEK ELECTRONICS (SUZHOU) CO., LTD. | | Note 2 | Purchase | 4,480,308 | 0.39% | Note 4 | Open Account 60 days | (1,513,047) | (0.33%) |
| POWTEK (SHANGHAI) LTD. | | Note 2 | Sale | (8,488,945) | (0.73%) | | 120 days on delivery | 2,774,444 | 0.38% |
| PT. PEGATRON TECHNOLOGY INDONESIA | | Note 2 | Purchase | 1,887,335 | 0.16% | Note 4 | 120 days on delivery | (5,232,825) | (1.14%) |
| PEGATRON TECHNOLOGY INDIA PRIVATE LIMITED | | Note 2 | Sale | (584,310) | (0.05%) | Note 4 | Open Account 60 days | 908,037 | 0.08% |
| PEGATRON CORPORATION | | Note 2 | Sale | (127,326) | (0.01%) | Note 4 | Open Account 60 days | 408,828 | 0.03% |
| PEGATRON TECHNOLOGY SERVICE INC. | | Note 2 | Sale | (110,246) | (0.01%) | | 90 days on delivery | 21,432 | 0.00% |
| Ri Da Intelligent Manufacturing Technology (Rugao) Co., Ltd. | | Note 2 | Purchase | 189,644 | 0.02% | | Open Account 60 days | (132,164) | (0.03%) |
| PEGATRON CORPORATION | | Note 2 | Purchase | 110,246 | 20.47% | | 90 days on delivery | (21,432) | (76.82%) |
| PEGATRON CORPORATION | | Note 1 | Purchase | 127,326 | 36.34% | | 90 days on delivery | (408,828) | (30.81%) |
| PT. PEGATRON TECHNOLOGY INDONESIA | | Note 1 | Sale | (1,887,335) | (8.19%) | | 120 days on delivery | 5,232,825 | 100.00% |
| PEGATRON TECHNOLOGY INDIA PRIVATE LIMITED | | Note 1 | Purchase | 584,310 | 100.00% | | Open Account 60 days | (908,037) | (76.64%) |
| PEGATRON Czech s.r.o. | | Note 1 | Purchase | 1,124,803 | 74.40% | | 120 days on delivery | (313,594) | (79.38%) |
| Ri Da Intelligent Manufacturing Technology (Rugao) Co., Ltd. | | Note 1 | Sale | (189,644) | N/A | | Open Account 60 days | 132,164 | N/A |
| POWTEK (SHANGHAI) LTD. | | Note 1 | Purchase | 8,488,945 | 81.82% | | 120 days on delivery | (2,774,444) | (57.07%) |
| COTEK ELECTRONICS (SUZHOU) CO., LTD. | | Note 3 | Purchase | 1,874,027 | 18.06% | | 120 days on delivery | (2,087,510) | (273.76%) |
| PROTEK (SHANGHAI) LTD. | | Note 1 | Sale | (22,469,483) | (5.72%) | | Open Account 60 days | 74,677,470 | 84.70% |
| PEGAGLOBE (KUNSHAN) CO., LTD. | | Note 3 | Sale | (35,436,119) | (9.02%) | | Open Account 60 days | 13,124,996 | 14.89% |
| PEGAGLOBE (KUNSHAN) CO., LTD. | | Note 3 | Purchase | 681,797 | 0.20% | | Open Account 60 days | (55,714) | (0.05%) |
| COTEK ELECTRONICS (SUZHOU) CO., LTD. | | Note 3 | Purchase | 267,595 | 0.08% | | Open Account 60 days | (21,407) | (0.02%) |
| PEGATRON CORPORATION | | Note 1 | Sale | (50,444,423) | (15.93%) | | Open Account 60 days | 84,342,828 | 98.74% |
| PROTEK (SHANGHAI) LTD. | | Note 3 | Sale | (681,797) | (0.22%) | | Open Account 60 days | 55,714 | 0.07% |
| PEGAGLOBE (KUNSHAN) CO., LTD. | | Note 3 | Purchase | 35,436,119 | 11.85% | | Open Account 60 days | (13,124,996) | (16.10%) |
| MAINTeK COMPUTER (SUZHOU) CO., LTD. | | Note 3 | Purchase | 1,902,705 | 0.63% | | Open Account 60 days | (1,281,550) | (1.55%) |
| COTEK ELECTRONICS (SUZHOU) CO., LTD. | | Note 3 | Sale | (3,713,139) | (1.18%) | | Open Account 60 days | 1,779,896 | 2.59% |
| CASETEK COMPUTER (SUZHOU) CO., LTD. | | Note 3 | Purchase | 3,869,905 | 1.29% | | Open Account 60 days | (976,633) | (1.18%) |
| MAINTeK COMPUTER (SUZHOU) CO., LTD. | | Note 1 | Sale | (17,025,928) | (5.41%) | | Open Account 60 days | - | - % |
| MAINTeK CORPORATION | | Note 1 | Purchase | 959,521 | 2.06% | | Open Account 60 days | (12,658,305) | (15.31%) |
| COTEK ELECTRONICS (SUZHOU) CO., LTD. | | Note 3 | Sale | (1,902,705) | (13.41%) | | Open Account 60 days | 1,281,550 | 24.01% |
| MAINTeK COMPUTER (SUZHOU) CO., LTD. | | Note 3 | Purchase | 3,713,139 | 33.12% | | Open Account 60 days | (1,779,896) | (33.58%) |
| CASETEK COMPUTER (SUZHOU) CO., LTD. | | Note 3 | Sale | (167,286) | (1.18%) | | Open Account 60 days | 54,061 | 1.01% |
| COTEK ELECTRONICS (SUZHOU) CO., LTD. | | Note 3 | Purchase | 141,970 | 1.27% | | Open Account 60 days | (26,412) | (0.50%) |
| PEGATRON CORPORATION | | Note 1 | Purchase | 543,513 | 4.90% | | Open Account 60 days | (2,027,331) | (38.25%) |
| PEGATRON CORPORATION | | Note 1 | Sale | (4,480,308) | (31.57%) | | Open Account 60 days | 1,513,047 | 28.35% |
| PROTEK (SHANGHAI) LTD. | | Note 3 | Sale | (267,595) | (1.89%) | | Open Account 60 days | 21,407 | 0.40% |
| DIGITEK (CHONGQING) LTD. | | Note 3 | Sale | (435,805) | (3.07%) | | Open Account 60 days | 62,512 | 1.17% |
| POWTEK (SHANGHAI) LTD. | | Note 3 | Sale | (1,874,027) | (13.21%) | | Open Account 60 days | 2,087,510 | 39.11% |
| KAI-CHUAN ELECTRONICS (CHONGQING) CO., LTD. | | Note 3 | Purchase | 1,093,641 | 1.08% | | Open Account 60 days | (187,550) | (0.35%) |

Notes to the Non-Consolidated Financial Statements

Expressed in thousands of NTD

| Transaction | | Transactions with terms different from others | | | Notes/accounts receivables (payables) | |
|---|---|---|-------------------|--------------|---------------------------------------|---|
| | | Nature of relationship | Purchases (sales) | Amount | Percentage of total purchases (sales) | Percentage of total notes/accounts receivables (payables) |
| Name of company | Related party | | | | | Note |
| | | | | | | |
| DIGITEK (CHONGQING) LTD. | PEGA TRON CORPORATION | Note 1 | Sale | (2,050,329) | Open Account 60 days | 99.79% |
| DIGITEK (CHONGQING) LTD. | CASETEK COMPUTER (SUZHOU) CO., LTD. | Note 3 | Purchase | 227,579 | Open Account 60 days | (0.07%) |
| DIGITEK (CHONGQING) LTD. | COTEK ELECTRONICS (SUZHOU) CO., LTD. | Note 3 | Purchase | 435,805 | Open Account 60 days | (0.13%) |
| CASETEK COMPUTER (SUZHOU) CO., LTD. | MAINTeK COMPUTER (SUZHOU) CO., LTD. | Note 3 | Sale | (3,869,905) | Open Account 60 days | 75.29% |
| CASETEK COMPUTER (SUZHOU) CO., LTD. | PEGA TRON CORPORATION | Note 1 | Sale | (336,486) | Open Account 60 days | 42.23% |
| CASETEK COMPUTER (SUZHOU) CO., LTD. | DIGITEK (CHONGQING) LTD. | Note 3 | Sale | (227,579) | Open Account 60 days | 3.06% |
| CASETEK COMPUTER (SUZHOU) CO., LTD. | COTEK ELECTRONICS (SUZHOU) CO., LTD. | Note 3 | Purchase | 167,286 | Open Account 60 days | (4.21%) |
| CASETEK COMPUTER (SUZHOU) CO., LTD. | COTEK ELECTRONICS (SUZHOU) CO., LTD. | Note 3 | Sale | (141,970) | Open Account 60 days | 2.04% |
| KAI-CHUAN ELECTRONICS (CHONGQING) CO., LTD. | DIGITEK (CHONGQING) LTD. | Note 3 | Sale | (1,093,641) | Open Account 60 days | 59.69% |
| PIOTEK COMPUTER (SUZHOU) CO., LTD. | PIOTEK (HK) TRADING LIMITED | Note 3 | Sale | (131,168) | Open Account 60 days | 1.07% |
| PIOTEK (HK) TRADING LIMITED | PIOTEK COMPUTER (SUZHOU) CO., LTD. | Note 3 | Purchase | 131,168 | Open Account 60 days | (100.00%) |
| KINSUS INTERCONNECT TECHNOLOGY CORP. | KINSUS INTERCONNECT TECHNOLOGY (SUZHOU) CORP. | Note 2 | Purchase | 3,133,718 | Open Account 60 days | (25.18%) |
| KINSUS INTERCONNECT TECHNOLOGY (SUZHOU) CORP. | KINSUS INTERCONNECT TECHNOLOGY CORP. | Note 1 | Sale | (3,133,718) | Open Account 60 days | 86.20% |
| PEGAVISION CORPORATION | Pegavision Japan Inc. | Note 2 | Sale | (1,850,825) | Open Account 90 days | 35.20% |
| PEGAVISION CORPORATION | Gemvision Technology (Zhejiang) Limited. | Note 2 | Sale | (211,692) | Open Account 180 days | 9.99% |
| PEGAVISION CORPORATION | BeautyTech Platform Corporation | Note 2 | Sale | (411,064) | Open Account 120 days | 16.25% |
| Pegavision Japan Inc. | PEGAVISION CORPORATION | Note 1 | Purchase | 1,850,825 | Open Account 90 days | (100.00%) |
| Gemvision Technology (Zhejiang) Limited. | PEGAVISION CORPORATION | Note 1 | Purchase | 211,692 | Open Account 180 days | (100.00%) |
| BeautyTech Platform Corporation | PEGAVISION CORPORATION | Note 1 | Purchase | 411,064 | Open Account 120 days | (99.40%) |
| MEGA MERIT LIMITED | RI SHAN COMPUTER ACCESSORY (JIASHAN) CO., LTD. | Note 3 | Purchase | 471,114 | Open Account 60-90 days | (5.49%) |
| MEGA MERIT LIMITED | CASETEK SINGAPORE PTE. LTD. | Note 3 | Sale | (158,242) | Open Account 60-90 days | - % |
| RHI KUAN METAL CORPORATION | CASETEK SINGAPORE PTE. LTD. | Note 3 | Sale | (470,834) | Open Account 60-90 days | - % |
| RHI KUAN METAL CORPORATION | RI-MING (SHANGHAI) CO., LTD. | Note 3 | Purchase | 648,339 | Open Account 90-120 days | 0.27% |
| RHI KUAN METAL CORPORATION | Luxcase Precision Technology (Yancheng) Co., Ltd. | Note 3 | Purchase | 1,254,905 | Open Account 60-90 days | - % |
| RHI KUAN METAL CORPORATION | RI SHAN COMPUTER ACCESSORY (JIASHAN) CO., LTD. | Note 3 | Purchase | 1,592,611 | Open Account 60-90 days | (100.00%) |
| ASROCK Incorporation | ASIA ROCK TECHNOLOGY LIMITED | Note 2 | Purchase | 10,345,855 | Open Account 60 days | (81.74%) |
| ASROCK Incorporation | ASROCK AMERICA, INC. | Note 2 | Sale | (3,731,808) | Open Account 90 days | 44.94% |
| ASROCK Incorporation | ASROCK EUROPE B.V. | Note 2 | Sale | (3,896,085) | Open Account 45 days | 3.48% |
| ASROCK Industrial Computer Corporation | ASIA ROCK TECHNOLOGY LIMITED | Note 3 | Purchase | 337,206 | Open Account 60 days | (26.13%) |
| ASROCK Industrial Computer Corporation | ASROCK EUROPE B.V. | Note 3 | Sale | (168,933) | Open Account 60 days | 8.33% |
| ASROCK Rack Incorporation | ASIA ROCK TECHNOLOGY LIMITED | Note 3 | Purchase | 2,032,823 | Open Account 60 days | (21.52%) |
| ASROCK Rack Incorporation | ASROCK EUROPE B.V. | Note 3 | Sale | (159,217) | Open Account 60 days | 28.32% |
| ASROCK Rack Incorporation | ASROCK AMERICA, INC. | Note 3 | Sale | (352,551) | Open Account 90 days | 24.73% |
| ASIA ROCK TECHNOLOGY LIMITED | PEGATRON CORPORATION | Note 1 | Purchase | 342,455 | Open Account 90 days | (3.50%) |
| ASIA ROCK TECHNOLOGY LIMITED | ASROCK Incorporation | Note 1 | Sale | (10,345,855) | Open Account 60 days | 61.29% |

Notes to the Non-Consolidated Financial Statements

Expressed in thousands of NTD

| Transaction | | | | Transactions with terms different from others | | | | Notes/accounts receivables (payables) | | |
|--|--|------------------------|-------------------|---|---------------------------------------|---|-----------------------------|---------------------------------------|----------------|----------|
| Name of company | Related party | Nature of relationship | Purchases (sales) | Amount | Percentage of total purchases (sales) | Payment terms | Unit price | Payment terms | Ending balance | Note |
| | | | (sales) | | (sales) | | | | | |
| ASIA ROCK TECHNOLOGY LIMITED | ASRock Industrial Computer Corporation | Note 3 | Sale | (337,206) | (2.39%) | Open Account 60 days | No other comparable vendors | No other comparable vendors | 99,914 | 11.27% |
| ASIA ROCK TECHNOLOGY LIMITED | ASRock Rack Incorporation | Note 3 | Sale | (2,032,823) | (14.40%) | Open Account 60 days | No other comparable vendors | No other comparable vendors | 102,159 | 11.53% |
| ASROCK AMERICA, INC. | ASROCK Incorporation | Note 1 | Purchase | 3,731,808 | 91.37% | Open Account 90 days | No other comparable vendors | No other comparable vendors | (767,816) | (86.35%) |
| ASROCK AMERICA, INC. | ASRock Rack Incorporation | Note 3 | Purchase | 352,551 | 8.63% | Open Account 90 days | No other comparable vendors | No other comparable vendors | (121,325) | (13.65%) |
| ASROCK EUROPE B.V. | ASROCK Incorporation | Note 1 | Purchase | 3,896,085 | 92.23% | Open Account 45 days | No other comparable vendors | No other comparable vendors | (59,480) | (61.17%) |
| ASROCK EUROPE B.V. | ASRock Industrial Computer Corporation | Note 3 | Purchase | 168,933 | 4.00% | Open Account 60 days | No other comparable vendors | No other comparable vendors | (9,435) | (9.70%) |
| ASROCK EUROPE B.V. | ASRock Rack Incorporation | Note 3 | Purchase | 159,217 | 3.77% | Open Account 60 days | No other comparable vendors | No other comparable vendors | (28,321) | (29.13%) |
| AzureWave Technologies (Shanghai) Inc. | AZURE WAVE TECHNOLOGIES, INC. | Note 1 | Sale | (1,984,542) | (45.00%) | Open Account 30-60 days | Same as non-related party | shorter than non-related party | 527,505 | 26.00% |
| AZURE WAVE TECHNOLOGIES, INC. | PEGATRON CORPORATION | Note 1 | Sale | (156,039) | (2.00%) | Open Account 60-90 days | Same as non-related party | Same as non-related party | 22,785 | 1.00% |
| AZURE WAVE TECHNOLOGIES, INC. | AzureWave Technologies (Shanghai) Inc. | Note 2 | Purchase | 1,984,542 | 30.00% | Open Account 30-60 days | Same as non-related party | shorter than non-related party | (522,177) | (23.00%) |
| Lumens Digital Optics Inc. | Lumens Integration Inc. | Note 2 | Sale | (389,791) | (34.00%) | Depend on funding need , Open Account 75 days | - | - | 116,452 | 69.00% |
| Lumens Integration Inc. | Lumens Digital Optics Inc. | Note 1 | Purchase | 389,791 | 96.00% | Depend on funding need , Open Account 75 days | - | - | (116,452) | (99.00%) |

Note 1 : Parent company

Note 2 : Subsidiary measured by equity method.

Note 3 : Affiliate

Note 4 : 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 8: Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of capital stock
December 31, 2021

Expressed in thousands of NTD

| Name of company | Related party | Nature of relationship | Ending balance | Turnover rate | Overdue | | Amounts received in subsequent period | Loss allowance |
|--|--|--------------------------------------|---------------------|---------------|---------|--------------|---------------------------------------|----------------|
| | | | | | Amount | Action taken | | |
| PEGATRON CORPORATION | COTEK ELECTRONICS(SUZHOU) CO., LTD. | Subsidiary measured by equity method | 2,027,331 | 2.77 Times | - | - | - | - |
| " | PROTEK (SHANGHAI) LTD. | Subsidiary measured by equity method | 102,069,459 | 3.40 Times | - | - | - | - |
| " | POWTEK (SHANGHAI) LTD. | Subsidiary measured by equity method | 2,774,444 | 4.10 Times | - | - | - | - |
| " | PEGAGLOBE (KUNSHAN) CO., LTD. | Subsidiary measured by equity method | 65,386,390 | 3.20 Times | - | - | - | - |
| " | DIGITEK (CHONGQING) LTD. | Subsidiary measured by equity method | 52,659,300 | 2.94 Times | - | - | - | - |
| " | PEGATRON Czech s.r.o. | Subsidiary measured by equity method | 313,594 | 7.17 Times | - | - | - | - |
| " | ASIA ROCK TECHNOLOGY LIMITED | Subsidiary measured by equity method | 140,512 | 2.83 Times | - | - | 806 | - |
| " | PT. PEGATRON TECHNOLOGY INDONESIA | Subsidiary measured by equity method | 7,259,536 | 3.01 Times | - | - | - | - |
| " | MAINTEK COMPUTER (SUZHOU) CO., LTD. | Subsidiary measured by equity method | 12,658,305 (Note 2) | 3.99 Times | - | - | - | - |
| " | PEGATRON TECHNOLOGY INDIA PRIVATE LIMITED | Subsidiary measured by equity method | 908,037 | 2.01 Times | - | - | - | - |
| ASUSPOWER CORPORATION | PEGATRON VIETNAM COMPANY LIMITED | Subsidiary measured by equity method | 408,828 | 1.92 Times | - | - | - | - |
| " | PEGATRON CORPORATION | Parent Company | 4,650,744 | N/A (Note 1) | - | - | - | - |
| " | ASUS INVESTMENT CO., LTD. | Affiliate | 581,343 | N/A (Note 1) | - | - | - | - |
| " | ASUSPOWER INVESTMENT CO., LTD. | Affiliate | 609,026 | N/A (Note 1) | - | - | - | - |
| CASETEK HOLDINGS LIMITED | PEGATRON CORPORATION | Parent Company | 1,065,796 | N/A (Note 1) | - | - | - | - |
| KAEDAR TRADING LTD. | PEGATRON CORPORATION | Parent Company | 484,453 | N/A (Note 1) | - | - | - | - |
| DIGITEK (CHONGQING) LTD. | PEGATRON CORPORATION | Parent Company | 49,357,663 | 3.29 Times | - | - | 8,595,997 | - |
| COTEK ELECTRONICS (SUZHOU) CO., LTD. | PEGATRON CORPORATION | Parent Company | 1,513,047 | 4.47 Times | - | - | 691,085 | - |
| " | MAINTEK COMPUTER (SUZHOU) CO., LTD. | Parent Company | 1,281,550 | 2.71 Times | - | - | - | - |
| " | POWTEK (SHANGHAI) LTD. | Affiliate | 2,087,510 | 1.80 Times | - | - | - | - |
| " | Pegatron Electronics Inc. | Affiliate | 281,034 | 1.58 Times | - | - | - | - |
| PEGAGLOBE (KUNSHAN) CO., LTD. | PEGATRON CORPORATION | Parent Company | 84,342,828 | 3.17 Times | - | - | 18,823,396 | - |
| PROTEK (SHANGHAI) LTD. | PEGATRON CORPORATION | Parent Company | 74,677,470 | 6.44 Times | - | - | 12,417,816 | - |
| " | PEGAGLOBE (KUNSHAN) CO., LTD. | Affiliate | 13,124,996 | 2.08 Times | - | - | - | - |
| " | PEGATRON TECHNOLOGY INDIA PRIVATE LIMITED | Affiliate | 216,939 | - Times | - | - | - | - |
| MAINTEK COMPUTER (SUZHOU) CO., LTD. | COTEK ELECTRONICS (SUZHOU) CO., LTD. | Affiliate | 1,779,896 | 3.04 Times | - | - | - | - |
| " | COTEK ELECTRONICS (SUZHOU) CO., LTD. | Affiliate | 1,384,150 | N/A (Note 1) | - | - | - | - |
| PT. PEGATRON TECHNOLOGY INDONESIA | PEGATRON CORPORATION | Parent Company | 5,232,825 | 4.51 Times | - | - | 1,981,356 | - |
| CASETEK COMPUTER (SUZHOU) CO., LTD. | MAINTEK COMPUTER (SUZHOU) CO., LTD. | Affiliate | 976,633 | 4.95 Times | - | - | - | - |
| KAI-CHUAN ELECTRONICS (CHONGQING) CO., LTD. | DIGITEK (CHONGQING) LTD. | Affiliate | 187,550 | 6.84 Times | - | - | - | - |
| CASETEK HOLDINGS LIMITED(CAYMAN) | MEGA MERIT LIMITED | Subsidiary measured by equity method | 172,991 | N/A (Note 1) | - | - | - | - |
| RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD. | RI SHAN COMPUTER ACCESSORY (JIASHAN) CO., LTD. | Affiliate | 3,690,670 | N/A (Note 1) | - | - | - | - |
| " | RI-PRO PRECISION MODEL (SHANGHAI) CO., LTD. | Affiliate | 130,249 | N/A (Note 1) | - | - | - | - |
| Ri Da Intelligent Manufacturing Technology (Rugao) Co., Ltd. | PEGATRON CORPORATION | Parent Company | 132,164 | 2.87 Times | - | - | 36,206 | - |
| RIH LI International Limited | RI SHAN COMPUTER ACCESSORY (JIASHAN) CO., LTD. | Subsidiary measured by equity method | 4,567,695 | N/A (Note 1) | - | - | - | - |
| " | RI SHAN COMPUTER ACCESSORY (JIASHAN) CO., LTD. | Subsidiary measured by equity method | 203,636 | N/A (Note 1) | - | - | - | - |
| ASROCK Incorporation | ASROCK AMERICA, INC. | Subsidiary measured by equity method | 767,816 | 3.38 Times | - | - | 100,904 | - |
| ASIA ROCK TECHNOLOGY LIMITED | ASROCK Incorporation | Subsidiary measured by equity method | 543,189 | 7.11 Times | - | - | 378,577 | - |
| " | ASROCK Rack Incorporation | Parent Company | 102,159 | 6.43 Times | - | - | 367 | - |
| ASROCK Rack Incorporation | ASROCK AMERICA, INC. | Affiliate | 121,325 | 3.40 Times | - | - | - | - |
| KINSUS INTERCONNECT TECHNOLOGY (SUZHOU) CORP | KINSUS INTERCONNECT TECHNOLOGY CORP. | Parent Company | 611,152 | 6.98 Times | - | - | - | - |
| PEGAVISION CORPORATION | Pegavision Japan Inc. | Subsidiary measured by equity method | 301,885 | 5.64 Times | - | - | - | - |
| " | BeautyTech Platform Corporation | Subsidiary measured by equity method | 139,387 | 5.82 Times | - | - | - | - |
| Lumens Digital Optics Inc. | Lumens Integration Inc. | Subsidiary measured by equity method | 116,452 | 3.78 Times | - | - | - | - |
| FUYANG TECHNOLOGY CORPORATION | FUYANG ELECTRONICS (SUZHOU) CO., LTD. | Subsidiary measured by equity method | 190,250 | 0.00 Times | - | - | - | - |
| AzureWave Technologies (Shanghai) Inc. | AZURE WAVE TECHNOLOGIES, INC. | Subsidiary measured by equity method | 527,505 | 4.97 Times | - | - | 473,380 | - |

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 9: Information on investees
December 31, 2021

| Name of investor | Name of investee | Location | Main businesses and products | Original investment amount | | | Balance as of December 31, 2021 | | | Expressed in thousands of NTD | |
|--------------------------------|---|----------------------|---|----------------------------|-------------------|--|---------------------------------|-------------------------|----------------|---------------------------------|-------------------------------------|
| | | | | December 31, 2021 | December 31, 2020 | | Shares | Percentage of ownership | Carrying value | Net income (losses) of investee | Share of profits/losses of investee |
| ASUSPOWER INVESTMENT CO., LTD. | ASUSPOWER INVESTMENT CO., LTD. | Taipei | Investment holding | 13,033,429 | 13,033,429 | | 932,844,700 | 100.00% | 10,343,374 | 1,393,189 | 1,393,189 |
| | ASUS INVESTMENT CO., LTD. | Taipei | Investment holding | 16,184,982 | 16,184,982 | | 979,254,600 | 100.00% | 11,660,148 | 1,685,201 | 1,685,201 |
| | ASUSTEK INVESTMENT CO., LTD. | Taipei | Investment holding | 14,593,343 | 14,593,343 | | 951,278,300 | 100.00% | 7,613,944 | 775,275 | 775,275 |
| | Pegatron Holding Ltd. | Cayman Islands | Investment holding | 34,318,691 | 33,462,716 | | 991,906,463 | 100.00% | 93,235,305 | 7,032,726 | 7,032,726 |
| | PEGATRON USA, INC. | CA, USA | Repairing and marketing center in Northern America | 16,085 | 16,085 | | 50,000 | 100.00% | 17,179 | 109 | 109 |
| | PEGATRON HOLLAND HOLDING B.V. | Wijchen, NETHERLANDS | Investment holding | 1,278,287 | 1,278,287 | | - | 100.00% | 2,894,729 | 213,612 | 213,612 |
| | AMA PRECISION INC. | Taipei | Research and design of computer components | 408,394 | 408,394 | | 33,500,000 | 100.00% | 433,482 | 1,717 | 1,717 |
| | 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% | 492,197 | 308,878 | 73,400 |
| | Unihain Holding Ltd. | Cayman Islands | Investment holding | 5,823,962 | 5,823,962 | | 170,110,010 | 100.00% | 5,734,488 | 252,739 | 252,739 |
| | CASITEK HOLDINGS LIMITED(CAYMAN) | Cayman Islands | Investment holding | 14,717,122 | 442,409 | | 1 | 100.00% | 37,051,112 | 6,374,782 | 6,374,782 |
| | PEGATRON SERVICE AUSTRALIA PTY. LTD. | Australia | Investment holding | 139,088 | 139,088 | | 6,000,000 | 100.00% | 201,423 | 31,064 | 31,064 |
| | 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% | 1,246,851 | 84,163 | 84,163 |
| | PEGATRON VIETNAM COMPANY LIMITED | Vietnam | Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts | 2,973,316 | 870,095 | | - | 100.00% | 2,665,892 | (238,046) | (238,046) |
| | PEGATRON TECHNOLOGY HAI PHONG COMPANY LIMITED | Vietnam | Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts | 429,459 | 178,755 | | - | 100.00% | 221,520 | (132,030) | (132,030) |
| | PEGATRON TECHNOLOGY INDIA PRIVATE LIMITED | India | Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts | 4,287,623 | 215,713 | | 1,099,890,000 | 99.99% | 3,760,945 | (329,079) | (329,046) |
| | Pegatron Technology Texas Inc. | TX, USA | Sales center in North America | 27,813 | - | | 100 | 100.00% | (9,563) | (37,669) | (37,669) |
| | Pegatron Electronics Inc. | TX, USA | Sales center in North America | 278,125 | - | | 1,000 | 100.00% | 277,907 | 1,089 | 1,089 |
| | 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% | 241,645 | 5,831 | 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% | 3,581,096 | 3,858,984 | 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 | 2.27% | 186,907 | 2,381,060 | 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% | 96,313 | 308,878 | Not required to disclose |
| | Lumias Digital Optics Inc. | Hsinchu | Development, manufacture and sale of projector and related product. | 508,932 | 508,932 | | 10,043,490 | 50.22% | 1,106,358 | 175,046 | Not required to disclose |
| ASUSPOWER INVESTMENT CO., LTD. | PEGAVISION CORPORATION | Taoyuan | Manufacture of medical equipment | 70,721 | 70,721 | | 5,480,121 | 7.83% | 429,490 | 1,248,574 | Not required to disclose |
| | ASUSPOWER CORPORATION | Virgin Islands | Investment holding and commercial affairs | 3,752,682 | 3,752,682 | | 109,000,000 | 31.23% | 1,844,419 | (520) | Not required to disclose |
| | PEGATRON TECHNOLOGY SERVICE INC. | Kennedy, USA | Repairing and marketing center in Northern America | 94,475 | 94,475 | | 2,800 | 100.00% | 1,151,855 | 35,161 | Not required to disclose |
| | PEGATRON LOGISTIC SERVICE INC. | CA, USA | Transferring and marketing center in Northern America | 30 | 30 | | 1,000 | 100.00% | 11,014 | - | Not required to disclose |
| | WISE Investment Co., Ltd. | Taipei | Investment holding | 48,780 | 48,780 | | - | 48.78% | 262,149 | (130,059) | Not required to disclose |
| | PEGA INTERNATIONAL LIMITED | Taipei | Design service and commercial affairs | 31,885 | 31,885 | | - | 100.00% | 27,003 | (5,815) | Not required to disclose |
| | PEGATRON JAPAN Inc. | Japan | Repairing and marketing center in Japan | 27,287 | 27,287 | | - | 100.00% | 483,206 | 176,779 | Not required to disclose |
| | PEGATRON Mexico S.A. DE C.V. | Chihuahua, Mexico | Manufacturing consumer electronics and electronic parts | 456,761 | 231,424 | | - | 40.51% | 370,832 | 73,060 | Not required to disclose |
| | PEGATRON SERVICE SINGAPORE PTE. LTD. | Singapore | Repairing and marketing center in Singapore | 23,990 | 23,990 | | 1,000,000 | 100.00% | 380,623 | 47,001 | 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% | 32 | 111,033 | Not required to disclose |

Notes to the Non-Consolidated Financial Statements

| Name of investor | Name of investee | Location | Main businesses and products | Original investment amount | | | Balance as of December 31, 2021 | | | Net income (losses) of investee (329,079) | Expressed in thousands of NTD | |
|--------------------------------------|---|-------------------|--|----------------------------|-------------------|-------------|---------------------------------|----------------|-------------------------------------|---|-------------------------------|--|
| | | | | December 31, 2021 | December 31, 2020 | Shares | Percentage of ownership | Carrying value | Share of profits/losses of investee | | Note | |
| ASUSPOWER INVESTMENT CO., LTD. | PEGATRON TECHNOLOGY INDIA PRIVATE LIMITED | India | Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts | 429 | 22 | 110,000 | 0.01% | 376 | | | | |
| ASUS INVESTMENT CO., LTD. | STARLINK ELECTRONICS CORPORATION | New Taipei City | Manufacturing electronic parts and plastic products, and manufacturing and wholesaling electronics | 90,000 | 90,000 | 9,000,000 | 30.00% | 144,987 | 5,831 | Not required to disclose | | |
| ˆ | KINSUS INTERCONNECT TECHNOLOGY CORP. | Taoyuan | Manufacturing electronic parts, whole selling and retailing of electronic components, as well as providing business management consultant service | 938,098 | 938,098 | 60,128,417 | 13.34% | 3,875,832 | 3,858,984 | Not required to disclose | | |
| ˆ | ASROCK Incorporation | Taipei | Data storage and processing equipment, manufacturing wired and wireless communication equipment, and whole selling of computer equipment and electronic components | 155,718 | 155,718 | 57,217,754 | 46.55% | 3,831,708 | 2,381,060 | Not required to disclose | | |
| ˆ | Lumens Digital Optics Inc. | Hsinchu | Developing, manufacturing and selling computer data projectors and related peripherals | 7,338 | 7,338 | 587,079 | 2.94% | 64,671 | 175,046 | Not required to disclose | | |
| ˆ | ASUSPOWER CORPORATION | Virgin Islands | Investment holding and commercial affairs | 3,488,741 | 3,488,741 | 103,000,000 | 29.51% | 1,742,838 | (520) | Not required to disclose | | |
| ˆ | ASFLY TRAVEL SERVICE LIMITED | Taipei | Travel industry | 6,000 | 6,000 | - | 100.00% | 5,768 | 2,558 | Not required to disclose | | |
| ˆ | HUA-YUAN INVESTMENT LIMITED | Taipei | Investment holding | 500,000 | 500,000 | - | 100.00% | 592,256 | 57,443 | Not required to disclose | | |
| ˆ | PEGATRON Mexico, S.A. DE C.V. | Chihuahua, Mexico | Manufacturing consumer electronics and electronic parts | 700,851 | 369,938 | - | 59.49% | 544,576 | 73,060 | Not required to disclose | | |
| ˆ | FUYANG TECHNOLOGY CORPORATION | Hsinchu | Manufacture of wire, cable and electronic components. Sale of electronic material. | 464,711 | 464,711 | 32,088,436 | 17.83% | 162,530 | 78,080 | Not required to disclose | | |
| ASUSTEK INVESTMENT CO., LTD. | 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% | 96,658 | 5,831 | Not required to disclose | | |
| ˆ | 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% | 3,753,660 | 3,858,984 | Not required to disclose | | |
| ˆ | 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 | 6.06% | 499,137 | 2,381,060 | Not required to disclose | | |
| ˆ | 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% | 92,170 | 308,878 | Not required to disclose | | |
| ˆ | Lumens Digital Optics Inc. | Hsinchu | Development, manufacture and sale of projector and related product. | 5,117 | 5,117 | 409,427 | 2.05% | 45,101 | 175,046 | Not required to disclose | | |
| ˆ | PEGAVISION CORPORATION | Taoyuan | Manufacture of medical equipment | 64,292 | 64,292 | 4,934,434 | 7.05% | 386,723 | 1,248,574 | Not required to disclose | | |
| ˆ | ASUSPOWER CORPORATION | Virgin Islands | Investment holding and commercial affairs | 4,652,885 | 4,652,885 | 137,000,000 | 39.26% | 2,318,665 | (520) | Not required to disclose | | |
| ˆ | FUYANG TECHNOLOGY CORPORATION | Hsinchu | Manufacture of wire, cable and electronic components. Sale of electronic materials. | 929,422 | 929,422 | 64,176,872 | 35.65% | 324,970 | 78,080 | Not required to disclose | | |
| PEGATRON SERVICE SINGAPORE PTE. LTD. | PEGATRON SERVICE KOREA LLC. | Korea | Repairing and marketing center in Korea | 41,525 | 41,525 | 360,000 | 100.00% | 217,791 | 23,774 | Not required to disclose | | |
| Pegatron Holding Ltd. | MAGNIFICENT BRIGHTNESS LIMITED | Virgin Islands | Investment holding and commercial affairs | 7,208,123 | 7,208,123 | 177,961,090 | 100.00% | 29,800,103 | 2,445,680 | Not required to disclose | | |
| ˆ | PROTEK GLOBAL HOLDINGS LTD. | Virgin Islands | Investment holding and commercial affairs | 8,288,249 | 8,288,249 | 308,100,000 | 100.00% | 36,736,002 | 1,528,656 | Not required to disclose | | |
| ˆ | ASLINK PRECISION CO., LTD. | Cayman Islands | Investment holding and commercial affairs | 6,234,398 | 5,403,908 | 229,711,968 | 100.00% | 16,287,020 | 2,163,438 | Not required to disclose | | |
| ˆ | DIGITEK GLOBAL HOLDINGS LIMITED | Virgin Islands | Investment holding and commercial affairs | 1,357,810 | 1,357,810 | 49,050,000 | 100.00% | 6,616,116 | 583,306 | Not required to disclose | | |
| ˆ | COTEX HOLDINGS LIMITED | Virgin Islands | Investment holding and commercial affairs | 1,910,542 | 1,910,542 | 81,275,000 | 100.00% | 1,841,989 | 312,200 | Not required to disclose | | |
| ˆ | TOP QUARK LIMITED | HongKong | Investment holding | 293,287 | 293,287 | 9,550,000 | 100.00% | 271,440 | 151,360 | Not required to disclose | | |
| ˆ | POWTEK HOLDINGS LIMITED | Virgin Islands | Investment holding and commercial affairs | 363,907 | 363,907 | 8,050,000 | 100.00% | 1,287,519 | 157,837 | Not required to disclose | | |
| ˆ | PROTEK HOLDINGS LTD (CAYMAN) | Cayman Islands | Investment holding | 2,554,407 | 2,554,407 | 92,000,000 | 49.00% | 75,476 | (482,797) | Not required to disclose | | |
| ˆ | GRAND UPRIGHT TECHNOLOGY LTD. | Samoa | Investment holding and commercial affairs | 36,714 | 36,714 | 5,000,000 | 100.00% | 308,115 | (45,307) | Not required to disclose | | |
| KINSUS INTERCONNECT TECHNOLOGY CORP. | KINSUS CORP. (USA) | CA, USA | Investment holding and commercial affairs | 13,842 | 13,842 | 500,000 | 100.00% | 66,944 | 8,359 | Not required to disclose | | |
| ˆ | KINSUS HOLDING (SAMOA) LIMITED | Samoa | Investment holding | 4,603,924 | 4,603,924 | 166,308,720 | 100.00% | 2,378,249 | 329,154 | Not required to disclose | | |
| ˆ | KINSUS INVESTMENT CO., LTD. | Taoyuan | Investment holding | 1,600,000 | 1,600,000 | 160,000,000 | 100.00% | 2,678,046 | 407,075 | Not required to disclose | | |
| KINSUS INVESTMENT CO., LTD. | PEGAVISION CORPORATION | Taoyuan | Manufacture of medical equipment | 252,455 | 252,455 | 21,233,736 | 30.33% | 1,664,138 | 1,248,574 | Not required to disclose | | |
| ˆ | FUYANG TECHNOLOGY CORPORATION | Hsinchu | Manufacture of wire, cable and electronic components. Sale of electronic material. | 929,422 | 929,422 | 64,176,872 | 35.65% | 325,005 | 78,080 | Not required to disclose | | |
| KINSUS HOLDING (SAMOA) LIMITED | KINSUS HOLDING (CAYMAN) LIMITED | Cayman Islands | Investment holding | 1,993,176 | 1,993,176 | 72,000,000 | 100.00% | 2,317,122 | 575,377 | Not required to disclose | | |
| ˆ | PROTEK HOLDINGS LTD (CAYMAN) | Cayman Islands | Investment holding | 2,610,756 | 2,610,756 | 95,755,000 | 51.00% | 78,564 | (482,789) | Not required to disclose | | |
| ˆ | PROTEK HOLDING LIMITED | Virgin Islands | Investment holding | 3,871,213 | 3,871,213 | 139,840,790 | 100.00% | 154,028 | (482,789) | Not required to disclose | | |
| ˆ | PROTEK (H.K.) TRADING LIMITED | HongKong | Commercial affairs | 720 | 720 | 200,000 | 100.00% | 64,723 | (5,572) | Not required to disclose | | |
| ˆ | BeautyTech Platform Corporation | Taoyuan | Sale of medical equipment | 40,000 | 40,000 | - | - | - | 18,766 | Not required to disclose | | |
| ˆ | PEGAVISION JAPAN INC. | Japan | Sale of medical equipment | 2,381 | 2,381 | 198 | 100.00% | 59,801 | 21,135 | Not required to disclose | | |
| ˆ | Mayin Investment Co., Ltd. | Taoyuan | Investment holding | 120,003 | - | 12,000,000 | 100.00% | 164,344 | 44,525 | Not required to disclose | | |
| ˆ | BeautyTech Platform Corporation | Taoyuan | Selling medical appliances | 40,000 | - | 4,000,000 | 100.00% | 56,036 | 18,766 | Not required to disclose | | |
| ˆ | FacialBeau International Corporation | Taoyuan | Selling cosmetics | 27,500 | - | 2,750,000 | 55.00% | 27,330 | (307) | Not required to disclose | | |
| ˆ | Aquamax Vision Corporation | CA, USA | Sale of medical equipment | 30,451 | 16,610 | 11,000,000 | 100.00% | 12,346 | (16,325) | Not required to disclose | | |

Notes to the Non-Consolidated Financial Statements

| Name of investor | | Name of investee | Location | Main businesses and products | Original investment amount | | Balance as of December 31, 2021 | | Carrying value | Net income (losses) of investee | Expressed in thousands of NTD | |
|----------------------------------|--|--|-----------------------|--|----------------------------|-------------------|---------------------------------|-------------------------|----------------|---------------------------------|-------------------------------------|------|
| | | | | | December 31, 2021 | December 31, 2020 | Shares | Percentage of ownership | | | Share of profits/losses of investee | Note |
| 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% | 29,647 | (206,617) | Not required to disclose | |
| ASROCK Incorporation | | ASROCK Rack Incorporation | Taipei | Manufacture and sale of computer related products | 291,278 | 291,278 | 27,296,220 | 100.00% | 418,174 | 66,691 | Not required to disclose | |
| " | | ASIAROCK TECHNOLOGY LIMITED | Virgin Islands | Investment holding | 1,320,886 | 1,320,886 | 40,000,000 | 100.00% | 3,999,438 | 107,324 | Not required to disclose | |
| " | | Leader Insight Holdings Ltd. | Virgin Islands | Investment holding | 71,559 | 71,559 | 2,100,000 | 100.00% | 102,306 | 68,350 | Not required to disclose | |
| " | | ASRock Industrial Computer Corporation | Taipei | Manufacture and sale of computer related products | 239,683 | 239,683 | 23,895,700 | 65.83% | 399,697 | 156,396 | Not required to disclose | |
| " | | ASJade Technology Inc. | Taipei | Information software service | 103,125 | - | 8,250,000 | 78.57% | 101,294 | (2,331) | Not required to disclose | |
| " | | Yabo Trading Co., Ltd. | HongKong | International trade | 532 | 532 | 150,000 | 100.00% | 533 | 108,030 | Not required to disclose | |
| " | | ASROCK EUROPE B.V. | Nijmegen, NETHERLANDS | Sale of data storage devices and electronic materials | 5,371 | 5,371 | 200,000 | 100.00% | 667,437 | (1,132) | Not required to disclose | |
| ASROCK Incorporation | | CalRock Holdings, LLC. | CA, USA | Renting offices | 55,366 | 55,366 | 2,000,000 | 100.00% | 59,611 | (2,682) | Not required to disclose | |
| " | | Obweb Inc. (BVI) | Virgin Islands | Installation of computer equipment and sale of computer related product. | 27,683 | 27,683 | 4,000,000 | 27.59% | - | 68,350 | Not required to disclose | |
| Leader Insight Holdings Ltd. | | First place International Ltd. | Virgin Islands | Investment holding | 56,750 | 56,750 | 2,050,000 | 100.00% | 102,263 | 68,350 | Not required to disclose | |
| Firstplace International Ltd. | | ASROCK AMERICA, INC. | CA, USA | Sale of data storage devices and electronic materials | 55,366 | 55,366 | 2,000,000 | 100.00% | 101,335 | (23,196) | Not required to disclose | |
| Lumens Digital Optics Inc. | | Lumens Integration Inc. | CA, USA | Purchase and sale on computer product and computer related product. | 33,524 | 33,524 | 1,222,000 | 100.00% | 5,351 | 3,800 | Not required to disclose | |
| " | | Lumens Digit Image Inc. | Samoa | Investment holding | 6,921 | 6,921 | 250,000 | 100.00% | 19,916 | (92) | Not required to disclose | |
| PEGATRON TECHNOLOGY SERVICE INC. | | PEGATRON SERVIÇOS DE INFORMÁTICA LTDA. | Brasil | Repairing service | 17,994 | 17,994 | - | 100.00% | 6,408 | 253,980 | Not required to disclose | |
| Unihub Holding Ltd. | | CASETEK HOLDINGS LIMITED | Virgin Islands | Investment holding and commercial affairs | 4,537,265 | 4,537,265 | 115,375,668 | 100.00% | 5,724,128 | (1,738) | Not required to disclose | |
| CASETEK HOLDINGS LIMITED | | SLITEK HOLDINGS LIMITED | Samoa | Investment holding and commercial affairs | 33,496 | 33,496 | 1,210,000 | 100.00% | 908 | (243,048) | Not required to disclose | |
| " | | KAEDAR HOLDINGS LIMITED | HongKong | Investment holding and commercial affairs | 692,075 | 692,075 | 25,000,000 | 100.00% | 985,386 | (50,908) | Not required to disclose | |
| " | | KAEDAR TRADING LTD. | Samoa | Investment holding and commercial affairs | 138,415 | 138,415 | 5,000,000 | 100.00% | 518,308 | 194,603 | Not required to disclose | |
| AZURE WAVE TECHNOLOGIES, INC. | | Azwave Holding (Samoa) Inc. | Samoa | Investment holding | 2,173,438 | 1,888,113 | 70,177,000 | 100.00% | 2,117,187 | (714) | Not required to disclose | |
| " | | AZURE LIGHTING TECHNOLOGIES, INC. | New Taipei City | Information product service industry | 5,015 | 5,015 | 500,000 | 100.00% | (23,110) | 6,291 | Not required to disclose | |
| " | | Azurewave Technologies (USA) INC. | New Taipei City | Sale of electronic materials | 25,000 | 25,000 | 2,000,000 | 100.00% | 38,406 | 408 | Not required to disclose | |
| CASETEK HOLDINGS LIMITED(CAYMAN) | | RHLL International Limited | Samoa | Market development | 19,820 | 19,820 | 650,000 | 100.00% | 2,154 | 5,824,587 | Not required to disclose | |
| " | | RH KUAN METAL CORPORATION | Taipei | Investment holding | 21,220,018 | 27,702,491 | 581,331,000 | 100.00% | 35,264,410 | 70,417 | Not required to disclose | |
| " | | APLUS PRECISION LIMITED | Cayman Islands | Sales of iron and aluminum products | 279,000 | 279,000 | 30,000,000 | 100.00% | 604,202 | 376,410 | Not required to disclose | |
| " | | MEGA MERIT LIMITED | Samoa | Investing and trading | 890,137 | 890,137 | 38,300,000 | 100.00% | 857,808 | 18,527 | Not required to disclose | |
| APLUS PRECISION LIMITED | | UNITED NEW LIMITED | Samoa | Trading activities | 27,683 | 27,683 | 1,000,000 | 100.00% | 49,930 | 376,410 | Not required to disclose | |
| RH KUAN METAL CORPORATION | | Rieng USA, Inc. | CA, USA | Investing and trading | 1,060,259 | 1,060,259 | 38,300,000 | 100.00% | 857,808 | (423) | Not required to disclose | |
| " | | | | Market Research | 6,367 | 6,367 | 230,000 | 100.00% | 7,257 | | | |

Note 1 : Income and expenses for each statement of comprehensive income are translated at average exchange rates of 2021, the others are translated at the spot exchange rate on the financial statement date.

Notes to the Non-Consolidated Financial Statements

Table 10: Information on investments in Mainland China
December 31, 2021

1. The names of investees in Mainland China, the main businesses and products, and other information

| Name of investee | Main businesses and products | Total amount of capital surplus | Method of investment (Note 1) | Accumulated outflow of investment from Taiwan as of January 1, 2021 | Amount remitted from Taiwan to Mainland China /Amount remitted back to Taiwan for the year ended December 31, 2021 | | Accumulated outflow of investment from Taiwan as of December 31, 2021 | Net income of investee for the year ended December 31, 2021 | Ownership held by the Company (direct or indirect) | Investment income (loss) recognized by the Company for the year ended December 31, 2021 (Note2, (2)) | Book value of investments in Mainland China as of December 31, 2021 | Accumulated amount of investment income remitted back to Taiwan as of December 31, 2021 |
|---|---|---------------------------------|--|---|--|-------------------------|---|---|--|--|---|---|
| | | | | | Remitted to Mainland China | Remitted back to Taiwan | | | | | | |
| MAINTEK COMPUTER (SUZHOU) CO., LTD. (Note 5) | Manufacturing, developing and selling power supply units, computer cases, computer systems, notebooks, main boards and computer peripherals, and providing after-sales service. | 6,328,057 USD 226,590,000 | Through setting up company in the third area, the Company then reinvest in the investee in Mainland China. | 4,894,354 USD 176,800,000 | - | - | 4,894,354 USD 176,800,000 | 2,445,742 USD 87,355,676 | 100% | 2,445,742 USD 87,355,676 | 29,929,345 USD 1,081,145,284 | - |
| 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. | 8,526,364 USD 308,000,000 | Through setting up company in the third area, the Company then reinvest in the investee in Mainland China. | 8,526,364 USD 308,000,000 | - | - | 8,526,364 USD 308,000,000 | 1,528,722 USD 54,602,060 | 100% | 1,528,722 USD 54,602,060 | 36,916,714 USD 1,333,551,776 | - |
| PROTEK COMPUTER (SUZHOU) CO., LTD. (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. | 4,614,756 USD 166,700,000 | Through setting up company in the third area, the Company then reinvest in the investee in Mainland China. | 1,258,089 USD 45,446,280 | - | - | 1,258,089 USD 45,446,280 | (477,212) (USD 17,044,788) | 68.68% | (327,729) (USD 11,765,645) | 61,333 USD 2,215,540 | - |
| COTEX ELECTRONICS (SUZHOU) CO., LTD. | Develop, manufacture and sale of new electrical component, plug-and corresponding precision mold. The company also provides after-sale service. | 2,242,323 USD 81,000,000 | Through setting up company in the third area, the Company then reinvest in the investee in Mainland China. | 1,910,127 USD 69,000,001 | - | - | 1,910,127 USD 69,000,001 | 312,080 USD 11,146,698 | 100% | 312,080 USD 11,146,698 | 1,764,604 USD 63,743,233 | - |
| RUNTOP (SHANGHAI) CO., LTD. (Note 20) | Manufacture and sale of computer components, digital automatic data processing machine, accessories of multimedia computer, power supplier, network switch and data machine. | 193,781 USD 7,000,000 | Through setting up company in the third area, the Company then reinvest in the investee in Mainland China. | 291,903 USD 10,544,482 | - | - | 291,903 USD 10,544,482 | USD 0 | 0% | USD 0 | USD 0 | - |
| POWTEK (SHANGHAI) LTD. | Sale of computer motherboard, computer laptop, service machine and computer related items. The company also provides after sale service. | 221,464 USD 8,000,000 | Through setting up company in the third area, the Company then reinvest in the investee in Mainland China. | 363,907 USD 13,145,510 | - | - | 363,907 USD 13,145,510 | 157,904 USD 5,639,936 | 100% | 157,904 USD 5,639,936 | 1,287,228 USD 46,498,867 | - |
| 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. | 1,356,467 USD 49,000,000 | Through setting up company in the third area, the Company then reinvest in the investee in Mainland China. | 1,356,467 USD 49,000,000 | - | - | 1,356,467 USD 49,000,000 | 583,363 USD 20,836,254 | 100% | 583,363 USD 20,836,254 | 6,630,011 USD 239,497,563 | - |
| PEGAGLOBE (KUNSHAN) CO., LTD. | Manufacturing satellite, navigation and positioning receiving equipment and key components, mobile phones, third generation and subsequent mobile communication mobile phones, base stations, core equipment and network testify equipment, large and medium-sized electronic computers, portable microcomputers, high-ends servers, large-capacity optical, disk drives and their components, high-end server, disk drive, and other related components. | 5,370,502 USD 194,000,000 | Through setting up company in the third area, the Company then reinvest in the investee in Mainland China. | 5,370,502 USD 194,000,000 | - | - | 5,370,502 USD 194,000,000 | 2,152,745 USD 76,890,559 | 100% | 2,152,745 USD 76,890,559 | 15,488,868 USD 559,506,303 | - |
| Pegaglobe Investment (Jiangsu) Co., Ltd | Investing activities with own capital: Equity investment | 830,490 USD 30,000,000 | Through setting up company in the third area, the Company then reinvest in the investee in Mainland China. | - | 830,490 USD 30,000,000 | - | 830,490 USD 30,000,000 | 10,845 USD 387,348 | 100% | 10,845 USD 387,348 | 841,213 USD 30,387,348 | - |
| CASETEK COMPUTER (SUZHOU) CO., LTD. (Note 18) | Manufacture, development and research and sale of computer, computer system and its component. The company also provides after sale service. | 1,550,248 USD 56,000,000 | Through setting up company in the third area, the Company then reinvest in the investee in Mainland China. | 1,550,248 USD 56,000,000 | - | - | 1,550,248 USD 56,000,000 | 533,275 USD 19,047,230 | 100% | 533,275 USD 19,047,230 | 2,530,383 USD 95,017,979 | - |
| KAEDAR ELECTRONICS (KUNSHAN) CO., LTD. (Note 21) | Manufacture of plastic injection products. | 484,453 USD 17,500,000 | Through setting up company in the third area, the Company then reinvest in the investee in Mainland China. | 678,430 USD 24,507,092 | - | - | 678,430 USD 24,507,092 | (195,420) (USD 6,979,907) | 100% | (195,420) (USD 6,979,907) | 548,525 USD 19,814,524 | - |

Notes to the Non-Consolidated Financial Statements

| Name of investee | Main businesses and products | Total amount of capital surplus | Method of investment (Note 1) | Accumulated outflow of investment from January 1, 2021 | Amount remitted from Taiwan to Mainland China /Amount remitted back to Taiwan for the year ended December 31, 2021 | | Accumulated outflow of investment from Taiwan as of December 31, 2021 | Net income of investee for the year ended December 31, 2021 | Ownership held by the Company (direct or indirect) | Investment income (loss) recognized by the Company for the year ended December 31, 2021 (Note 2, (2)) | Book value of investments in Mainland China as of December 31, 2021 | Accumulated amount of investment income remitted back to Taiwan as of December 31, 2021 |
|---|--|---------------------------------|--|--|--|-------------------------|---|---|--|--|---|---|
| | | | | | 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. | 332,196 USD 12,000,000 | Through setting up company in the third area, the Company then reinvest in the investee in Mainland China. | 332,196 USD 12,000,000 | - | - | 332,196 USD 12,000,000 | 3,257 USD 116,345 | 100% | 3,257 USD 116,345 | 206,592 USD 7,462,788 | - |
| 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. | 276,830 USD 10,000,000 | Through setting up company in the third area, the Company then reinvest in the investee in Mainland China. | 276,830 USD 10,000,000 | - | - | 276,830 USD 10,000,000 | 12,950 USD 462,551 | 100% | 12,950 USD 462,551 | 313,401 USD 11,321,056 | - |
| Zhangjiagang East High-tech LTD. | Process, sale and transportation of steel. | 166,098 USD 6,000,000 | Through setting up company in the third area, the Company then reinvest in the investee in Mainland China. | 33,220 USD 1,200,000 | - | - | 33,220 USD 1,200,000 | - | 20% | - | - | - |
| FUYANG ELECTRONICS (SUZHOU) CO., LTD. | Research and develop, manufacture, test, repair and sale of Multilayer flexible board and computer number signal processor. | 1,218,052 USD 44,000,000 | Through setting up company in the third area, the Company then reinvest in the investee in Mainland China. | 1,218,052 USD 44,000,000 | - | - | 1,218,052 USD 44,000,000 | (206) (USD 7,372) | 67.22% | (139) (USD 4,955) | 28 USD 999 | - |
| HONGJIE (SHANGHAI) PACKING LIMITED | Manufacture of all kinds of paper boxes, paper materials, paper plastics, cushioning material, tray, etc. | 138,415 USD 5,000,000 | Through setting up company in the third area, the Company then reinvest in the investee in Mainland China. | 25,822 USD 932,769 | - | - | 25,822 USD 932,769 | - | - | - | - | - |
| HONGJIE (SUZHOU) PACKING LIMITED | Manufacture of all kinds of paper boxes, paper materials, paper plastics, cushioning material, tray, etc. | 368,460 USD 13,309,984 | Through setting up company in the third area, the Company then reinvest in the investee in Mainland China. | 166,811 USD 6,025,762 | - | - | 166,811 USD 6,025,762 | - | - | - | - | - |
| Suzhou Eslite Packaging LTD. | Manufacture of all kinds of paper boxes, paper materials, paper plastics, cushioning material, tray, etc. | 141,183 USD 5,100,000 | Through setting up company in the third area, the Company then reinvest in the investee in Mainland China. | 32,028 USD 1,156,954 | - | - | 32,028 USD 1,156,954 | - | - | - | - | - |
| HONGJIE (CHONGQING) PACKING LIMITED | Manufacture of all kinds of paper boxes, paper materials, paper plastics, cushioning material, tray, etc. | 13,842 USD 500,000 | Through setting up company in the third area, the Company then reinvest in the investee in Mainland China. | 2,118 USD 76,500 | - | - | 2,118 USD 76,500 | - | - | - | - | - |
| Hongrui Sheng (Chengdu) packaging LTD. | Manufacture of all kinds of paper boxes, paper materials, paper plastics, cushioning material, tray, etc. | 72,253 USD 2,610,000 | Through setting up company in the third area, the Company then reinvest in the investee in Mainland China. | 17,523 USD 633,000 | - | - | 17,523 USD 633,000 | - | - | - | - | - |
| Heilongjiang Hongjie Packaging LTD. | Manufacture of all kinds of paper boxes, paper materials, paper plastics, cushioning material, tray, etc. | 68,100 USD 2,460,000 | Through setting up company in the third area, the Company then reinvest in the investee in Mainland China. | 12,258 USD 442,800 | - | - | 12,258 USD 442,800 | - | - | - | - | - |
| Suzhou Lianshuo Electronics LTD. | Manufacture of plugs | 193,350 USD 6,984,441 | Through setting up company in the third area, the Company then reinvest in the investee in Mainland China. | 211,947 USD 7,656,224 | - | - | 211,947 USD 7,656,224 | - | - | - | - | - |
| Shanghai Yiding Electronics LTD. | Research and develop, manufacture and sale of portable microcomputer, laptop and related products. | 858,173 USD 31,000,000 | Through setting up company in the third area, the Company then reinvest in the investee in Mainland China. | 542,587 USD 19,600,000 | - | - | 542,587 USD 19,600,000 | - | - | - | - | - |

Expressed in thousands of NTD

Notes to the Non-Consolidated Financial Statements

| Name of investee | Main businesses and products | Total amount of capital surplus | Method of investment (Note 1) | Accumulated outflow of investment from Taiwan as of January 1, 2021 | Amount remitted from Taiwan to Mainland China /Amount remitted back to Taiwan for the year ended December 31, 2021 | | Net income of investee for the year ended December 31, 2021 | Ownership held by the Company (direct or indirect) | Investment income (loss) recognized by the Company for the year ended December 31, 2021 (Note2, (2)) | Book value of investments in Mainland China as of December 31, 2021 | Accumulated amount of investment income remitted back to Taiwan as of December 31, 2021 |
|---|---|---------------------------------|--|---|--|-------------------------|---|--|---|---|---|
| | | | | | Remitted to Mainland China | Remitted back to Taiwan | | | | | |
| Jinhong Precision Mold (Suzhou) Co., Ltd. (Note 16) | Design, process, sale and manufacture of non-metal molds. Manufacture and sale of precision molds, standard molds, plastic and hardware. | 24,915 USD 900,000 | Through setting up company in the third area, the Company then reinvest in the investee in Mainland China. | 47,476 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 photo electric trigger, disk driver and their components. Manufacture of number camera, essential components and providing after sale service. | 177,171 USD 6,400,000 | Through setting up company in the third area, the Company then reinvest in the investee in Mainland China. | 86,814 USD 3,136,000 | - | - | - | - | - | - | - |
| 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. | 1,494,882 USD 54,000,000 | Through setting up company in the third area, the Company then reinvest in the investee in Mainland China. | - | 468,547 USD 16,925,453 | - | 372,333 USD 13,298,782 | 100% | 372,333 USD 13,298,782 | 857,553 USD 30,977,616 | - |
| RUTENG 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. | 4,290,837 USD 154,999,000 | Through setting up company in the third area, the Company then reinvest in the investee in Mainland China. | - | 8,544,996 USD 308,673,038 | - | 166,975 USD 5,963,931 | 100% | 170,778 USD 6,099,756 | 8,620,129 USD 311,387,103 | - |
| 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. | 83,049 USD 3,000,000 | Through setting up company in the third area, the Company then reinvest in the investee in Mainland China. | - | 17,460 USD 630,695 | - | (6,177) (USD 220,631) | 100% | (6,177) (USD 220,631) | 10,406 USD 375,886 | - |
| Luxcase Precision Technology (Yancheng) 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. | 25,877,226 USD 947,693,575 | Through investing in the third area, the Company then reinvest in the investee in Mainland China. | - | 17,779,993 USD 642,271,181 | - | 4,292,131 USD 153,303,988 | 48.17% | 1,611,478 USD 57,357,888 | 22,272,009 USD 804,337,402 | - |
| 2. Limitation on investment in Mainland China | | | | | | | | | | | |
| Accumulated Investment in Mainland China as of December 31, 2021 (Note 16 and 19) | | | | | Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 4) | | | | | | |
| 57,324,018 USD 2,070,729,981 | | | | | 61,138,372 USD 2,208,516,847 | | | | | | |

Notes to the Non-Consolidated Financial Statements

US dollar exchange rate : year end exchange rate 27.683 ; average exchange rate 27.99752

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 N/TD. 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 USD\$1,790,000.

Note 6 : Suzhou Lianshuo Electronics LTD. has completed liquidation process. As of December 31, 2021, the funds have not been remitted.

Note 7 : POTEK 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 Indeed Holdings Limited(indirectly invested in Shanghai Yiding Electronics LTD.). As of December 31, 2021, the funds have not been remitted.

Note 9 : Honghua Technology (Suzhou) LTD. has completed liquidation process. As of December 31, 2021, the funds have not been remitted.

Note10 : The Group has disposed shares of Jinhong Precision Mold Industrial (Suzhou) Co., Ltd.. As of December 31, 2021, the funds have not been remitted.

Note11 : The Group has disposed shares of Heilongjiang Hongjie Packaging LTD.. As of December 31, 2021, the funds have not been remitted.

Note 12 : Hongruisheng (Chengdu) packaging LTD. has completed liquidation process. As of December 31, 2021, 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-Packing. As of December 31, 2021, 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 USD26,869,078, with the approval from the Investment Commission of MOEA.

Note 16 : The difference of USD17,211,240 between the accumulated amounts of remittance from Taiwan to Mainland China as of December 31, 2021 was the actual amount of investment in Mainland China made by China Renewable Energy Fund, LP(CREF) and Ark Semiconductor Corp. Ltd.

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 70,000,000.

Note 18 : CASETEK COMPUTER (SUZHOU) CO., LTD. remitted USD24,000,000 to CASETEK HOLDINGS LIMITED, the remittance have not been remitted back to Taiwan as of December 31, 2021

Note 19 : The merger of CASETEK HOLDINGS LINTOP (CAYMAN) has been approved and completed by the Investment Commission of MOEA, and is included in the investment amount and quota in Mainland China after its accounting and distribution.

Note 20 : The Group has disposed all shares of RUNTOP (SHANGHAI) CO., LTD. As of December 31, 2021, the funds have not been remitted.

Note 21 : Due to the investment of the Group's subsidiary, Ark Semiconductor Corp. Ltd, the Group increased its line of credit to USD\$3,39,028, with the approval from the Investment Commission of MOEA.

Note 22 : KAEDAR ELECTRONICS (KUNSHAN) CO., LTD. remitted RMB97,200,000 to KAEDAR HOLDINGS LIMITED, the remittance have not been remitted back to Taiwan as of December 31, 2021

PEGATRON CORPORATION
Statement of Accounts Receivable
December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

| <u>Client name</u> | <u>Description</u> | <u>Amount</u> | <u>Note</u> |
|-------------------------------------|--------------------|------------------------------|-------------|
| Related party | | | |
| PROTEK (SHANGHAI) Ltd. | Loan | \$ 102,069,459 | |
| PEGAGLOBE (KUNSHAN) CO., Ltd. | " | 65,386,391 | |
| DIGITEK (CHONGQING) Ltd. | " | 52,659,300 | |
| MAINTEK COMPUTER (SUZHOU) CO., LTD. | " | 12,658,305 | |
| Other (Note) | " | <u>14,035,540</u> | |
| Subtotal | | <u>246,808,995</u> | |
| Non-related party | | | |
| A | " | 131,160,168 | |
| B | " | 50,053,465 | |
| C | " | 11,584,660 | |
| Other (Note) | " | <u>39,007,639</u> | |
| Subtotal | | 231,805,932 | |
| Less: Allowance for impairment | | <u>(17,399)</u> | |
| Subtotal | | <u>231,788,533</u> | |
| Total | | <u>\$ 478,597,528</u> | |

Note: The year-end balance of each client doesn't exceed 5 % of the account balance.

PEGATRON CORPORATION

Statement of Inventory

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

| Item | Amount | | Note |
|---|-----------------------------|---------------------------|--|
| | Cost | Net realized value | |
| Merchandise | \$ 35,066,581 | 34,978,821 | |
| Finished goods | 979,775 | 1,044,868 | |
| Work in process | 529,903 | 617,487 | |
| Raw material | 4,652,762 | 4,702,971 | 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 | 41,229,021 | <u>41,344,147</u> | |
| Less: Allowance for inventory market decline and obsolescence | <u>(1,122,653)</u> | | |
| Net total | <u>\$ 40,106,368</u> | | |

PEGATRON CORPORATION

Statement of Changes in Investments Accounted for Using the Equity Method

For the year ended December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

| Name of investee | Beginning Balance | | Addition Shares (in thousand) | Decrease Shares (in thousand) | | 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 Shares (in thousand) | Percentage of ownership | Market Value or Net Assets Value | |
|--|-------------------------|----------------|-------------------------------------|-------------------------------------|----------------------|---------------------------------|---------------------------|--------------------|------------------|---|----------------------|---|-----------------------------|---|----------------------------|-------------------------------------|--------------|
| | Shares (in thousand) | Amount | | Shares (in thousand) | Amount | | | | | | | | | | | Unit price | Total amount |
| ASUSPOWER INVESTMENT CO., LTD. | 932,845 | \$ 15,815,279 | - | - | - | 1,393,189 | (103,066) | (5,887,166) | (887,928) | (7,300) | 19,614 | 752 | - | 932,845 | 100.00% | 10,343,374 | 11.09 |
| ASUS INVESTMENT, LTD. | 979,255 | \$ 16,462,641 | - | - | - | 1,685,201 | (10,947) | (5,615,558) | (852,768) | (9,180) | 705 | 54 | - | 979,255 | 100.00% | 11,660,148 | 11.91 |
| ASUSTEK INVESTMENT CO., LTD. | 951,278 | \$ 14,444,927 | - | - | - | 775,275 | 53,871 | (7,405,383) | (255,845) | - | - | 1,099 | - | 951,278 | 100.00% | 7,613,944 | 8.00 |
| UNIHAN HOLDING LTD. | 170,110 | \$ 6,256,129 | - | - | - | 252,739 | (80,342) | - | (694,038) | - | - | - | - | 170,110 | 100.00% | 5,734,488 | 33.71 |
| AMA PRECISION INC. | 33,500 | \$ 431,765 | - | - | - | 1,717 | - | - | - | - | - | - | - | 33,500 | 100.00% | 433,482 | 12.94 |
| AZURE WAVE TECHNOLOGIES, INC. | 35,750 | \$ 431,985 | - | - | - | 73,400 | (13,267) | - | - | - | - | 79 | - | 35,750 | 23.76% | 492,197 | 27.15 |
| PEGATRON HOLDING LTD. | 961,906 | \$ 87,961,996 | 30,000 | - | 855,975 | 7,032,726 | (2,615,192) | - | - | - | - | - | - | 991,906 | 100.00% | 93,235,505 | - |
| PEGATRON USA, INC. | 50 | \$ 17,573 | - | - | - | 109 | (503) | - | - | - | - | - | - | 50 | 100.00% | 17,179 | 343.58 |
| Pegatron Holland Holding B.V. | - | \$ 2,871,157 | - | - | - | 213,612 | (187,074) | - | - | - | - | - | (2,966) | - | 100.00% | 2,894,729 | - |
| CASETEK HOLDINGS LIMITED (CAYMAN) | 4,809 | \$ 396,426 | (4,809) | - | 14,274,713 (Note) | 6,374,782 | (2,299,111) | 18,714,176 | - | - | (409,874) | - | - | - | 100.00% | 37,051,112 | - |
| PEGATRON SERVICE AUSTRALIA PTY LTD. | 6,000 | \$ 187,831 | - | - | - | 31,064 | (17,472) | - | - | - | - | - | - | 6,000 | 100.00% | 201,423 | 33.57 |
| PT. PEGATRON TECHNOLOGY INDONESIA | 40 | \$ 1,199,588 | - | - | - | 84,163 | (3,5584) | - | - | - | - | (1,316) | - | 40 | 99.99% | 1,246,851 | - |
| PEGATRON TECHNOLOGY HAI PHONG COMPANY LIMITED | - | \$ 105,944 | - | - | 250,704 | (132,030) | (3,098) | - | - | - | - | - | - | - | - | 221,520 | - |
| PEGATRON VIETNAM COMPANY LIMITED | - | \$ 849,297 | - | - | 2,103,421 | (238,046) | (48,780) | - | - | - | - | - | - | - | - | 2,665,892 | - |
| Pegatron Technology India Private Limited | 54,995 | \$ 211,238 | 1,044,895 | - | 4,071,910 | (329,046) | (193,157) | - | - | - | - | - | - | 1,099,890 | 99.99% | 3,760,945 | - |
| PEGASUS ACE LIMITED | 100 | - | - | - | - | - | - | - | - | - | - | - | - | - | 100.00% | - | - |
| PEGATRON TECHNOLOGY TEXAS INC. | - | - | - | - | 27,812 | (37,669) | 294 | - | - | - | - | - | - | - | 100.00% | (9,563) | - |
| PEGATRON ELECTRONICS INC. | - | - | 1 | - | 278,125 | 1,089 | (1,307) | - | - | - | - | - | - | - | 100.00% | 277,907 | - |
| Subtotal | - | \$ 147,643,776 | - | - | 21,862,660 | - | 17,182,275 | (5,554,735) | (2,690,579) | (16,480) | (389,555) | 668 | (2,966) | - | 100.00% | 177,841,133 | - |
| Add: Credit balance of investments accounted for using equity method | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 9,563 |
| Total | - | \$ 147,643,776 | - | - | 21,862,660 | - | 17,182,275 | (5,554,735) | (2,690,579) | (16,480) | (389,555) | 668 | (2,966) | - | - | - | 177,850,696 |

Note: Please refer to Note 6(g) for the details of the current year's addition of CASETEK HOLDINGS LIMITED (CAYMAN).

PEGATRON CORPORATION

Statement of Short-term Loan

December 31, 2021

(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>\$ 48,168,420</u> | 2020.12.04~2022.12.26 | 0.32%~4.54% | None | |

Statement of Account Payable

| <u>Vendor name</u> | <u>Description</u> | <u>Amount</u> | <u>Note</u> |
|------------------------------|--------------------|------------------------------|-------------|
| Related party | | | |
| PEGAGLOBE (KUNSHAN) CO., LTD | Loan | \$ 84,342,828 | |
| PROTEK (SHANGHAI) LTD | " | 74,677,470 | |
| DIGITEK (CHONGQING) LTD | " | 49,357,663 | |
| Other (Note) | " | <u>7,091,727</u> | |
| Subtotal | | <u>215,469,688</u> | |
| Non-related party | | | |
| A | " | 111,478,470 | |
| B | " | 25,569,430 | |
| Other (Note) | " | <u>106,022,627</u> | |
| Subtotal | | <u>243,070,527</u> | |
| Total | | <u>\$ 458,540,215</u> | |

Note: The year-end balance of each vendor doesn't exceed 5% of the account balance.

Pegatron Corporation
Statement of bonds payable
December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

Please refer to Note 6(n) for more details.

Statement of Operating Revenue
For the year ended December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

| <u>Item</u> | <u>Quantity</u> | <u>Amount</u> | <u>Note</u> |
|------------------------|------------------------|--------------------------------|-------------|
| Sales revenue : | | | |
| 3C electronic products | 160,486 thousand units | \$ 1,108,510,058 | Note 1 |
| Others | | <u>59,623,044</u> | Note 2 |
| | | <u>\$ 1,168,133,102</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, 2021

(Expressed in thousands of New Taiwan Dollars)

| Item | Amount | |
|--|---------------------|--------------------------------|
| | Subtotal | Total |
| Cost of sales from manufacturing | | |
| Raw material, January 1 | | \$ 2,521,470 |
| Add: Purchase (Note1) | | 31,729,077 |
| Transferred-in | | 9,773,406 |
| Less: Transferred (includes amount transferred to each expense and loss) (Note1) | | (1,089,468) |
| Raw material, December 31 | | (4,652,762) |
| Direct labor | | 1,234,981 |
| Manufacturing expenses | | <u>3,775,930</u> |
| Cost of manufacturing | | 43,292,634 |
| Add: Work in process, January 1 | | 333,076 |
| Less: Transferred (includes amount transferred to each expense and loss) (Note1) | | (234,634) |
| Work in process, December 31 | | <u>(529,903)</u> |
| Cost of finished goods | | 42,861,173 |
| Add: Finished goods, January 1 | | 668,258 |
| Less: Transferred(includes amount transferred to each expense and loss) (Note1) | | (331,171) |
| Finished goods, December 31 | | <u>(979,775)</u> |
| Cost of self-manufactured products | | 42,218,485 |
| Merchandise, January 1 | 32,957,593 | |
| Add: Purchase (Note1) | 2,127,589,216 | |
| Less: Transferred(includes amount transferred to each expense and loss)(Note1) | (1,013,972,907) | |
| Merchandise, December 31 | <u>(35,066,581)</u> | <u>1,111,507,321</u> |
| Cost of goods sold | | 1,153,725,806 |
| Other business costs | | (1,439,575) |
| Allowance for inventory obsolescence | | 473,589 |
| Loss on disposal of inventory | | <u>100,843</u> |
| Operating costs | | <u><u>\$ 1,152,860,663</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, 2021

(Expressed in thousands of New Taiwan Dollars)

| | | | Research and | |
|---|---------------------|-----------------------|---------------------|-------------------|
| | | | Development | |
| <u>Item</u> | <u>Sales</u> | <u>Administration</u> | <u>Development</u> | <u>Total</u> |
| Salary and wages expenses | \$ 1,015,709 | 1,759,187 | 6,026,705 | 8,801,601 |
| Transportation expense | 271,044 | 5,407 | 7,224 | 283,675 |
| Insurance expense | 131,936 | 95,247 | 393,604 | 620,787 |
| Expected credit loss (reversal gain) | (16,155) | - | 19 | (16,136) |
| Depreciation expense | 32,903 | 131,290 | 292,512 | 456,705 |
| Amortization | 2,691 | 5,000 | 14,721 | 22,412 |
| Pension | 32,543 | 41,635 | 198,846 | 273,024 |
| Storage expense | 259,148 | 16,587 | 85 | 275,820 |
| Importation expense | 168,432 | 326 | 4,200 | 172,958 |
| Other (Note) | 71,132 | 566,447 | 1,360,366 | 1,997,945 |
| | <u>\$ 1,969,383</u> | <u>2,621,126</u> | <u>8,298,282</u> | <u>12,888,791</u> |

Note: The year-end balance of each item doesn't exceed 5% of the account balance.

Pegatron Corporation



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