

PEGATRON
和碩聯合科技

2023 ANNUAL REPORT

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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.

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1. Letter to Shareholders

Dear Shareholders,

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

Financial Performance

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

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

Technical Capability and Operating Highlights

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

In terms of operations, Pegatron will continue to strive for a favorable product combination for existing products, improve business and production efficiency, and actively expand related products such as AI, IoT, 5G, automotive, servers, etc. As the related technologies gradually mature, the increase in end-user demand is expected to become the growth momentum in the medium and long term in the future. Furthermore, amidst the intensifying competition in the

external environment, there is an expectation to enhance overall competitiveness and profitability. This can be achieved through comprehensive product portfolio adjustments, upgrades in automation, strategic resource allocation, and effective cost control management. These measures shall prove vital for ensuring sustained growth and success in the competitive landscape. Capacity relocation will remain a key focus of Pegatron's operations in the coming years. The Group is committed to completing the deployment and establishment of overseas production capacity in alignment with current market conditions and customer requirements. Additionally, we will diligently evaluate and manage operations to stabilize associated operating costs and realize the benefits of capacity transfer. In terms of laws and regulations, Pegatron follows the key policies and laws of the relevant competent authorities and will always keep track of changes in relevant policies and regulations at home and abroad, in order to fully grasp and respond to market changes.

Awards and Sustainability

Pegatron actively echoes the United Nations Sustainable Development Goals (SDGs) and responds to stakeholders' concerns about sustainability. In response to the global push for carbon reduction and the challenges posed by climate change, Pegatron has taken pro-active steps by signing onto the Science-Based Targets initiative (SBTi). Under this initiative, Pegatron has established carbon reduction targets in accordance with the SBTi framework and has extended these targets across its entire supply chain. Through this commitment, Pegatron aims to spearhead the low-carbon transformation of both the Group and its supply chain partners, thereby contributing to global efforts to mitigate climate change. In addition, Pegatron also refers to the framework of Climate-related Financial Disclosures (TCFD) to identify risks and opportunities related to climate change and formulate corresponding measures to grasp and reduce the financial impact of climate change.

As an integral part of the global supply chain, Pegatron has joined the Responsible Business Alliance (RBA), which requires suppliers to carry out occupational safety and health and labor and human rights management in accordance with international initiatives and customer regulations. Furthermore, Pegatron remains dedicated to engaging in social giving back activities. Since its establishment, it has supported 143 charities, spanning initiatives focused on assisting the disadvantaged, environmental protection, and cultural promotion. Looking ahead, the Group is committed to fulfilling its corporate social responsibility across even more diverse areas. Pegatron has been selected as a constituent stock of the "FTSE4Good TIP Taiwan ESG Index" for 13 consecutive times, and its score on the Climate Change Questionnaire of the Carbon Disclosure Project (CDP) has been improved from the C grade in 2021 to the B grade in 2023. In the future, Pegatron will continue to optimize ESG performance, expand influence, and work with the value chain to achieve sustainability and common good.

Outlook

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

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

diligence, we look forward to achieving continued success and prosperity together.

Chairman

T.H. Tung



President and Co-CEO

Kuang-Chih Cheng



Kuo-Yen Teng



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 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 thousand shares after cancelling 2,286,054 thousand 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.
Jul 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.
Jul 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.

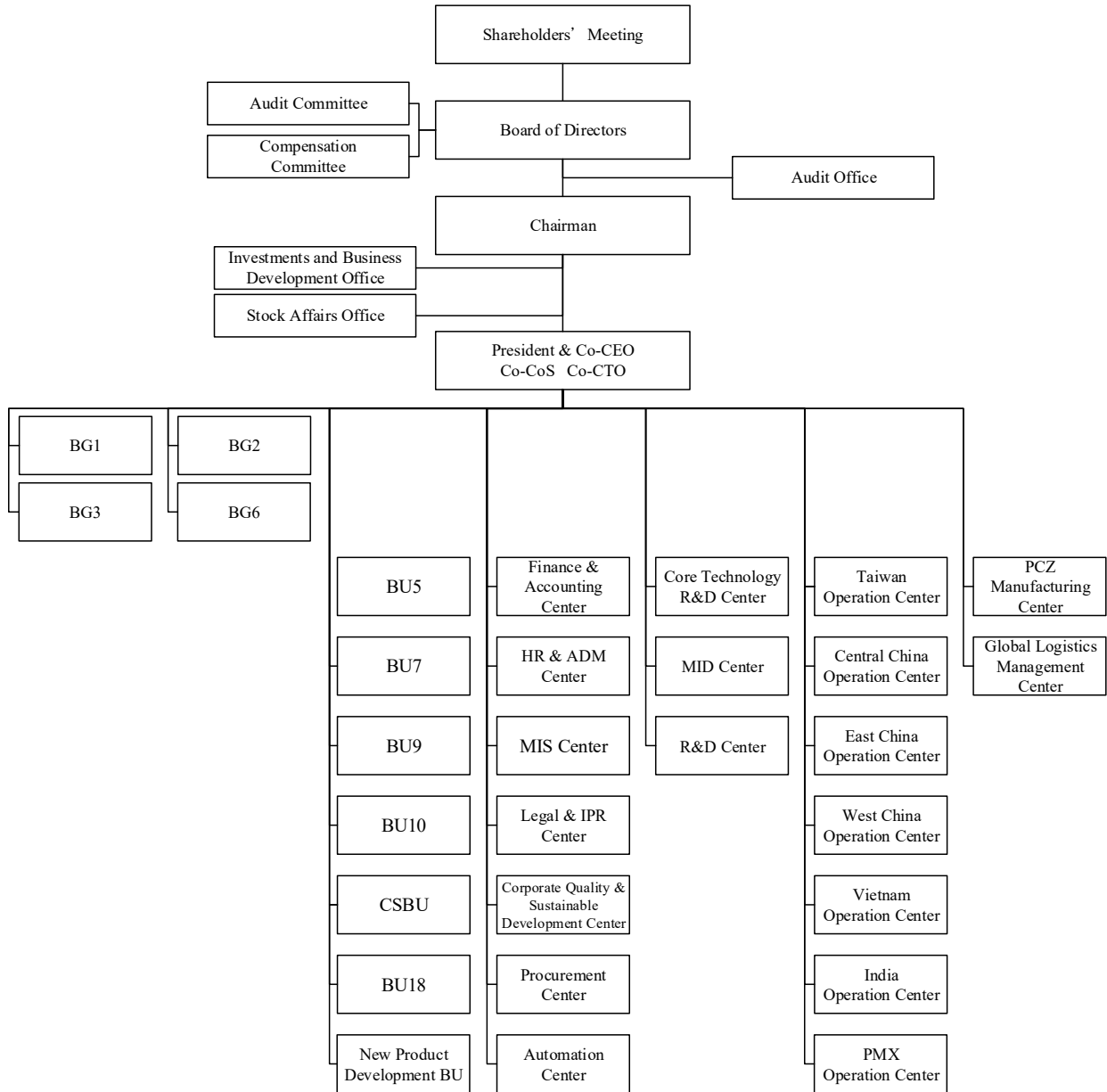
Aug 2020	<ul style="list-style-type: none"> • The Company's Board of Directors approved a reverse triangular merger between the wholly-owned subsidiary Pegasus Ace Limited and Casetek Holdings Limited (Cayman). The consideration for the merger was paid by the Company to Casetek's shareholders in cash 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.
Jul 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.
Jan 2022	<ul style="list-style-type: none"> • The Company's self-designed dual-screen laptop MAGNETO and ultra-lightweight wireless AR glasses AiR won the Taiwan Excellence Award.
Feb 2022	<ul style="list-style-type: none"> • The Company has announced its participation in the Science Based Targets initiative (SBTi).
Apr 2022	<ul style="list-style-type: none"> • The Company's self-designed VR headset VX6 won the German iF product design award.
Jun 2022	<ul style="list-style-type: none"> • The Company's self-designed smart video conferencing device KAIGIO CAM 360 and smart wearable device Geisha won the Golden Pin Product Design Award.
Aug 2023	<ul style="list-style-type: none"> • The company was ranked as 333rd among the 500 largest companies in the world by Fortune magazine.
Sep 2023	<ul style="list-style-type: none"> • The Company won the Best Trade Contribution Award at 2023 International Trade Awards issued by General International Trade Administration, Ministry of Economic Affairs (MOEA)
Nov 2023	<ul style="list-style-type: none"> • The Company's self-designed automotives related products, such as 24Ghz mmWave bike radar, PEGATRON commercial smart cockpit, EV power equipment - PEGATRON AC EVSE, and virtual and real integrated body sensing bracelet - FitTo, video conference system - VASCO 180, won the Golden Pin Product Design Award.
Dec 2023	<ul style="list-style-type: none"> • The Company's self-designed wireless bluetooth assistive listening headsets – TENOR won the Golden Pin Product Design Award of the Year.
Mar 2024	<ul style="list-style-type: none"> • The Company's self-designed PEGATRON commercial smart cockpit and real integrated body sensing bracelet – FitTo, won the German iF product design award.

3. Corporate Governance

3.1 Organization Structure

3.1.1 Organization Chart

As of 02/29/2024



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 Co-CEO	Board resolutions execution and general corporate affairs
Co-CoS	Managing global logistics and factory planning
Co-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 Operation Center	Mexico operation planning and management
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 & Sustainable Development Center	Quality and sustainable development management in accordance with 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
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 2	Design, manufacturing, development, and services of Automotive products
Business Group 3	Design, manufacturing, and services of handheld devices and related accessories
Business Group 6	Design, manufacturing, and services of communication and visual products
Business Unit 5	Design, manufacturing, and services of main boards and systems for large-size customers
Business Unit 7	Design, manufacturing, and services of game console products and tablets PCs
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
Business Unit 18	Design, manufacturing, and services of server products
New Product Development Business Unit	Design, manufacturing, and services of new development products

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

As of 02/29/2024

Title / Name	Nationality	Gender and Age	Date First Elected	Term (Years)	Date Elected	Shareholding when Elected		Current Shareholding (Note 1)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Selected Current Positions
						Shares	%	Shares	%	Shares	%	Shares	%		
Chairman T.H. Tung (Note 2)	R.O.C	Male 63	05/18/2010	3	06/15/2022	94,542,309	3.54	94,917,309	3.56	6,074,490	0.23	-	-	<p>Chairman and CSO of Pegatron Corp. Chairman of Kinsus Investmebt Co., Ltd. Chairman of Lumens Digital Optics Inc. Chairman of Asus Investment Co., Ltd. Chairman of Asuspover Investment Co., Ltd. Chairman of Asustek Investment Co., Ltd. Chairman of Ri-Kuan Metal Corporation Chairman of Beauty Tech Platform Corp Chairman of FacialBeau International Corp. 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 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 Executive Director of Taipei Computer Association 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</p>	<p>Chairman and CSO of Pegatron Corp. Chairman of Kinsus Investmebt Co., Ltd. Chairman of Lumens Digital Optics Inc. Chairman of Asus Investment Co., Ltd. Chairman of Asuspover Investment Co., Ltd. Chairman of Asustek Investment Co., Ltd. Chairman of Ri-Kuan Metal Corporation Chairman of Beauty Tech Platform Corp Chairman of FacialBeau International Corp. 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 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 Executive Director of Taipei Computer Association 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</p>

Title / Name	Nationality	Gender and Age	Date First Elected	Term (Years)	Date Elected	Shareholding when Elected		Current Shareholding (Note 1)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Selected Current Positions
						Shares	%	Shares	%	Shares	%	Shares	%		
															President of Monte Jade Science & Technology Association of Taiwan President of Taiwan Contact Lenses Industry Development Association Vice Chairman of New Frontier Foundation Vice Chairman of Taiwan Climate Partnership Director of Fullfoods Cultural Education Foundation Director of Bulareyaung Dance Cultural Foundation Director of Cloud Gate Culture and Arts Foundation Director of Lovely Taiwan Foundation Director of The LIU KUO-SUNG Foundation Director of Institute for Biotechnology and Medicine Industry Director of Koo Foundation Director of Cheng Hsin General Hospital Vice Chairman and Deputy CSO of Pegatron Corp. Chairman of AzureWave Technologies, Inc. Chairman of Casetek Holdings Limited (CAYMAN) Chairman and CEO of FuYang Technology Corp. Chairman of Azure Lighting Technologies, Inc. Chairman of Pegatron Technology India Private Limited Chairman of Pegatron Electronics India Private Limited Director of Asus Investment Ltd. Director of Asustek Investment Ltd. Director of RI-KUAN METAL Corp. Director of Pegatron Czech s.r.o. Director of Pegatron USA Director of Azwave Holdings (SAMOA) INC. Director of Alcor Micro Corp. Director of Epoch Foundation
Vice Chairman Jason Cheng	R.O.C	Male 64	05/18/2010	3	06/15/2022	4,564,773	0.17	4,837,773	0.18	13,120	0.00	-	-	Master's 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 1)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Selected Current Positions
						Shares	%	Shares	%	Shares	%	Shares	%		
Director Ted Hsu	R.O.C	Male 62	05/18/2010	3	06/15/2022	56,353,713	2.11	56,353,713	2.12	5,550,533	0.21	-	-	EMBA, National Chiao Tung University Director & Deputy General Manager of Asustek Computer Inc. Vice Chairman & Deputy Group CEO of Pegatron Corp.	Chairman of eBizprise Inc. Vice Chairman and CSO of Asustek Computer Inc. Chairman of ASMedia Technology Inc. Director of Eusol Biotech Co., Ltd. Director of iMotion Group Inc. Director of Medus Technology Inc. Director of Huasyn Biomedical Co., Ltd Director of A2+ BIOTECH Consulting Co., Ltd. Director of HONG WEI Investment Co., Ltd. Director of Buddhist Tzu Chi Medical Foundation
						125,000	0.00	530,000	0.02	-	-	-	-	Bachelor's degree in Electrical Engineering, National Taiwan University Associate Vice President of Asus	Senior Vice President of Pegatron Corp. Chairman of ASRock Incorporation Executive Director of Digitek (CHONGQING) Ltd.
						-	-	-	-	-	-	-	-	Chairman and CSO of Pegavisio Corp. Chairman of Mayin Investment Co., Ltd. Vice Chairman of Beauty Tech Platform Corp. Vice Chairman of FacialBeau International Corp. Director of Kinsus Interconnect Technology Corp. Director of Lumens Digital Optics Inc. Director of Kinsus Investmebt Co., Ltd. Director of Kinsus Corp. (USA) Director of Monte Jade Science & Technology Association of Taiwan Executive Director of Taiwan Contact Lenses Industry Development Association	Chairman of eBizprise Inc. Vice Chairman and CSO of Asustek Computer Inc. Chairman of ASMedia Technology Inc. Director of Eusol Biotech Co., Ltd. Director of iMotion Group Inc. Director of Medus Technology Inc. Director of Huasyn Biomedical Co., Ltd Director of A2+ BIOTECH Consulting Co., Ltd. Director of HONG WEI Investment Co., Ltd. Director of Buddhist Tzu Chi Medical Foundation
Director H.T. Tung	R.O.C	Male 64	06/15/2022	3	06/15/2022	125,000	0.00	530,000	0.02	-	-	-	-	Bachelor's degree in Electrical Engineering, National Taiwan University Associate Vice President of Asus	Senior Vice President of Pegatron Corp. Chairman of ASRock Incorporation Executive Director of Digitek (CHONGQING) Ltd.
Director Peter Kuo	R.O.C	Male 77	06/15/2022	3	06/15/2022	-	-	-	-	-	-	-	-	National Taipei Institute of Technology General Manager of UNICAP Electronics Chairman & CEO of Kinsus Interconnect Technology Corp.	Chairman and CSO of Pegavisio Corp. Chairman of Mayin Investment Co., Ltd. Vice Chairman of Beauty Tech Platform Corp. Vice Chairman of FacialBeau International Corp. Director of Kinsus Interconnect Technology Corp. Director of Lumens Digital Optics Inc. Director of Kinsus Investmebt Co., Ltd. Director of Kinsus Corp. (USA) Director of Monte Jade Science & Technology Association of Taiwan Executive Director of Taiwan Contact Lenses Industry Development Association

Title / Name	Nationality	Gender and Age	Date First Elected	Term (Years)	Date Elected	Shareholding when Elected		Current Shareholding (Note 1)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Selected Current Positions
						Shares	%	Shares	%	Shares	%	Shares	%		
Director T.K. Yang	R.O.C	Male 69	06/21/2016	3	06/15/2022	-	-	-	-	-	-	-	-	Ph.D. in Business Management, National Chengchi University Political Deputy Minister, the Ministry of Finance, R.O.C. Chairman of Bank of Taiwan Executive Secretary of National Development Fund, Executive Yuan President of China Development Industrial Bank Associate Professor of MBA at National Chengchi University	Chairman of Yangtze Associates Director and President of Huiyang Private Equity Fund Co., Ltd. Director of Asustek Computer Inc. Director of TTY Biopharm Company Limited Director of CHIEN KUO Construction Co., LTD. Director of Airiti Inc.

Title / Name	Nationality	Gender and Age	Date First Elected	Term (Years)	Date Elected	Shareholding when Elected		Current Shareholding (Note 1)		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 76	06/21/2016	3	06/15/2022	370,000	0.01	370,000	0.01	-	-	-	-	Bachelor of Economics, National Taiwan University Master's 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 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 Director of Far Eastern Memorial Foundation

Title / Name	Nationality	Gender and Age	Date First Elected	Term (Years)	Date Elected	Shareholding when Elected		Current Shareholding (Note 1)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Selected Current Positions
						Shares	%	Shares	%	Shares	%	Shares	%		
Director HONG-YE Investment Co., Ltd. Rep.: S.J. Liao	R.O.C	Male 74	06/21/2016	3	06/15/2022	2,600,000	0.10	2,600,000	0.10	-	-	-	-	Bachelor's degree in Industrial and Business Management, Tatung University Honorary Ph.D., Tatung University President and CEO of Pegatron Corp. Chief Operating Officer of Pegatron Corp. Senior Vice President of Unihan Corp.	Deputy Group CEO of Pegatron Corp. Chairman of Kinsus Interconnect Technology Corp. Chairman of Pegatron Vietnam Company Limited HAI PHONG Company Limited 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 Piatek Holdings Ltd (Cayman) Director of Piatek 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.
Director E.L. Tung (Note 2)	R.O.C	Female 31	06/21/2019	3	06/15/2022	3,336,014	0.12	3,336,014	0.13	-	-	-	-	Master's degree in Mass Communication, New York Institute of Technology (NYIT) - Waseda University Center for Japanese Language Program	

Title / Name	Nationality	Gender and Age	Date First Elected	Term (Years)	Date Elected	Shareholding when Elected		Current Shareholding (Note 1)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Selected Current Positions
						Shares	%	Shares	%	Shares	%	Shares	%		
Independent Director C. Lin	R.O.C	Male 72	05/18/2010	3	06/15/2022	-	-	-	-	-	-	-	-	Ph.D. in Economics, University of Illinois Premier of Executive Yuan Chairman of Vanguard International Semiconductor Corporation Minister of Finance of the R.O.C. Minister, Directorate General of Budget, Accounting and Statistics, Executive Yuan, R.O.C. Director General, Bureau of Finance, Taipei City Government Professor and Department Chair of public finance at National Chengchi University Research Fellow of Chung-Hua Institution for Economic Research	Chairman of TTY Biopharm Company Limited. Chairman of TSH Biopharm Corporation Limited.
Independent Director C.P. Hwang	R.O.C	Male 63	06/21/2016	3	06/15/2022	80,745	0.00	80,745	0.00	1,108,202	0.04	-	-	Electrical Engineering, National Taipei Institute of Technology President & GM of Havix Electronics Co., Ltd.	President & GM of Havix Electronics Co., Ltd.
Independent Director C.W. Wang	R.O.C	Male 69	06/15/2022	3	06/15/2022	-	-	-	-	-	-	-	-	Bachelor's degree in Electronic Engineering, National Chiao Tung University CEO & President, Quanta Computer Inc.	Independent Director of Phison Electronics Corp. Independent Director of Simplo Technology Co., Ltd.

Note 1: Current shareholding included the employee restricted stocks, which are under the custody of the Trust.

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

Major Shareholders of the Institutional Shareholders

As of 02/29/2024

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 02/29/2024

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 02/29/2024

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	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 industry experience for over 30 years.	<ol style="list-style-type: none"> 1. As the management Team of the Company and its affiliates, and a director of its affiliates. 2. As the top 10 shareholders of the company. Around 3.79% of the Company's outstanding shares held by him and his spouse. 3. Be relative with Ms. E.L. Tung within second degree of kinship. 4. Other conditions comply with the independence criteria specified in Article 3, paragraph 1, of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies." 	1
Jason Cheng	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 industry experience for over 30 years.	<ol style="list-style-type: none"> 1. As the management Team of the Company and its affiliates, and a director of its affiliates. 2. Around 0.18% of the Company's outstanding shares held by him and his spouse. 3. Other conditions comply with the independence criteria specified in Article 3, paragraph 1, of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies." 	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
Ted Hsu	Been one of the co-founders of Asus and served as Vice Chairman and Deputy Group CEO of Pegatron Corp. He has profound professional capabilities in research and development of both software and hardware. Mr. Ted Hsu is the Vice Chairman and CSO of Asustek Computer Inc. and has accumulated industry experience for over 30 years.	<ol style="list-style-type: none"> 1. As the top 10 shareholders of the company. Around 2.33% of the Company's outstanding shares held by him and his spouse. 2. Other conditions comply with the independence criteria specified in Article 3, paragraph 1, of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies." 	0
H.T. Tung	With expertise in both motherboard and server R&D. Mr. H.T. Tung served as the associate Vice President of Asustek Computer Inc. He is the Senior Vice President of Pegatron Corp., the Chairman of ASRock Incorporation and has accumulated industry experience for over 30 years.	<ol style="list-style-type: none"> 1. As the management Team of the Company and a director of its affiliates. 2. Around 0.02% of the Company's outstanding shares held by him and his spouse. 3. Other conditions comply with the independence criteria specified in Article 3, paragraph 1, of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies." 	0
Peter Kuo	Mr. Peter Kuo served as the Chairman and CEO of Kinsus Interconnect Technology Corp. He is the Chairman and CSO of Pegavision Corp. Over 40 years of experience in electronics, biotechnology and medical care industry, marketing management, and market arrangement.	<ol style="list-style-type: none"> 1. As the management Team and a director of its affiliates. 2. Other conditions comply with the independence criteria specified in Article 3, paragraph 1, of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies." 	0
T.K. Yang	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 academics.	All conditions comply with the independence criteria specified in Article 3, paragraph 1, of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies."	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
S. Chi	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 abundant teaching experience. With expertise in economic development strategies and industrial development. Over 40 years of experience in government, commerce, and academics.	<ol style="list-style-type: none"> 1. As a juristic-person director defined in Article 27 of the Company Law. 2. Other conditions comply with the independence criteria specified in Article 3, paragraph 1, of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies." 	2
S.J. Liao	Mr. S.J. Liao served as Chief Procurement Officer of Asus and Pegatron Corp., and Chief Operating Officer, President, and CEO of Pegatron Corp. He is current Chairman of Kinsus Interconnect Technology Corp. Familiar with factory operations, procurement, and other businesses for over 40 years.	<ol style="list-style-type: none"> 1. As the management Team of the Company and its affiliates, and a director of its affiliates. 2. As a juristic-person director defined in Article 27 of the Company Law. 3. Around 0.12% of the Company's outstanding shares held by him and his spouse. 4. Other conditions comply with the independence criteria specified in Article 3, paragraph 1, of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies." 	0
E.L. Tung	Specializes in communication management.	<ol style="list-style-type: none"> 1. Around 0.13% of the Company's outstanding shares held. 2. Be relative with the Chairman, Mr. T.H. Tung, within second degree of kinship. 3. Other conditions comply with the independence criteria specified in Article 3, paragraph 1, of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies." 	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. Lin	Mr. C. Lin served as professor of public finance at National Chengchi University, and the premier of Executive Yuan, minister of Finance of the R.O.C. and several important positions in government and financial institutions. He also served as independent director of Pegatron Corp. and Casetek Holding LTD before. He is the Chairman of TTY Biopharm Company Limited and TSH Biopharm Corporation Limited. With expertise in economics, taxation and finance and abundant experience in technology, biotechnology, and medical care industry. Over 40 years of experience in government, commerce, and academics.	All conditions comply with the independence criteria specified in Article 14-2 of "Securities and Exchange Act" and Article 3, paragraph 1, of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" during the two years before being elected or during the term of office.	0
C.P. Hwang	Mr. C.P. Hwang served as the independent director of Kinsus Interconnect Technology Corp. and is also the President and General Manager of Havix Electronics Co., Ltd. Over 30 years of experience in electronic industry risks and performance management.	<ol style="list-style-type: none"> 1. Around 0.04% of the Company's outstanding shares held by him and his spouse. 2. All conditions comply with the independence criteria specified in Article 14-2 of "Securities and Exchange Act" and Article 3, paragraph 1, of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" during the two years before being elected or during the term of office. 	0
C.W. Wang	Mr. C.W. Wang served as CEO and President of Quanta Computer Inc. After that, he is devoted to biotechnology and medical care industry and has accumulated management experience in technology, biotechnology, and medical care industry for over 30 years.	All conditions comply with the independence criteria specified in Article 14-2 of "Securities and Exchange Act" and Article 3, paragraph 1, of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" during the two years before being elected or during the term of office.	2

Note: Not been involved in any of the provisions of Article 30 of the Company Law.

3.2.2.2 Diversity and Independence of the Board

Diversity of Board Members

The Company's sixth Board of Directors encompass diverse professional backgrounds and are composed of 12 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, biotechnology and medical care, media management and industrial economics 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 33.33% of the Directors being employees of the Company, 33.33% being employees of subsidiaries and 66.67% being non-employees. One Director is under the age of 40, seven are between 40 and 70 and four 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	Ted Tsu	H.T. Tung	Peter Kuo	T.K. Yang	S. Chi	S.J. Liao	E.L. Tung	C. Lin	C.P. Hwang	C.W. Wang
Diversity	Male	Male	Male	Male	Male	Male	Male	Male	Female	Male	Male	Male
Gender	V	V		V				V				
Employee of Pegatron									V			
Below 40									V			
Between 40-70	V	V	V	V		V					V	V
Above 70					V		V	V		V		
Business Management	V	V	V	V	V	V	V	V	V	V	V	V
Technology	V	V	V	V	V	V		V		V	V	V
Finance						V	V			V		
Commerce	V	V	V	V	V	V	V	V		V	V	V
Biotechnology and Medical Care	V		V		V	V				V		V
Communication Management									V			
Industry Knowledge	V	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 12 Directors of the Company include 3 independent 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. T.H. Tung, the Chairman and Ms. E.L. Tung, 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	2023/04/28	The Taiwan Corporate Governance Association	Onward ASEAN-Investment related issues in Thailand, Malaysia, India, and Vietnam	3
		2023/09/21		Global Carbon Pricing & Trading	3
		2023/10/30		International carbon management development trends	3
		2023/11/14		Looking at Climate Change and Cross-Strait Relations - through the Lens of Legal Compliance	3
Vice Chairman	Jason Cheng	2023/09/21	The Taiwan Corporate Governance Association	Global Carbon Pricing & Trading	3
		2023/11/14		Looking at Climate Change and Cross-Strait Relations - through the Lens of Legal Compliance	3
Director	Ted Hsu	2023/05/12	The Taiwan Corporate Governance Association	Sustainable governance practices in corporate succession and transformation	3
		2023/07/19		The impact and opportunities of AI on industry	3
		2023/09/21		Global Carbon Pricing & Trading	3
		2023/11/14		Looking at Climate Change and Cross-Strait Relations - through the Lens of Legal Compliance	3
Director	H.T. Tung	2023/09/21	The Taiwan Corporate Governance Association	Global Carbon Pricing & Trading	3
		2023/11/14		Looking at Climate Change and Cross-Strait Relations - through the Lens of Legal Compliance	3
Director	Peter Kuo	2023/04/28	The Taiwan Corporate Governance Association	Onward ASEAN-Investment related issues in Thailand, Malaysia, India, and Vietnam	3
		2023/10/30		International carbon management development trends	3

Title	Name	Date	Institute	Course	Period (hours)
Director	T.K. Yang	2023/07/19	The Taiwan Corporate Governance Association	The impact and opportunities of AI on industry	3
		2023/11/14		Looking at Climate Change and Cross-Strait Relations - through the Lens of Legal Compliance	3
Director	DAI-HE Investment Co., Ltd. Rep.: S. Chi	2023/08/09	Taiwan Insurance Institute	How Board of Directors to implement protection for elderly consumers	3
		2023/08/22	Taiwan Academy of Banking and Finance	Corporate Governance Forum-International trends in Money Laundering prevention and application of financial technology	2
		2023/09/21	The Taiwan Corporate Governance Association	Global Carbon Pricing & Trading	3
		2023/04/28	The Taiwan Corporate Governance Association	Onward ASEAN-Investment related issues in Thailand, Malaysia, India, and Vietnam	3
Director	HONG-YE Investment Co., Ltd. Rep.: S.J. Liao	2023/09/21		Global Carbon Pricing & Trading	3
		2023/10/30		International carbon management development trends	3
		2023/11/14		Looking at Climate Change and Cross-Strait Relations - through the Lens of Legal Compliance	3
Director	E.L. Tung	2023/09/21	The Taiwan Corporate Governance Association	Global Carbon Pricing & Trading	3
		2023/11/14		Looking at Climate Change and Cross-Strait Relations - through the Lens of Legal Compliance	3

Title	Name	Date	Institute	Course	Period (hours)
Independent Director	C. Lin	2023/09/21	The Taiwan Corporate Governance Association The Taiwan Corporate Governance Association	Global Carbon Pricing & Trading	3
		2023/10/13		Trends and risk management of digital technology and artificial intelligence	3
		2023/11/14		Looking at Climate Change and Cross-Strait Relations - through the Lens of Legal Compliance	3
Independent Director	C.P. Hwang	2023/09/21	The Taiwan Corporate Governance Association	Global Carbon Pricing & Trading	3
		2023/11/14		Looking at Climate Change and Cross-Strait Relations - through the Lens of Legal Compliance	3
Independent Director	C.W. Wang	2023/07/18	The Taiwan Corporate Governance Association	2023 Finance Transformation and Sustainability Disclosure Seminar	3
		2023/09/21		Global Carbon Pricing & Trading	3

3.2.4 Introduction of the Management Team

As of 02/29/2024

Title / Name	Nationality	Gender	On-board Date	Current Shareholding (Note 1)		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's 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. 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	4,837,773	0.18	13,120	0.00	-	-	Master's degree in Electrical Engineering, University of Southern California President and CEO of Pegatron Corp. Deputy General Manager of Asustek Computer Inc.	Refer to Introduction of Board of Directors	
Deputy Group CEO S.J. Liao	R.O.C.	Male	11/02/2012	3,199,856	0.12	93	0.00	-	-	Bachelor's 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 1)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Selected Current Positions	Note
				Shares	%	Shares	%	Shares	%			
President and Co-CEO Kuang-Chih Cheng	R.O.C	Male	08/12/2022	270,946	0.01	80	0.00	-	-	Master's degree in Computer Science and Information Engineering Tamkang University Associate Vice President of ASUS	Director of ASROCK INCORPORATION Director of KINSUS INTERCONNECT TECHNOLOGY CORP. Director of AzureWave Technologies, Inc. President and CEO of AzureWave Technologies, Inc. Chairman of AzureWave Technologies (U.S.A.) Inc.	
President and Co-CEO Kuo-Yen Teng	R.O.C.	Male	08/01/2008	593,309	0.02	309,000	0.01	-	-	College degree in Electronic Engineering National Taipei Institute of Technology Associate Vice President of ASUS	None	
Senior Vice President Te-Tzu Yao	R.O.C.	Female	08/01/2008	1,331,109	0.05	-	-	-	-	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	
Senior Vice President H. T. Tung	R.O.C	Male	08/01/2008	530,000	0.02	-	-	-	-	Bachelor's degree in Electrical Engineering National Taiwan University Associate Vice President of ASUS	Refer to Introduction of Board of Directors	
Senior Vice President Chung Yu Huang	R.O.C	Male	11/02/2012	1,590,630	0.06	-	-	-	-	Ph.D. Electrical Engineering, University of Southern California Master's degree in Electrical Engineering, University of Southern California Bachelor's 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 1)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Selected Current Positions	Note
				Shares	%	Shares	%	Shares	%			
Senior Vice President and Co-Chief Technology Officer Pei-Chin Wang	R.O.C	Male	10/03/2011	1,440,949	0.05	-	-	-	-	Master's degree in Electrical Engineering, National Taiwan University Vice President of ASUS	None	
Senior Vice President and Co-Chief Technology Officer Yean-Jen Shue	R.O.C	Male	08/19/2022	853,432	0.03	430,175	0.02	-	-	Ph.D. Electrical Engineering, University of Florida Associate Vice President of ASUS	Director of CYBERLINK CORP.	
Vice President and Co-Chief of Staff Chiu-Tan Lin	R.O.C	Male	02/01/2008	280,000	0.01	-	-	-	-	Master's 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 Director of Pegatron Electronics India Private Limited	Note 2
Vice President and Co-Chief of Staff Ming-Tung Hsu	R.O.C.	Male	08/01/2008	533,624	0.02	8,219	0.00	-	-	College degree in Industrial Engineering National Taipei Institute of Technology Associate Vice President of ASUS	Chairman of Pegatron MEXICO S.A.DEC.V.	Note 3
Vice President Tsung-Jen Ku Lai	R.O.C	Male	08/01/2008	1,222,278	0.05	6,991	0.00	-	-	Bachelor's 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.	

Title / Name	Nationality	Gender	On-board Date	Current Shareholding (Note 1)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Selected Current Positions	Note
				Shares	%	Shares	%	Shares	%			
Vice President En-Bair Chang	R.O.C.	Male	02/01/2008	526,213	0.02	-	-	-	-	Master's 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.	
Vice President Shih-Chi Hsu	R.O.C.	Male	01/17/2022	967	0.00	-	-	-	-	Bachelor's degree in Mechanical Engineering National Taiwan Institute of Technology Associate Vice President of ASUS	None	
Vice President Tian-Bao Chang	R.O.C	Male	08/01/2008	824,101	0.03	-	-	-	-	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. Director of MAINTEK COMPUTER (SUZHOU) CO., LTD. Director of CASETEK COMPUTER (SUZHOU) CO., LTD. Director of COTEK ELECTRONICS (SUZHOU) CO., LTD. Director of CORE-TEK (SHANGHAI) LIMITED Director of CHONGQING ZUANSHUO TRADING CO., LTD. Director of PEGAGLOBE (SHANGHAI) CO., LTD.	
Vice President Chih-Hsiung Chen	R.O.C	Male	07/01/2010	635,609	0.02	400,000	0.02	-	-	Master's degree in Electrical Engineering Tufts University Vice President of ASUS	None	
Vice President Hsi-Wen Lee	R.O.C.	Male	08/01/2012	434,390	0.02	-	-	-	-	Master's degree in Mechanical Engineering National Taiwan University Senior Director of ASUS	None	

Title / Name	Nationality	Gender	On-board Date	Current Shareholding (Note 1)		Spouse & Minor Shareholdings		Shareholding by Nominee Arrangement		Experience (Education)	Selected Current Positions	Note
				Shares	%	Shares	%	Shares	%			
Vice President Shaing-Shaing Wu	R.O.C.	Female	07/01/2014	1,025,000	0.04	-	-	-	-	Master's 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. PEGAUNIHAN TECHNOLOGY INDONESIA Supervisor of PEGATRON VIETNAM COMPANY LIMITED Supervisor of PEGATRON TECHNOLOGY HAI PHONG COMPANY LIMITED Director of Pegatron Venture Capital Co., Ltd.	Note 4
Vice President Chen-Yu Feng	R.O.C.	Male	08/01/2014	673,795	0.03	21,000	0.00	-	-	Master's degree in Computer Science, National Chiao Tung University Associate Vice President of Unihan Corp. Senior Director of ASUS	Director of Pegatron USA	
Vice President Ting-Pang Huang	R.O.C	Male	08/01/2018	470,000	0.02	-	-	-	-	Bachelor's degree in Industrial Management Science, National Taiwan University of Science and Technology Deputy Director of ASUS	None	
Vice President Yi-Yung Wu	R.O.C	Male	08/01/2020	245,028	0.01	-	-	-	-	Ph.D. of Power Mechanical Engineering, National Tsing Hua University Master's 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. Director of Kunshan Kaileixing Electronics Co., Ltd.	

Title / Name	Nationality	Gender	On-board Date	Current Shareholding (Note 1)		Spouse & Minor Shareholdings		Shareholding by Nominee Arrangement		Experience (Education)	Selected Current Positions	Note
				Shares	%	Shares	%	Shares	%			
Corporate Governance Officer Chieh-Tsung Chen	R.O.C	Male	06/21/2019	880,893	0.03	1,101,949	0.04	-	-	Master's degree in Management, Tamkang University Senior Associate Vice President of Kinsus Interconnect Technology Corp. Director of Starlink Electronics Corp. Master's degree in Accounting, National Taiwan University Chief Financial Officer of Kinsus Interconnect Technology Corp. Chief Accounting Officer of Casetek Holdings Limited Director of ASUS	Supervisor of ASUSPOWER INVESTMENT CO., LTD. Supervisor of ASUS INVESTMENT CO., LTD. Supervisor of ASUSTEK INVESTMENT CO., LTD.	
Chief Financial Officer Ju-Hui Hsieh	R.O.C	Female	09/01/2019	373,000	0.01	10,500	0.00	-	-		Supervisor of Pegatron Venture Capital Co., Ltd.	Note 5

Note 1: Current shareholding included the employee restricted stocks, which are under the custody of the Trust.

Note 2: Mr. Chiu-Tan Lin new position effective on May 1st, 2023.

Note 3: Mr. Ming-Tung Hsu new position effective on May 1st, 2023.

Note 4: Mr. Shiang-Shiang Wu new position effective on June 15th, 2023.

Note 5: Mr. Ju-Hui Hsieh new position effective on June 15th, 2023.

3.2.5.1 Remuneration Paid to Director

Unit: NT\$ thousands

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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	From Pegatron	From all consolidated entities	Cash	Stock	Cash		Stock	From all consolidated entities		
Director HONG-YE investment Co., Ltd. Rep: S.J. Liao	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
Director E.L. Tung																				
Independent Director C. Lin																				
Independent Director C. P. Hwang	0	0	0	0	29,010	29,010	0	0	29,010	29,010	0	0	0	0	0	0	0	29,010	29,010	0
Independent Director C.W. Wang																				0.18% 0.18%
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.																			
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																			

- 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.
- In addition to the above information, do directors provide any consultancy service to all consolidated entities and what is its remuneration in the most recent year: 0

Note: The amount stated above is on pro forma basis and not the actual remuneration paid to directors.

Bracket	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	Companies in the financial report	The company	Companies in the financial report
Below NT\$ 1,000,000	S.J. Liao	S.J. Liao	-	-
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)	Ted Hsu T.K. Yang DAI-HE Investment Co., Ltd. Rep.: S. Chi HONG-YE Investment Co., Ltd. Rep.: S.J. Liao H.T. Tung Peter Kuo E.L. Tung C. Lin C.P. Hwang C.W. Wang	Ted Hsu T.K. Yang DAI-HE Investment Co., Ltd. Rep.: S. Chi HONG-YE Investment Co., Ltd. Rep.: S.J. Liao HONG-YE Investment Co., Ltd. Rep.: S.J. Liao C. Lin C.P. Hwang C.W. Wang	Ted Hsu T.K. Yang DAI-HE Investment Co., Ltd. Rep.: S. Chi HONG-YE Investment Co., Ltd. Rep.: S.J. Liao Peter Kuo E.L. Tung C. Lin C.P. Hwang C.W. Wang	Ted Hsu T.K. Yang E.L. Tung DAI-HE Investment Co., Ltd. Rep.: S. Chi HONG-YE Investment Co., Ltd. Rep.: S.J. Liao HONG-YE Investment Co., Ltd. Rep.: S.J. Liao C. Lin C.P. Hwang C.W. Wang
	Jason Cheng	Jason Cheng H.T. Tung	-	-
NT\$10,000,000(Included) ~ NT\$15,000,000(Excluded)	Jason Cheng	Jason Cheng H.T. Tung	-	-
NT\$15,000,000 (Included) ~ NT\$30,000,000(Excluded)	T.H. Tung	Peter Kuo	H.T. Tung	H.T. Tung
NT\$30,000,000 (Included) ~ NT\$50,000,000(Excluded)	-	T.H. Tung	T.H. Tung Jason Cheng S.J. Liao	T.H. Tung S.J. Liao Peter Kuo
NT\$50,000,000(Included) ~ NT\$100,000,000(Excluded)	-	-	-	Jason Cheng
Over NT\$100,000,000	-	-	-	-
Total	13	13	13	13

3.2.5.2 Compensation Paid to President and Vice President

Unit: NT\$ thousands

Title/Name	Salary(A)		Severance Pay and Pensions (B)		Bonuses and Allowances (C)		Employee Compensation (D)				Total remuneration (A+B+C+D) as a % of net income		Compensation paid to directors from non-consolidated affiliates
	From Pegatron	From all consolidated entities	From Pegatron	From all consolidated entities	From Pegatron	From all consolidated entities	From Pegatron		From all consolidated entities				
							Cash	Stock	Cash	Stock			
CSO													
T.H. Tung													
Deputy CSO													
Jason Cheng													
Deputy Group CEO													
S.J. Liao													
President and Co-CEO													
Kuang-Chih Cheng													
President and Co-CEO													
Kuo-Yen Teng													
Senior Vice President													
Te-Tzu Yao													
Senior Vice President													
H.T. Tung													
Senior Vice President													
Chung Yu Huang	120,376	126,388	0	0	139,292	144,355	71,830	0	72,104	0	331,498 2.11%	342,847 2.18%	240
Senior Vice President and Co-Chief Technology Officer													
Pei-Chin Wang													
Senior Vice President and Co-Chief Technology Officer													
Yean-Jen Shue													
Vice President and Co-Chief of Staff													
Chiu-Tan Lin													
Vice President and Co-Chief of Staff													
Ming-Tung Hsu													
Vice President													
Tsung-Jen Ku Lai													
Vice President													
En-Bair Chang													

Title/Name	Salary(A)		Severance Pay and Pensions (B)		Bonuses and Allowances (C)	Employee Compensation (D)				Total remuneration (A+B+C+D) as a % of net income		Compensation paid to directors from non-consolidated affiliates
	From Pegatron	From all consolidated entities	From Pegatron	From all consolidated entities	From Pegatron	From all consolidated entities	From Pegatron	From all consolidated entities	Cash	Stock	From Pegatron	From all consolidated entities
Vice President Shih-Chi Hsu	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 Tian-Bao Chang												
Vice President Chih-Hsiung Chen												
Vice President Hsi-Wen Lee												
Vice President Shiang-Shaing Wu												
Vice President Chen-Yu Feng												
Vice President Ting-Pang Huang												
Vice President Yi-Yung Wu												

Bracket	Name of President and Vice President	
	The company	Companies in the financial report
Below NT\$ 1,000,000	-	-
NT\$1,000,000(Included) ~ NT\$2,000,000(Excluded)	-	-
NT\$2,000,000(Included) ~ NT\$3,500,000(Excluded)	-	-
NT\$3,500,000(Included)~ NT\$5,000,000(Excluded)	-	-
NT\$5,000,000(Included) ~ NT\$10,000,000(Excluded)	Tian-Bao Chang Shih-Chi Hsu Chih-Hsiung Chen	Tian-Bao Chang Shih-Chi Hsu Chih-Hsiung Chen
NT\$10,000,000(Included) ~ NT\$15,000,000(Excluded)	T.H. Tung	T.H. Tung
	Chung Yu Huang	Chung Yu Huang
	Yean-Jen Shue	Yean-Jen Shue
	Chiu-Tan Lin	Chiu-Tan Lin
	Ming-Tung Hsu	Ming-Tung Hsu
	Tsung-Jen Ku Lai	Tsung-Jen Ku Lai
	En-Bair Chang	En-Bair Chang
	Hsi-Wen Lee	Hsi-Wen Lee
	Shaing-Shaing Wu	Shaing-Shaing Wu
	Chen-Yu Feng	Chen-Yu Feng
	Ting-Pang Huang	Ting-Pang Huang
	Yi-Yung Wu	Yi-Yung Wu
NT\$15,000,000(Included) ~ NT\$30,000,000(Excluded)	Kuang-Chih Cheng	Kuang-Chih Cheng
	Kuo-Yen Teng	Kuo-Yen Teng
	Te-Tzu Yao	Te-Tzu Yao
	H.T. Tung	H.T. Tung
NT\$30,000,000(Included) ~ NT\$50,000,000(Excluded)	Pei-Chin Wang	Pei-Chin Wang
	Jason Cheng	Jason Cheng
NT\$50,000,000(Included) ~ NT\$100,000,000(Excluded)	S.J. Liao	S.J. Liao
Over NT\$100,000,000	-	-
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	78,430	78,430	0.50%
Deputy CSO	Jason Cheng				
Deputy Group CEO	S.J. Liao				
President and Co-CEO	Kuang-Chih Cheng				
President and Co-CEO	Kuo-Yen Teng				
Senior Vice President	Te-Tzu Yao				
Senior Vice President	H.T. Tung				
Senior Vice President	Chung Yu Huang				
Senior Vice President and Co-Chief Technology Officer	Pei-Chin Wang				
Senior Vice President and Co-Chief Technology Officer	Yean-Jen Shue				
Vice President and Co- Chief of Staff	Chiu-Tan Lin				
Vice President and Co- Chief of Staff	Ming-Tung Hsu				
Vice President	Tsung-Jen Ku Lai				
Vice President	En-Bair Chang				
Vice President	Shih-Chi Hsu				
Vice President	Tian-Bao Chang				
Vice President	Chih-Hsiung Chen				
Vice President	Hsi-Wen Lee				
Vice President	Shaing-Shaing Wu				
Vice President	Chen-Yu Feng				
Vice President	Ting-Pang Huang				
Vice President	Yi-Yung Wu				
Corporate Governance Officer	Chieh-Tsung Chen				
Chief Financial Officer	Ju-Hui Hsieh				

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 2022: NT\$15,096,180 thousand dollars

Net Income of year 2023: NT\$15,712,958 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
2022	488,764	616,325	3.24%	4.08%
2023	463,368	511,926	2.95%	3.26%

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 3.24% and 4.08% in 2022 and 2.95% and 3.26% in 2023, 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 9 (A) meetings of the Board of Directors were held in 2023. The directors' attendance status is as follows:

Title	Name	Attendance in person (B)	By Proxy	Attendance rate (%) 【B/A】	Remarks
Chairman	T.H. Tung	9	0	100.0%	Pegatron's 6 th session of Board of Directors was elected at 2022 Annual General Shareholders' Meeting. Tenure of the session is from 15 th June 2022 to 14 th June 2025.
Director	Jason Cheng	9	0	100.0%	
Director	T.K. Yang	8	1	88.9%	
Director	DAI-HE Investment Co., Ltd. Rep.: S. Chi	9	0	100.0%	
Director	HONG-YE Investment Co., Ltd. Rep.: S.J. Liao	9	0	100.0%	
Director	Ted Hsu	7	2	77.8%	
Director	M.D. Kuo	9	0	100.0%	
Director	H.T. Tung	9	0	100.0%	
Director	E.L. Tung	6	3	66.7%	
Independent Director	C.P. Hwang	8	1	88.9%	
Independent Director	C. Lin	9	0	100.0%	
Independent Director	C.W. Wang	8	1	88.9%	

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 2023.
2. There were no recusals of directors due to conflict of interest in 2023.
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. External auditors have also reported to Board periodically. Moreover, the Board of Directors has fulfilled its goal of diversity. For more information, please refer to page 24-26.

Execution Status of Self Evaluation of Board

Pegatron has executed the 2023Y Board Evaluation in 1st quarter 2024 and reported the result of self-evaluation to Board of Directors on March 14th, 2024.

Evaluation Cycle	Evaluation Period	Evaluation Scale	Evaluation Approach	Evaluation Content	Evaluation Result
Once a year	2023.1.1 – 2023.12.31	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</p>	<p>Self-evaluation of Board members:</p> <p>All Board members are actively engaged and have good interaction with management team.</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>Compensation Committee:</p> <p>All members approve of the implementation and efficiency.</p>

Evaluation Cycle	Evaluation Period	Evaluation Scale	Evaluation Approach	Evaluation Content	Evaluation Result
				Audit and Compensation committee: 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	Audit Committee: All members approve of the implementation and efficiency.

Note:

- (1) In accordance with Pegatron's latest "Rules for Board of Directors and Functional Committee Performance Assessments," the Company's board performance evaluation shall be conducted by an external independent professional institution or a panel of external experts and scholars at least once every three years.
- (2) In 2023, Pegatron appointed Diwan & Company as external independent professional institution to execute performance evaluation of Board of Directors in 2022Y (2022.01.01 - 2022.12.31). The external evaluation report was presented to the Board meeting on April 18th, 2023. Diwan & Company has evaluated the composition, quality of the decision making, participation in the operation, election and continuing education and internal control of the Board of Directors and functional committees. Diwan & Company is not a major interested party of Pegatron, and its experts are not second-degree relative of directors. According to their report submitted on March 31st, 2023, the result of assessment is excellent, and it suggests : A. Increase the seat of independent director. B. Increase the diversity of board of directors. Pegatron will take these suggestions into consideration in next session of board of directors.

3.3.2 Audit Committee

A total of 8 (A) meetings of the audit committee were held in 2023. The independent directors' attendance status is as follows:

Title	Name	Attendance in person (B)	By Proxy	Attendance rate (%) 【B/A】	Remarks
Independent Director	C.P. Hwang	7	1	87.5%	Pegatron's 6 th session of Board of Directors was elected in

Independent Director	C. Lin	8	0	100%	2022 Annual General Shareholders' Meeting.
Independent Director	C.W. Wang	7	1	87.5%	

Remarks:

- For resolution of agendas referring to Article 14-5 of Securities and Exchange Act, please refer to the note below. There are no agendas which were not approved by the Audit Committee but otherwise resolved by two thirds or more of all directors in 2023.
- There were no recusals of independent directors due to conflicts of interests in 2023.
Descriptions of the communications between the independent directors, the internal auditors, and the independent auditors, and Audit Committee's key tasks in 2023:
 - The Audit Committee convenes meetings with the Company's independent auditors and the head of internal audit to review major items such as operating results, financial statements, internal control, internal audit plan and its findings. In addition to the findings of internal audit presented by the internal audit department quarterly, the independent auditors also present the external audit findings and review of the Company's second quarter and fourth quarter financial results. Discussion and conclusion of above-mentioned items are recorded in the Audit Committee meeting minutes and resolutions will be reported to the directors in Board meetings periodically. The Company's head of internal audit and the independent auditors report to the independent directors solely at least once a year about the internal audit and financial statement audit matters. The auditors and the independent directors have an effective communication in the meeting.
 - Meeting agenda among independent directors, independent auditors, and the head of internal audit as below:

Date	Types of Meeting	Participant	Meeting Agenda	Resolution
2023/3/14	Closed Door Session	Head of internal audit	1. Review internal audit report 2. Review Statement of Internal Control of 2022	1. Independent directors have no other opinions. 2. Independent directors have no objection and submit the Statement to the board of directors for approval.
		Independent auditors	Review annual consolidated and non-consolidated financial statements, and auditors' audit findings for the full year of 2022	Independent directors have no objection and submit the financial statements to the board of directors for approval.
2023/5/11	Audit Committee	Head of internal audit	Review internal audit report	Independent directors have other opinions.
2023/8/10	Closed Door Session	Head of internal audit	Review internal audit report	Independent directors have no other opinions.
		Independent auditors	Review consolidated financial statements, and auditors' review findings for the second quarter of 2023	Independent directors have no objection and submit the financial statements to the board of directors for approval.
2023/11/14	Audit Committee	Head of internal audit	1. Review internal audit report 2. Review internal audit plan of 2024	1. Independent directors have no other opinions. 2. Independent directors have no objection and submit the internal audit plan to the board of directors for approval.

- 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, disposal of assets, major investments related issues, the change, evaluation of independence and compensation 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
2023.03.14	1. Business report and financial statements of year 2022 2. Earnings distribution of year 2022 3. The change of accounting CPA 4. Pegatron's Internal Control System Statement of 2022Y 5. The evaluation report for the independence and suitability based on Audit Quality Indicators of external Auditor	None	None	Approved
2023.04.18	1. The amendment to the "Issuance Rules of Employee Restricted Stock Awards for Year 2020"	None	None	Approved
2023.05.11	1. The 1st quarter 2023 consolidated financial report	None	None	Approved
2023.06.15	1. The position adjustment of Financial officer	None	None	Approved
2023.08.10	1. The 2nd quarter 2023 consolidated financial report	None	None	Approved
2023.09.21	1. The total compensation for external auditor in year 2023 2. The sale of land and building to PEGAVISION CORPORATION	None	None	Approved
2023.11.14	1. The 3rd quarter 2023 consolidated financial report 2. The plan of internal auditing in year 2024	None	None	Approved
2023.12.28	1. The decision to not participate in the capital increase of subsidiary PEGAGLOBE(KUNSHAN) CO., LTD.	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 2022, after the election of new session of directors, the Compensation Committee comprised three independent directors, Mr. C.W. Wang, Mr. C. Lin, and Mr. C.P. Hwang. Mr. C.W. Wang 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 12/31/2023

Current members of Compensation Committee					Number of Other Public Companies in Which the Individual is Concurrently Serving a Member of Compensation Committee
Criteria		Professional Qualification and Experiences	Independence Criteria		
Title	Name				
Independent Director (Chairman)	C.W. Wang	Please refer to Page 20-23, the table 3.2.2	Please refer to Page 20-23, the table 3.2.2	2	
Independent Director	C. Lin	Please refer to Page 20-23, the table 3.2.2	Please refer to Page 20-23, the table 3.2.2	0	
Independent Director	C.P. Hwang	Please refer to Page 20-23, the table 3.2.2	Please refer to Page 20-23, the table 3.2.2	0	

Tenure of the fifth session of Compensation committee is from 15th June 2022 to 14th June 2025. A total of 5 (A) meetings of the Compensation Committee were held in 2023. The status of attendance is as follows:

Title	Position	Name	Attendance in person (B)	By Proxy	Attendance rate (%) (B/A)	Remarks
Member	Independent Director	C.P. Hwang	5	0	100%	Pegatron's 6th session of Board of Directors was elected in 2022 Annual General Shareholders' Meeting.
Chairman (5 th Session)	Independent Director	C.W. Wang	5	0	100%	
Member	Independent Director	C. Lin	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 2023:				
Date	Agenda	Disagreements from Independent Directors	Responses to Disagreements	Resolution Circumstance	
2023.01.13	1. The year-end bonus for managerial officers in year 2022.	None	None	Approved	
2023.03.14	1. Appropriated remuneration of 2022Y for employees and directors.	None	None	Approved	
2023.04.18	1. Amendment to the Issuance Rules of Employee Restricted Stock Awards for Year 2020	None	None	Approved	
2023.08.10	1. Adjustment of managerial officers' salary in year 2023 2. Distribution of Directors' remuneration in 2022 3. Special bonus for managerial officers	None	None	Approved	
2023.09.21	1. The Performance bonus for managerial officers in year 2023	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		(1) 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		(2) 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		(3) 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		(4) 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.	

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?	V		(1) 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, twelve 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 telecommunications, electrical engineering, electronic product applications, business management, biotechnology and medical care, media management, industrial economics, and other professional fields. They are generally equipped with the knowledge, skills, and competencies necessary to perform their duties. Please refer to "Diversity of Board Members." In the future, competent female director with qualification should be taken into consideration.	None
(2) If the Company established any other functional committee in addition to Compensation Committee, Audit Committee as required by law?	V		(2) The Company established Compensation Committee and Audit Committee and its policies and procedures. Apart from the above-mentioned committees, the Company has not established any other functional committee.	
(3) If the Company established methods and procedures to assess the performance of the Board and conduct assessment on annual basis? If the result of the assessment will be reported to the Board and taken into considerations for individual remuneration nomination purpose?	V		(3) The Company established methods and procedures for board of directors' performance assessments and conduct assessment on annual basis. The performance evaluation results in 2023 will be reported to the Board before the end of the first quarter of 2024. The Company's Compensation	

Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
(4) If the Company assess the independence of CPA periodically?	V		<p>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.</p> <p>(4) Each March, the Company evaluates the independence and competence of CPA based on KPMG's Statement of Independence and items mentioned in Note 1, stated in Article 47 of Certified Public Accountant Act and No.10 of The Norm of Professional Ethics for Certified Public Accountant. Since 2023, the Company has also referred to 13 indicators of the Audit Quality Indicators (AQIs) provided by KPMG as the basis for the evaluation of the appointment of CPAs. After comprehensive evaluations, the CPAs meet the standards of independence and suitability. The rotation of CPAs is also compliance with prescribed period. The results of relevant evaluation have been approved by the resolution of the Audit Committee and the Board of Directors on March 14, 2023.</p>	
4. If the Company had adequate number of corporate governance personnel and appoint a chief corporate governance officer overlooking corporate governance affairs including but not limited to handling matters relating to board meetings and shareholder meetings, assisting directors with legal compliance, preparing agendas, and producing minutes for board meetings and shareholder meetings?	V		<p>In order to fulfill corporate governance and improve effectiveness of the board of directors, the Corporate Governance Officer was proposed and approved in the 5th session of Board of Directors at its 1st meeting on June 21, 2019.</p> <p>The Board appointed Mr. Chieh-Tsung Chen as the "Corporate Governance Officer." Mr. Chen has been in charge of related financial affairs, stock affairs, and corporate governance matters in listed company for more</p>	None

Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
			<p>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 2023."</p>	
5. If the Company established communication channel with stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc) and disclosed key corporate social responsibility issues frequently enquired by stakeholders on the designated area of corporate website?	√		<p>The Company set up Honest_Box@pegatroncorp.com on the designated area of the corporate website for communication with stakeholders. Designated personnel and contact information are available to handle all enquiries and respond to any key issues raised by stakeholders. Please refer to the Company's Sustainability report and corporate website for Issues of Concern and Communication Channel of stakeholders.</p>	None
6. If the Company engaged professional transfer agent to	√		The Company engaged Registrar & Transfer Agency	None

Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
host annual general shareholders' meeting?			Department of KGI Securities Co. Ltd. to host annual general shareholders' meeting.	
7 Information Disclosure (1) If the Company set up a corporate website to disclose information regarding the Company's finance, business, and corporate governance?	V		(1) To ensure transparency of information, the Company set up Investor Relations section on the corporate website and disclose information regarding finance, business, and corporate governance.	(1) & (2) None
(2) If the Company adopted any other information disclosure channels (e.g., maintaining an English-language website, appointing designated personnel to handle information collection and disclosure, appointing spokespersons, webcasting investors conference, etc.)?	V		(2) In addition to the role of spokesperson, the Company also has designated departments to collect and disclose information. Information disclosed on the corporate website is presented in both Chinese and English, while quarter result and webcast of investor conference are available on the corporate website as soon as applicable.	
(3) If the Company disclosed its annual financial report within two months after year end and disclose its 1 st , 2 nd , 3 rd quarter financial reports and monthly revenue ahead of regulated disclosure date?	V		(3) Annual financial report, quarterly financial reports and monthly sales revenue are disclosed in a timely manner according to relevant government regulations.	(3) Since there is a large number of consolidated entities within the group, the Company is not able to disclose financial reports and monthly revenue ahead of its regulated disclosure date.
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	V		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. 2. The Company maintains good relationship with	None

Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?			<p>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 2023, 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 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</p>	

Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
			<p>taken over important positions of affiliated companies to be familiar with implementation of Board of Directors. For example, Mr. Jason Cheng, Vice Chairman and Deputy CSO, serves as the Chairman of AzureWave Technologies Inc. Mr. S.J. Liao, Deputy Group CEO, serves as the Chairman of Kinsus Interconnect Technology Corp. and has been elected the Company's juristic-person director in 2022 during the term of office. Mr. H.T. Tung, Senior Vice President, serves as the Chairman of ASRock Technology Inc. and has been elected the Company's natural-person director in 2022 during the term of office. Ms. Te-Tzu Yao, Senior Vice President, serves as the President of FuYang Technology Inc. and the director of AzureWave Technologies Inc. Mr. Kuang-Chih Cheng, President and Co-CEO, serves as President and director of of AzureWave Technologies Inc. Meanwhile, in order to be familiar with implementation of Board of Directors and operations of affiliated companies, arrange several senior managers to attend the Board meetings. 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 and continue to create the dynamics for corporate sustainability development. Pegatron implements IDP (Individual Development Plan) to facilitate the development of talent and enhance the competitive advantages and core competence of Pegatron.</p> <p>IDP enables the targets to understand the goal of</p>	

Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
			<p>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 14, 2023. The plan list is as follow:</p> <p>(1) Numbers of patent applications, patent granted, patent maintenance and cost thereof.</p> <p>(2) As of October 15, 2023, we maintain 2,458 valid patents of various countries.</p> <p>(3) Evaluate the cost of maintaining patents and the expected value of the patents to ensure that patents align with the company's long-term business strategy.</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?	√		<p>1. Cybersecurity management system We have introduced ISO/IEC 27001:2013 and conducts internal and third-parties audit annually. The certificate is examined every three years to maintain valid.</p> <p>2. Cybersecurity management organization (1) We established cybersecurity management organization and appointed Chief Information Security Officer (CISO) as organizer. To make sure cybersecurity policies serve our promises toward</p>	None

Item	Implementation Status		Non-implementation and its reason(s)
	Y	N	
			<p>cybersecurity and sustainability, CISO ensures that cybersecurity policies suits company's strategies.</p> <p>(2) Cybersecurity department's supervisor serve as management delegator. To govern the cybersecurity affairs which includes policies proposal and executing, education, daily maintenances, early warning, intelligence gathering, disaster drills, incidents handling and internal audition. Furthermore, management delegator also reports to CISO for the execution effectiveness of previous tasks.</p> <p>(3) Summon a monthly meeting to update current cybersecurity posture and the execution effectiveness of cybersecurity tasks.</p> <p>(4) Convene an annual cybersecurity management reviewing meeting. To discuss the topic such as risk analysis, audition report, policy reviewing and the progress of the tasks.</p> <p>3. Specific management measure</p> <p>We have enacted comprehensive regulations for cybersecurity and invest appropriate resource to support it.</p> <p>(1) Network Security:</p> <p>Implement NGFW, IPS and mail security portal to prevent cyber-attack and malicious mail.</p> <p>Implement network segmentation and enhance access control to optimize network flow and prevent Lateral Movements.</p> <p>(2) Endpoint Security:</p> <p>Using inventory management system to effectively seize the status of assets.</p>

Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
			<p>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.</p> <p>(3) Data Security: Introduce DRM mechanism for protection and access control to protect confidential documents. Introduce encryption mechanism for data in-transit.</p> <p>(4) Security Awareness: Employees received information security training. Conduct Phishing mail drill regularly.</p> <p>(5) Cooperating with third-parties Institution for cybersecurity evaluation Engage third-parties penetration test. By third parties scoring system, we establish full awareness of our cybersecurity.</p> <p>(6) Participating TWCERT/CC and High-Tech Cybersecurity Alliance. To exchange the trend and intelligence of the cybersecurity exposure.</p> <p>4. Risk distribution We have invested in cybersecurity insurance for the cause of risk distribution. Being a valuable client, insurance also provide us the resource of cybersecurity expert all over the world to strength our capabilities to respond potential incidents.</p> <p>5. There is not any cybersecurity incidents involving Pegatron Corporation</p>	

Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
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?	Y		The Company reported to the Board of Directors in January 2024 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 items of accountant's independence

Assessment		Independence(Y/N)
1. CPAs have no direct or indirect financial interest relationship with the Company.		Y
2. CPAs have no financing or guarantee relationship with the Company or the Company's director.		Y
3. CPAs have not taken into account the possible loss of the client which may affect the audit work.		Y
4. CPAs have no close business relationship or potential employment relationship with the Company.		Y
5. CPAs have no contingent fees related to the Company's audit cases.		Y
6. The Company have not engaged the same CPA without replacement for 7 years consecutively.		Y
7. CPAs and members of the audit service team are not currently serving or have not served in the last two years as the Company's directors, managers, or the positions that significantly influence the audit.		Y
8. The non-audit service that the firm of CPAs offered to the Company have no direct influence on any important items of the audit case.		Y
9. CPAs have not mediated the trading of stocks or other securities issued by the Company.		Y
10. CPAs have not acted as a counsel of the Company or represented the Company in coordinating matters relating to conflicts with a third party...		Y
11. CPAs have no kinship with the Company's directors, managerial officers or personnel who have significant influence on the audit.		Y
12. No former partner of CPAs 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. CPAs have not accepted valuable gifts or gratuity from the Company or its directors, supervisors, and managerial officers.		Y
14. CPAs have not accepted any inappropriate selection of accounting policies or inappropriate disclosure, or reduced the extent of work performed inappropriately, being pressured to reduce auditing fee.		Y

Assessment items of accountant's Suitability

Assessment	Suitability (Y/N)
1. CPAs have not been disciplined by the competent authority.	Y
2. The financial reports have been issued comply with the latest regulations governing the preparation of financial reports, accounting standards and relevant explanations of regulations from the competent authorities.	Y
3. The financial report for the first three quarters shall be completed within forty-five days after the end of the quarter, and the annual financial report shall be completed within three months after the end of the fiscal year.	Y
4. In case the financial report publicly disclosed have not been prepared in accordance with relevant laws and regulations and should be corrected.	Y
5. The Company has not been subject to any rectification or litigation by the competent authority due to the financial report.	Y
6. Provide the company's financial and tax consulting services from time to time.	Y

Note 2: The Corporate Governance Officer Training Records

Date	Institute	Course	Period (hours)
04/27/2023	Taiwan Stock Exchange Corporation	Seminars on Sustainable Development Action Plans for TWSE- and TPEX-Listed Companies	3
09/04/2023	Financial Supervisory Commission	The 14th Taipei Corporate Governance Forum	6
09/21/2023	The Taiwan Corporate Governance Association	Global Carbon Pricing & Trading	3
10/04/2023	Taipei BAR Association	2023 Corporate Governance Forum: Governance of Affiliated Group	3
11/14/2023	The Taiwan Corporate Governance Association	Looking at Climate Change and Cross-Strait Relations - through the Lens of Legal Compliance	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 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?	✓		<p>The company's sustainable development activities are planned, operated, and executed by the PureCSR (PEGATRON Corporate Social Responsibility) committee, and the CEOs are authorized by the board of directors to be the Chairmen of the committee. Committee members include Chief Logistic Officer, HR & ADM Center, Procurement Center, Corporate Quality and Sustainability Development Center, Legal & IPR Center, MIS, Customer Service Business Unit, Financial & Accounting Center, and managers and representatives come from various business units and sites. The committee members identify interested parties according to their respective duties and respond to their concerns in their daily work.</p> <p>The PureCSR Steering Committee is responsible for coordinating cross-departmental issues, regularly reporting the implementation plan and performance to the CEOs and reporting to the board of directors at least once a year for supervision. On November 14, 2023, the annual sustainable development performance, stakeholder communication and response results, and risk management policies and identification results were reported to the board of directors. There are no doubts or suggestions for changes in the sustainable development indicators, risk management implementation.</p>	None

Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
2. 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 implemented risk assessments on environmental, social, and corporate governance issues based on the principle of materiality. The assessment boundaries are 15 factories with operational control, which are the same as the boundaries of the subsequent environmental and social issues in this table.</p> <p>(1) Risk assessment standards and procedures: The PureCSR Committee, through annual regular meetings, entrusts committee members and working groups of each unit to assess potential risks and emerging risks of the environment, society and corporate governance based on factors such as frequency of occurrence, degree of impact, and degree of control. The risk management process includes risk identification, analysis, evaluation, disposal, monitoring, reporting and disclosure.</p> <p>(2) Evaluation results and countermeasures: 9 risk issues are extracted as follows, and the complete content is disclosed in the sustainability report.</p> <p>A. Corporate Governance-Using internal information to gain improper benefits: Follow integrity policies and implement fraud prevention programs</p> <p>B. Information Security-Information leakage or intrusion: Account authority control, login restriction, multi-factor authentication</p> <p>C. Production Safety-Shortage of materials: Maintain more than two suppliers for each key component</p> <p>D. Environmental Protection-Hazardous substance discharge: Pre-exclusion of high-risk hazardous substances at design stage</p>	None

Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
			<p>E. Community Impact-Impact on community development caused by business activities: Provide open channels to communicate with stakeholders</p> <p>F. Climate Change-Energy shortage: Equipment improvement and process optimization to improve production efficiency</p> <p>G. Labor Rights-Misuse of child labor: Identification card verification and internal audit inspection</p> <p>H. Responsible Sourcing-Purchasing unethical minerals: Encouraging smelters to attend responsible minerals assurance process</p> <p>I. Equality in The Workplace-Discrimination in the recruitment process: Anti-discrimination training for recruiters</p> <p>(3) Risk management strategy: The company adheres to the concept of sustainable operation, and through the establishment, implementation, and maintenance of a proactive risk management mechanism, it continuously grasps internal and external issues and environmental changes, implements operational impact analysis, and has the ability to respond to challenges in a timely manner. We realized the commitment of the company's sustainable operation and protect the best rights and interests of customers and stakeholders through self-examination and optimization of the company's resilience.</p> <p>(4) Reporting frequency and supervision to the board of directors: At least once a year. We reported to the board of directors on November 14, 2023. The board of directors has no doubt or suggestion for changes in the</p>	

Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
			risk identification results and response measures.	
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) The company has established an environmental management system in accordance with the requirements of the ISO 14001 and passed third party certification. The certificate is valid from October 25, 2023, to October 24, 2026, and is publicly disclosed on the company's official website. The verification scope is Pegatron Technology Co., Ltd.	None
(2) If the Company established proper environmental or energy management system based on the characteristics of the industry where the Company belongs to?	V		(2) The company improves energy efficiency by evaluating equipment operational efficiency, introducing energy saving technologies, and replacing high energy consumption equipment. In addition, non-productive power consumption is controlled, and power usage in daily operations is optimized through air-conditioning and lighting system management. The electricity saving target is to reduce electricity consumption per unit revenue by 25% in 2030 compared with that of 2021, and the base year data is 2.11 (GJ/million revenue). In addition to improving its own energy efficiency, the company also takes reducing the environmental impacts of the entire product life cycle (including product design, raw material usage, production process to waste	None

Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
(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>disposal) as one of our main strategies. Under the premise of meeting customer product specifications and quality requirements, we maximize the selection of recycled materials with low environmental impacts.</p> <p>(3) The company uses the APS and NZE scenarios proposed by the International Energy Agency (IEA) and the SSP 1-1.9 and SSP 5-8.5 scenarios announced by the United Nations Intergovernmental Panel on Climate Change (IPCC) to complete the risk and opportunity assessment of climate change. The assessment results and response measures are summarized as follows:</p> <p>1. Physical risks-Drought, heavy rain, typhoon, sea level rise, average temperature rise, etc. Response measures include: Formulate emergency response and post-disaster recovery plans in advance and do a good job of flood control and rush repair when disasters occur, and adjust the production schedule according to the level of risks or notify the customers of the impacted situation in time.</p> <p>2. Transformation risks-carbon inventory requirements of laws and regulations, customer carbon reduction requirements, supply chain disconnection, management model transformation, etc.: Setting up Pegatron and supply chain low carbon transformation plan, and continuously monitoring the achieving progress of regulations and customer goals. In addition, a contingency plan for external supply interruptions has also been formulated by maintaining a number of potential suppliers.</p>	None

Item	Implementation Status		Non-implementation and its reason(s)
	Y	N	
(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?			3. Climate opportunities-Promote low-carbon transformation, increase low-carbon energy usage, material recycling, strengthen supply chain resilience, etc., We setup renewable energy procurement plans in advance and shape colleagues' awareness of energy conservation and carbon reduction internally. Also, we invest in the research and development of low carbon products and assist customers to obtain environmental labels.
	V		(4) The greenhouse gas emissions, water consumption and waste output in the past two years are as follows, and the information covers sites which the company has operational control. The data has been confirmed by the ISO 14064 Verification Statement and AA1000 AS (2008) Assurance Statement issued by the verification body. The 2023 values in the table below have not yet been verified by a third party. The verified values will be updated in the 2023 sustainability report.

Item	Implementation Status			Non-implementation and its reason(s)															
	Y	N	Summary																
			<table><tr><td></td><td>2022</td><td>2023</td></tr><tr><td>Water Usage(m³)</td><td>5,058,795.00</td><td>4,441,337</td></tr><tr><td>Water Usage per revenue (m³/million NTD)</td><td>3.84</td><td>3.76</td></tr></table>		2022	2023	Water Usage(m³)	5,058,795.00	4,441,337	Water Usage per revenue (m³/million NTD)	3.84	3.76							
		2022	2023																
	Water Usage(m³)	5,058,795.00	4,441,337																
	Water Usage per revenue (m³/million NTD)	3.84	3.76																
			<table><tr><td></td><td>2022</td><td>2023</td></tr><tr><td>Hazardous waste output(tons)</td><td>1,778.43</td><td>1,899.11</td></tr><tr><td>non-hazardous waste output(tons)</td><td>57,290.27</td><td>51,979.47</td></tr><tr><td>Total waste output(tons)</td><td>59,069.70</td><td>53,878.58</td></tr><tr><td>Waste output per revenue (tons/million NTD)</td><td>0.045</td><td>0.046</td></tr></table>		2022	2023	Hazardous waste output(tons)	1,778.43	1,899.11	non-hazardous waste output(tons)	57,290.27	51,979.47	Total waste output(tons)	59,069.70	53,878.58	Waste output per revenue (tons/million NTD)	0.045	0.046	
		2022	2023																
	Hazardous waste output(tons)	1,778.43	1,899.11																
	non-hazardous waste output(tons)	57,290.27	51,979.47																
	Total waste output(tons)	59,069.70	53,878.58																
	Waste output per revenue (tons/million NTD)	0.045	0.046																
		The company takes energy saving and carbon reduction, greenhouse gas reduction, water reduction and other waste management into consideration, formulates management policies as follows, and implements relevant activities in accordance with this policy.																	
		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																	

Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
			<p>continuously improve it.</p> <p>(1) Carbon reduction target: Reduce scope 1, 2 and 3 (category 1a) GHG emissions 42% by 2030 from a 2021 base year. Also, we commit to reach net zero by 2050. The base year data is 506,129 (ton CO2e). Reduction measures include improving energy efficiency and purchasing renewable energy.</p> <p>(2) Energy saving goal: In 2030, the electricity consumption per unit of revenue will be reduced by 25% compared that with 2021. The base year data is 2.11 (GJ/million NTD). Reduction measures include replacing old equipment and promoting energy management.</p>	
<p>4. Social Issues</p> <p>(1) If the Company followed relevant laws, and internationally recognized human rights principal, and established appropriate management policies and procedures?</p>	V		<p>(1) The company follows the code of conduct of the Responsible Business Alliance and local labor related laws and regulations to formulate labor human rights requirements. At the same time, it supports and respects labor rights norms, including the International Labor Organization, the United Nations Global Compact, and the guiding principles of business and human rights. Human rights protection policies and management programs include the following:</p> <p>1. Employee trainings and feedback channels: To promote and explain labor rights to new employees and provide a variety of employee feedback channels to collect employees' ideas, suggestions, and complaints, so as to respond to employee needs and make adjustments in real time.</p>	<p>None</p> <p>None</p>

Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
(2) 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		<p>2. Risk assessment and internal and external audit: We assess and analyze human rights risks and improvement opportunities every year and conduct internal audits more than once per year to ensure that all management measures and implementation results follow human rights requirements. Internal audits have also been performed according to customer requirements and cooperates with RBA to complete the conformity assessment at least once a year to ensure that labor rights meet the requirements of customers and RBA.</p> <p>3. Management review: At least once a year, senior executives review the human rights policy and the implementation effectiveness of the management plan.</p>	None
(3) If the Company provided safe and healthy working environment to employees and conducted relevant training on safety and health management to	V		<p>(2) 1. The compensation, paid leaves, and benefits of the Company are complying with or better than the laws, for example, the Company offers 7 additional days of paid leave.</p> <p>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</p> <p>(3) 1. The company promotes and creates a safe and healthy working environment through risk assessments, working environment improvements, daily inspections,</p>	None

Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
employees periodically?			<p>and audits. We also provide health checks in compliance with laws and regulations, and setup first responders and medical offices according to laws. In addition, we employ nursing staffs to engage in labor health services, and regularly implement safety and health education and trainings for employees to prevent occupational accidents.</p> <p>2. The company has established an occupational safety and health management system in accordance with the requirements of ISO 45001 and passed third party certification. The certificate is valid from October 25, 2023, to October 24, 2026, and is publicly disclosed on the company's official website. The certification scope is Pegatron Technology Co., Ltd.</p> <p>3. Total of 232 occupational accidents have occurred in 2022, accounting for 0.16% of the total number of employees. They were mainly traffic accidents. The data covers factories which the company has operational control. The 2023 data will be updated in the 2023 Sustainability Report after passing third party verification. Corrective and preventive measures have been formulated individually for occupational accidents, and the progress of handling and closing cases is tracked in the annual management review meeting.</p> <p>4. In 2023, the number of fire incidents, casualties, and the ratio of casualties to total employees were all 0. In addition to formulating emergency response plans for fires, Pegatron established emergency response notification mechanisms within each plant. Through regular drills and educational trainings, Pegatron aims to enhance the emergency response capabilities of response teams and</p>	

Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
(4) If the Company provided career planning, relevant training, and skill development for employees?	V		<p>raise awareness of hazards among all employees.</p> <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 activities.</p>	
(5) 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		<p>(5) 1. Consumer or customer rights protection policy: The company stipulates in the Sustainable Development Practice Principles that the company should follow relevant laws, regulations, and international guidelines regarding customer health and safety, and customer privacy is included in, and marketing and labeling of, its products and services and do not have deceptive, misleading, fraudulent or any other activities that may breach customers' trusts, or harm customers' and consumers' interests.</p> <p>2. Complaint procedure: The Company provide a transparent and effective process for handling</p>	

Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
(6) 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.			customers' complaints with fair and timely approach, and respect customers' rights of privacy indeed to protect their personal information through complying with laws and regulations related to the Personal Information Protection Act. And there is a procedure for how we can handle a customer complaint.	
	V		<p>(6) The company has formulated the Supplier PureCSR Audit Management Procedure, which requires suppliers to fill in the questionnaire or participate in the audit.</p> <p>1. New suppliers: Suppliers are required to sign the "PEGATRON Supplier Responsible Business Alliance Code of Conduct Agreement" stipulated by the company and fill in the New Supplier Self-Assessment Questionnaire. Questions in the questionnaire include whether ISO 14001/ISO 45001/ISO 14064-1 have been certified? How to avoid violate relevant economic/social/environmental laws and regulations? Have young workers or student workers been hired? or whether toxic chemicals or store flammable substances have been used or not? etc.</p> <p>2. Existing suppliers: The company conducts online surveys or onsite audits for major suppliers every year. We have completed online surveys or onsite audits for 128 major suppliers in 2022. Suppliers are also encouraged to participate in RBA audits to check suppliers' sustainable performance from a third party's objective perspective.</p>	

Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
5. If the Company's CSR report prepared based on international recognized standard and if the report verified by the third party?	V		<p>1. The company releases its sustainability report every year with reference to the GRI Standard issued by the Global Sustainability Standards Board (GSSB), and publicly discloses it on the company's official website and the Market Observation Post System.</p> <p>2. The 2022 sustainability report has obtained the assurance statement issued by DNV, and the assurance standard is the core option of AA1000 AS (2008) and GRI standards. Financial data can be referred in financial reports issued by accountants.</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"? The company formulated the "Sustainable Development Practice Principles" based on the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies". The fourth edition was approved by the board of directors in 2022 and publicly disclosed on the company's official website. 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 results of the company's sustainable development, please refer to the annual sustainability report and official website, and the Sustainable Development Practice Principles are published on the Major Internal Policies page. (1) Sustainable development implementation status and sustainable report: https://cht.pegatroncorp.com/csr/view/id/5 (2) Sustainable Development Practice Principles: https://cht.pegatroncorp.com/investorRelation/majorInternalPolicies				

Climate-Related Information of TWSE/TPEX Listed Company

1. Implementation of Climate-Related Information

Item	Implementation status
1. Describe the board of directors' and management's oversight and governance of climate-related risks and opportunities.	<p>1. Pegatron regards the board of directors as the highest governance unit for overseeing climate related risks and opportunities, and the PureCSR committee is responsible for the planning and implementation of climate change policy promotion and identify its risks and opportunities. The CEOs are authorized by the board of directors to be the Chairman of the committee. Committee members include Chief Logistics Officer, HR & ADM Center, Procurement Center, Corporate Quality and Sustainability Center, Legal & IPR Center, MIS, Customer Service Business Unit, Financial & Accounting Center, and managers and representatives of various business units and each site. The committee reports to the board of directors the identification results of climate related risks, opportunities, and response measures at least once a year.</p>
2. Describe how the identified climate risks and opportunities affect the business, strategy, and finances of the business (short, medium, and long term).	<p>2. The results of climate risk and opportunity identification and response measures are summarized below. For details, please refer to the 2023 Sustainability Report.</p> <p>Transition Risk/Business or Financial Impact:</p> <ol style="list-style-type: none"> 1) Policies and regulations (short term)-Carbon inventory regulatory requirements: increased internal personnel costs and external inventory costs 2) Market (short term)-Customer demands for carbon reduction: purchasing renewable energy and certificate fees increase 3) Market (med term)-Management model transformation: purchase cost of energy saving equipment increases 4) Technology (long term)-Demand for low carbon products: increased R&D and management personnel costs 5) Market (long term)-Supply chain disconnection: capacity decline leads to a decrease in operating income <p>Physical Risk/Business or Financial Impact:</p> <ol style="list-style-type: none"> 1) Immediate-Drought: lower production resulting in lower operating income 2) Immediate-Rainstorm: Increase operating costs due to heavy rain: equipment loss leads to operational revenue decrease 3) Long term-Typhoon: production drop leads to reduce operating income 4) Long term-Sea level rise: factory relocation or purchase of flood protection equipment leads to cost increase 5) Long term-The average temperature rises: purchasing energy saving equipment leads to an increase in procurement cost

Item	Implementation status						
3. Describe the financial impact of extreme weather events and transformative actions.	Climate opportunity/business or financial impact: 1) Energy source (short term)-Overall arrangement: purchase at a lower price to reduce operating costs 2) Resource Efficiency (short term)-Material recycling: selling or recycling materials reduces operating costs 3) Resilience (med term)-Strengthen supply chain resilience: ensure supply chain resilience to reduce variable costs 4) Products and services (long term)-Research and development of low carbon products: increased orders to increase operating income 5) Resilience (long term)-Promote low-carbon transformation: reduce energy consumption and reduce operating costs						
4. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system.	3. The degrees of financial impacts of various extreme climate events and transition actions depend on the degree of climate change in the plant area and the intensity of requirements from customers or the government. Overall, the company needs to invest in additional management manpower, additional equipment and purchase of renewable energy to meet the needs of climate change and low carbon transformation. 4. The PureCSR committee is responsible for the planning and implementation of climate risk and overall risk management mechanism and reports the identification results and response measures of climate change and other types of risks to the board of directors at least once a year.						
5. If scenario analysis is used to assess resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors and major financial impacts used should be described.	5. The climate scenarios, parameter assumptions and analysis results are described below. (1) Transformation Risks <table><tr><th>Scenarios</th><th>Parameters</th><th>Major Impacts</th></tr><tr><td>IEA APS (2022~2030)</td><td>Assuming that the carbon reduction policies currently enacted by all countries are achieved, the global carbon emissions in 2030 will approach the 2020 level</td><td>If the company's carbon emissions exceed the threshold required by the governments of various countries, it is necessary to pay carbon tax or carbon fee in 2030.</td></tr></table>	Scenarios	Parameters	Major Impacts	IEA APS (2022~2030)	Assuming that the carbon reduction policies currently enacted by all countries are achieved, the global carbon emissions in 2030 will approach the 2020 level	If the company's carbon emissions exceed the threshold required by the governments of various countries, it is necessary to pay carbon tax or carbon fee in 2030.
Scenarios	Parameters	Major Impacts					
IEA APS (2022~2030)	Assuming that the carbon reduction policies currently enacted by all countries are achieved, the global carbon emissions in 2030 will approach the 2020 level	If the company's carbon emissions exceed the threshold required by the governments of various countries, it is necessary to pay carbon tax or carbon fee in 2030.					

Item	Implementation status		
	SBTi 1.5°C (2022~2030)	Scope 1 and Scope 2 greenhouse gas emissions reduced by 4.2% per year	The company has committed to join SBTi in 2022. The carbon reduction targets set in accordance with climate scenarios will lead to an increase in the cost of purchasing renewable energy and replacing energy-saving equipment. If net zero emissions are to be achieved, other carbon reduction measures must be included in addition to energy conservation, which will increase the investment budget for other carbon reduction projects.
	IEA NZE (2022~2050)	Reaching net zero emissions by 2050	
	Physical Risks		
	Scenarios	Parameters	Major Impacts
	SSP 1-1.9 (2081~2100)	Global average annual temperature +1.0 ~ +1.8 °C	1) Temperature rising: Will lead to increased energy use in the plant area. 2) Sea level rising: Some factories at lower altitudes may be flooded, and it is necessary to install flood control equipment or relocate the factories. 3) Drought: Since the main type of water use is general water use, a lack of water resources will lead to a stagnation of operations. 4) Rainstorm: The increase in the intensity of heavy rain in a single day will require the purchase of flood control equipment and setup emergency response plans in poorly drained areas. 5) Typhoon: The proportion of strong typhoons has increased significantly, which may cause obstruction of material and product transportation or production interruption.
		The global sea level rose by 0.28 to 0.55 meters	
		Taiwan's annual maximum number of consecutive rainless days increased about 0.4%	
		The intensity of the largest single-day rainstorm in Taiwan increased by about 15.3%	
	SSP 5-8.5 (2081~2100)	Global average annual temperature +3.3 ~ +5.7 °C	
		The global sea level rises by 0.63 ~ 1.01 meters	
The number of consecutive days without rainfall in Taiwan has increased by about 12.4%			
	The intensity of the largest single-day rainstorm in Taiwan increased by about 41.3%		

Item	Implementation status	
		The proportion of strong typhoon will increase by 50%
<p>6. If there is a transition plan for managing climate-related risks, describe the content of the plan, and the indicators and targets used to identify and manage physical risks and transition risks.</p>	<p>6. In response to transformation risks, the company has developed a low carbon transition plan for the group and the supply chain, which includes the company's energy saving and carbon reduction target setting, promotion of energy saving and carbon reduction measures, and plans to lead subsidiaries and supply chains to perform greenhouse gas inventory and implement energy management systems...etc. In order to prevent physical risks, each factory formulates its emergency response plan, and the response measures are based on the environmental conditions of the area where the factory is located. Climate related indicators and goals including:</p> <p>(1) Carbon reduction target: Reduce scope 1, 2 and 3 (category 1a) GHG emissions 42% by 2030 from a 2021 base year and reach net zero by 2050. The base year data is 506,129 (ton CO2e). Reduction measures include improving energy efficiency and purchasing renewable energy.</p> <p>(2) Energy saving goal: In 2030, the electricity consumption per unit of revenue will be reduced by 25% compared that with 2021. The base year data is 2.11 (GJ/million NTD). Reduction measures include replacing old equipment and promoting energy management.</p>	
<p>7. If internal carbon pricing is used as a planning tool, the basis for setting the price should be stated.</p>	<p>7. The Company has not implemented internal carbon pricing.</p>	
<p>8. If climate-related targets have been set, the activities covered, the scope of greenhouse gas emissions, the planning horizon, and the progress achieved each year should be specified. If carbon credits or renewable energy certificates (RECs) are used to achieve relevant targets, the source and quantity of carbon credits or RECs to be offset should be specified.</p>	<p>8. The company's carbon reduction goal is "Reduce scope 1, 2 and 3 (category 1a) GHG emissions 42% by 2030 from a 2021 base year and reach net zero by 2050." In 2023, the scope 1 and 2 greenhouse gas emissions are 299,914 (ton CO2e), which is 40.7% lower than the 506,129 (ton CO2e) in 2021, achieving a phased carbon reduction Target.</p>	

Item	Implementation status
9. Greenhouse gas inventory and assurance status along with reduction targets, strategies, and specific action plans (separately filled in sections 1-1 and 1-2).	9. The company has started to carry out the greenhouse gas inventory from 2009 and completed the greenhouse gas verification of the previous year before the end of June every year. To be in line with the schedule of the third party, the company will disclose the 2022 greenhouse gas verification situation in this annual report. For the 2023 greenhouse gas inventory and verification information, please refer to its 2023 Sustainability Report.

1-1. Last Two Fiscal Years Greenhouse Gas Inventory and Assurance Status

<p>Basic information of the company</p> <p><input checked="" type="checkbox"/> Capital of NT\$10 billion or more, iron and steel industry, or cement industry</p> <p><input type="checkbox"/> Capital of NT\$5 billion or more but less than NT\$10 billion</p> <p><input type="checkbox"/> Capital of less than NT\$5 billion</p>	<p>Minimum required disclosure under the Sustainable Development Roadmap for TWSE/TPEX Listed Companies:</p> <p><input checked="" type="checkbox"/> Inventory for parent company only</p> <p><input type="checkbox"/> Inventory for all consolidated entities</p> <p><input checked="" type="checkbox"/> Assurance for parent company only</p> <p><input type="checkbox"/> Assurance for all consolidated entities</p>
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2022 Greenhouse Gas Inventory

Scope 1	Total emissions (tons CO2e)	Intensity (tons CO2e/NT\$ 1 million)	Data coverage	Assurance scope	Assurance body	Assurance standard	Assurance statement
Parent Company	34,386.21	0.026	The data only covers the parent company (Pegatron Corporation).				The company's disclosed total greenhouse gas emissions were assured by a credible institution following ISO 14064 standards, with a limited assurance opinion.
Total	34,386.21	0.026					
Scope 2							
Parent Company	407,215.65	0.308					
Total	407,215.65	0.308					

2023 Greenhouse Gas Inventory

Scope 1	Total emissions (tons CO ₂ e)	Intensity (tons CO ₂ e/NT\$ 1 million)	Data coverage	Assurance scope	Assurance body	Assurance standard	Assurance statement
Parent Company	386.90	0.0003	The data covers the parent company (Pegatron Corporation) and 115 affiliated enterprises consolidated in the 2023 annual report.				As greenhouse gas assurance opinions is not obtained by the printing date of the annual report, the full assurance information will be disclosed in the sustainability report.
Taiwanese subsidiary (28 companies)	17,719.50	0.33					
Chinese subsidiary (27 companies)	33,355.69	0.03					
American subsidiary (13 companies)	21.98	0.001					
European Union subsidiary (2 companies)	62.81	0.01					
Subsidiaries in other countries (45 companies)	8,221.46	0.04					
Total	59,768.33	0.05					
Scope 2							
Parent Company	26,269.02	0.02					
Taiwanese subsidiary (28 companies)	302,124.65	5.65					
Chinese subsidiary (27 companies)	238,954.74	0.24					
American subsidiary (13 companies)	902.44	0.04					
European Union subsidiary (2 companies)	1,483.17	0.24					
Subsidiaries in other countries (45 companies)	45,352.92	0.25					
Total	615,086.94	0.48					

1-2. Greenhouse gas reduction targets, strategies, and action plans

- (1) Base year: The base year is 2021, and the scope 1 and 2 greenhouse gas emissions in this year are 506,129 (tons CO₂e)
- (2) Reduction target: Reduce scope 1, 2 and 3 (category 1a) GHG emissions 42% by 2030 from a 2021 base year and reach net zero by 2050.
- (3) Strategies and action plans: Replace old equipment, optimize engineering technology, adjust management methods, establish a digital management system, and increase the use of renewable energy
- (4) Achievement of reduction targets: Greenhouse gas emissions in 2022 was 299,914 (tons of CO₂e), a 40.7% decrease from the base year greenhouse gas emissions of 506,129 (tons of CO₂e). The carbon reduction target has been achieved.

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		(1) 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		(2) 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		(3) 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 and if the contract terms required the compliance of	V		(1) Prior any business engagement, the Company checks the counterparty's legitimacy and record of unethical conduct. All vendors are required to sign "Statement of	None

Items	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
<p>ethical corporate management policy?</p> <p>(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)?</p>	V		<p>Integrity," which stipulated the contractual liability for violation of ethical conduct.</p> <p>(2) 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 2023 was reported to the Board of Directors on November 14, 2023. Please refer to Note 1 for "The implementation in 2023."</p>	
<p>(3) If the Company established a policy on prevention of conflict of interests, provided appropriate reporting channel and executed rigorously and thoroughly?</p>	V		<p>(3) 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.</p>	
<p>(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?</p>	V		<p>(4) 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.</p>	

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		(5) The Company presents Ethical Corporate Management during new employee orientation. In 2023, 491 employees attended the course and around 122.75 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 dedicated personnel handling the reported case?	V		(1) The Company set forth penalties for violation of ethical conduct and "Procedures for Handling Unethical Conduct Reporting Cases." There is whistle-blowing mailbox (Honest_Box@pegatroncorp.com) and hotline (+886-2-5563-1275) posted in the corporate internal and external websites for reporting of any violations. Internal Audit Office will be the dedicated department of handling the 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		(2) A. The standard operation procedures for handling reported cases, the proceeding action after the investigation and the content of the reported case are handled in confidentiality are set forth in "Procedures for Handling Unethical Conduct Reporting Cases." B. Operational procedures: a. Except the cases that are lack of information to investigate, the dedicated department shall report to the chairman based on the validated fact after completing the essential investigation. Information shall be reported to the board of directors if involving a director / a senior executive or any serious ethical conduct violation or significant damage to the Company occurred.	

Items	Implementation Status			Non-implementation and its reason(s)
	Y	N	Summary	
(3) If the Company established any measures for protecting whistleblowers from inappropriate disciplinary actions?	V		<p>b. Documentation of case acceptance, investigation processes and investigation results shall be retained for five years and may be retained electronically. In the event of a suit in respect of the whistleblowing case before the retention period expires, the relevant information shall continue to be retained until the conclusion of the litigation.</p> <p>c. With respect to a confirmed information, the Company shall charge relevant units with the task of reviewing the internal control system and relevant procedures and proposing corrective measures to prevent recurrence. The company shall take appropriate disciplinary actions depending on the severity of the event.</p> <p>C. Confidentiality policy: The Company assures whistleblower of the confidentiality, providing protection to whistleblower and personnel involved in the investigation against any unfair retaliation or treatment.</p> <p>(3) The Company set forth "Procedures for Handling Unethical Conduct Reporting Cases" and assures whistleblower of the confidentiality, providing protection to whistleblower and personnel involved in the investigation against any unfair retaliation or treatment.</p>	
<p>4. Information Disclosure</p> <p>(1) If the Company disclosed ethical corporate management policy and its status of implementation via corporate website or Market Observation Post System?</p>	V		<p>(1) Ethical corporate management policy was disclosed on the corporate website and Market Observation Post System. The Company also set up a designated area on the corporate website to promote ethical business conduct and implement measures such as declarations of ethical business conduct made by management team</p>	None

Items	Implementation Status		Non-implementation and its reason(s)
	Y	N	
			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. (i.e., Declarations, trainings, and conventions held with vender to promote ethical business conduct)? None.			

Note1: The implementation in 2023 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. 2,750 of 2,805 Suppliers signed "Statement of Integrity", the signing rate is 98.04%. In 2023, 138 of 171 new suppliers signed a "Statement of Integrity", the signing rate is 80.70%.
Training	The Company presents about 'Ethical Corporate Management' during new employee orientations. 491 new employees in 2023 attended the course and around 122.75 hours was spent on hosting this introductory course.
Commitment	All employees of Pegatron and 491 new employees in 2023 "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.

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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 89.
- 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 14, 2024

Based on the findings of self-assessment, Pegatron Corporation states the following with regard to its internal control system in 2023

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, 2023, 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 2023 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 14, 2024, with zero of twelve attending directors expressing dissenting opinions, and all affirming the content of this Statement.

Pegatron Corporation

T.H. Tung
Chairman

Kuang-Chih Cheng Kuo-Yen Teng
President and Co-CEO

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 2023 Annual General Shareholder Meeting was held in Taipei on June 15, 2023. At the meeting, shareholders presented in person or by proxy approved the following agendas:

(1) The 2022 Business Report and Financial Statements

(2) The proposal of 2022 Earning Distribution

Implementation status : Ex-dividend record date was on July 10, 2023. Cash dividend date was distributed on July 27, 2023, and cash dividends per share was NT\$4.00341673.

(3) Amendment to the Issuance Rules of Employee Restricted Stock Awards for Year 2020

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
01.13.2023	<ul style="list-style-type: none"> Approved the year-end bonus for managerial officers in year 2022. 	None	None
03.14.2023	<ul style="list-style-type: none"> Approved the appropriated remuneration of 2022Y for employees and directors. Approved 2022Y business report and financial statements. Approved earnings distribution of year 2022. Approved the change of accounting CPA. Approved Pegatron's Internal Control System Statement of 2022Y. Approved the evaluation report for the independence and suitability based on Audit Quality Indicators of external Auditor. Approved the scheduling of 2023 Annual Shareholders' Meeting. 	None	None
04.18.2023	<ul style="list-style-type: none"> Approved the amendment to the "Issuance Rules of Employee Restricted Stock Awards for Year 2020." Approved to revise the scheduling of 2023 Annual Shareholders' Meeting. 	None	None
05.11.2023	<ul style="list-style-type: none"> Approved the 1st quarter 2023 consolidated financial report. Approved the issuance of unsecured corporate bond under the limit of NTD 20,000,000,000. Approved to release the prohibition on managerial officer Mr. Yean-Jen Shue from participation in competitive business. 	None	None
06.15.2023	<ul style="list-style-type: none"> Approved the position adjustment of financial officer. 	None	None
08.10.2023	<ul style="list-style-type: none"> Approved the 2nd quarter 2023 consolidated financial report. Approved the adjustment of managerial officers' salary in year 2023. Approved the distribution of Directors' remuneration in 2022. Approved the special bonus for managerial officers. 	None	None
09.21.2023	<ul style="list-style-type: none"> Approved the total compensation for external auditor (KPMG) in year 2023. Approved the sale of land and building to PEGAVISION CORPORATION. Approved the performance bonus for managerial officers in year 2023. 	None	None
11.14.2023	<ul style="list-style-type: none"> Approved the 3rd quarter 2023 consolidated financial report. Approved the plan of internal auditing in year 2024. 	None	None
12.28.2023	<ul style="list-style-type: none"> Approved not to participate in the capital increase of subsidiary PEGAGLOBE(KUNSHAN) CO., LTD. 	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 2022 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	Shih-Chin Chih	Jan 1, 2023 ~ Dec 31, 2023	11,160	3,437	14,597	Non-auditing services include R&D investment tax credit, master file, CBC report and tax consultant.
	Chun-Kuang Chen	Jan 1, 2023 ~ Dec 31, 2023				

information on audit fees in terms of amount, proportion, and reasons if the amount of audit fees decreased by 10% from the previous year: None

3.5 Information on Change of CPA

3.5.1 Regarding the former CPA

Date of Change	January 1, 2023		
Reasons for the Change	The original CPAs of the Company were Kuo-Yang Tseng (CPA A) and Chi-Lung Yu (CPA B) from KPMG. Due to internal restructuring at KPMG, the CPAs of the Company were changed to Shih-Chin Chih (CPA C) and Chun-Kuang Chen (CPA D), beginning January 1, 2023.		
Describe whether the Company terminated, or the CPA did not accept the appointment	Parties		
	Status	CPA	The Company
	Termination of appointment	-	-
	No longer accepted (continued) appointment	-	-
Other issues (except for unqualified issues) in the audit reports within the last two years	None		
Differences with the company	Yes	-	Accounting principles or practices
		-	Disclosure of Financial Statements
		-	Audit scope or steps
		-	Others
	None	✓	
	Remarks/specify details:		
Other Revealed Matters	None		

3.5.2 Regarding the successor CPA

Name of accounting firm	KPMG
Name of CPA	Shih-Chin Chih and Chun-Kuang Chen
Date of appointment	March 14, 2023
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to the engagement.	None
Succeeding CPA's written opinion of disagreement toward the former CPA	None

3.5.3 The reply letter from the former CPA regarding the Company's disclosures regarding the matters under Article 10.6.A and 10.6.B(c) of the Regulations: 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	2023(Note 1)		01/01/2024-02/29/2024(Note 1)	
	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	(162,000)	-	-	-
Director Ted Hsu	-	-	-	-
Director and Senior Vice President H.T. Tung	-	-	-	-
Director Peter Kuo	-	-	-	-
Director T.K. Yang	-	-	-	-
Director HAI-HE Investment Co., Ltd Rep: S. Chi	-	-	-	-
Director S. Chi	-	-	-	-
Director HONG-YE Investment Co., Ltd. Rep: S.J. Liao	-	-	-	-

Title	2023(Note 1)		01/01/2024-02/29/2024(Note 1)	
	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Director and Deputy Group CEO S.J. Liao	-	-	-	-
Director E.L. Tung	-	-	-	-
Independent Director C. Lin	-	-	-	-
Independent Director C.P. Hwang	-	-	-	-
Independent Director C.W. Wang	-	-	-	-
Shareholder of 10% shareholding or more Asustek Computer Inc.	-	-	-	-
President and Co-CEO Kuang-Chih Cheng	-	-	-	-
President and Co-CEO Kuo-Yen Teng	-	-	-	-
Senior Vice President Te-Tzu Yao	(100,000)	-	-	-
Senior Vice President Chung Yu Huang	-	-	-	-
Senior Vice President and Co-Chief Technology Officer Pei-Chin Wang	(18,000)	-	-	-
Senior Vice President and Co-Chief Technology Officer Yean-Jen Shue	(20,000)	-	-	-
Vice President and Co-Chief of Staff Chiu-Tan Lin	(20,000)	-	-	-
Vice President and Co-Chief of Staff Ming-Tung Hsu	(97,000)	-	(36,000)	-
Vice President Tsung-Jen Ku Lai	-	-	-	-
Vice President En-Bair Chang	(20,000)	-	-	-
Vice President Shih-Chi Hsu	-	-	-	-
Vice President Tian-Bao Chang	(140,000)	-	-	-
Vice President Chih-Hsiung Chen	-	-	-	-
Vice President Hsi-Wen Lee	(99,000)	-	-	-
Vice President Shaing-Shaing Wu	-	-	-	-
Vice President Chen-Yu Feng	(198,000)	-	-	-
Vice President Ting-Pang Huang	(113,000)	-	-	-
Vice President Yi-Yung Wu	(140,000)	-	-	-

Title	2023(Note 1)		01/01/2024-02/29/2024(Note 1)	
	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Corporate Governance Officer Chieh-Tsung Chen	-	-	-	-
Chief Financial Officer Ju-Hui Hsieh	(57,000)	-	-	-

Note 1: Holding Increase (Decrease) included employee restricted stocks are under the custody of the Trust.

3.7.2 Information of Shares Transferred: None.

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 : 07/10/2023

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.	448,506,484	16.83	-	-	-	-	Jonney Shih	Chairman of Asustek Computer Inc.	-
T.H. Tung	94,667,309	3.55	6,074,490	0.23	-	-	-	-	-
Silchester International Investors International Value Equity Trust	80,954,000	3.04	-	-	-	-	-	-	-
Yuanta/P-shares Taiwan Dividend Plus ETF	73,864,585	2.77	-	-	-	-	-	-	-
Jonney Shih	67,032,290	2.52	-	-	-	-	Asustek Computer Inc.	Chairman	-
Ted Hsu	56,353,713	2.11	-	-	-	-	-	-	-
Morgan Stanley & Co. International Plc	55,650,066	2.09	-	-	-	-	-	-	-
Labor Pension Fund (The New Fund)	46,926,200	1.76	-	-	-	-	-	-	-
Cathay United Bank in Custody for Infinity No. 1 Company Investment Account	38,506,000	1.45	-	-	-	-	-	-	-
Fubon Life Insurance Co., Ltd	36,000,000	1.35	-	-	-	-	-	-	-

3.9 Long-Term Investment Ownership

Unit: thousand shares; %; As of 12/31/2023

Long-Term Investment	Ownership by Pegatron (1)		Direct/Indirect Ownership by Directors and Management (2)		Total Ownership (1) + (2)	
	Shares	%	Shares	%	Shares	%
Asuspower Investment Co., Ltd.	932,845	100%	-	0%	932,845	100%
Asus Investment Co., Ltd.	979,255	100%	-	0%	979,255	100%
Asustek Investment Co., Ltd.	951,278	100%	-	0%	951,278	100%

Long-Term Investment	Ownership by Pegatron (1)		Direct/Indirect Ownership by Directors and Management (2)		Total Ownership (1) + (2)	
	Shares	%	Shares	%	Shares	%
Pegapower Investment Co., Ltd.	100,000	100%	-	0%	100,000	100%
Pegatron Investment Co., Ltd.	100,000	100%	-	0%	100,000	100%
Unihan Holding Ltd.	170,110	100%	-	0%	170,110	100%
AMA Precision Inc.	33,500	100%	-	0%	33,500	100%
AzureWave Technologies, Inc.	35,750	23.42%	13,697	8.98%	49,447	32.40%
Pegatron Holding Ltd.	991,906	100%	-	0%	991,906	100%
Pegatron USA, Inc.	50	100%	-	0%	50	100%
Pegatron Holland Holding B.V.	-	100%	-	0%	-	100%
Casetek Holdings Limited (Cayman)	-	100%	-	0%	-	100%
Pegatron Service Australia Pty, Ltd.	6,000	100%	-	0%	6,000	100%
PT. Pegaunihan Technology Indonesia	40	99.9975%	-	0.0025%	40	100%
Pegatron Technology Hai Phong Company Limited	-	100%	-	0%	-	100%
Pegatron Vietnam Company Limited	-	60%	-	40%	-	100%
Pegatron Technology India Private Limited	1,099,890	99.99%	110	0.01%	1,100,000	100%
Pegatron Electronics India Private Limited	1,000	100%	-	0%	1,000	100%
Pegatron Technology Texas Inc.	-	100%	-	0%	-	100%
Pegatron Electronics Inc.	5	100%	-	0%	5	100%

4. Capital and Shares

4.1 Capital and Shares

4.1.1 Type of Stock

As of 03/08/2024

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common Share	2,664,224,103	335,775,897	3,000,000,000	Listed

4.1.2 Share Capital

As of 03/08/2024

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.
02/2023	10	3,000,000	30,000,000	2,666,923	26,669,234	Cancelling employee restricted stocks of NT\$7,102 thousand	-	Note 1
06/2023	10	3,000,000	30,000,000	2,666,648	26,666,484	Cancelling employee restricted stocks of NT\$2,750 thousand	-	Note 2
08/2023	10	3,000,000	30,000,000	2,664,580	26,645,804	Cancelling employee restricted stocks of NT\$20,680 thousand	-	Note 3
12/2023	10	3,000,000	30,000,000	2,664,346	26,643,459	Cancelling employee restricted stocks of NT\$2,345 thousand	-	Note 4
03/2024	10	3,000,000	30,000,000	2,664,224	26,642,241	Cancelling employee restricted stocks of NT\$1,218 thousand	-	Note 5

Note 1: 02/21/2023 Jin So Son Tzi No. 11230028590

Note 2: 06/05/2023 Jin So Son Tzi No. 11230092100

Note 3: 08/31/2023 Jin So Son Tzi No. 11230165940

Note 4: 12/19/2023 Jin So Son Tzi No. 11230226780

Note 5: 03/05/2024 Jin So Son Tzi No. 11330032470

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

Record Date : 07/10/2023; Units: share

Item	Government Agencies	Financial Institutions	Other Juridical Person	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	4	25	479	163,449	1,115	165,072
Shareholding (shares)	9	108,071,674	764,548,316	898,817,493	895,210,899	2,666,648,391
Percentage	0	4.05	28.67	33.71	33.57	100.00

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

Record Date : 07/10/2023

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	50,026	13,044,709	0.49
1,000 ~ 5,000	93,842	192,057,073	7.20
5,001 ~ 10,000	11,751	91,583,175	3.43
10,001 ~ 15,000	3,275	41,743,439	1.57
15,001 ~ 20,000	1,882	34,704,556	1.30
20,001 ~ 30,000	1,568	39,800,076	1.49
30,001 ~ 40,000	681	24,398,143	0.91
40,001 ~ 50,000	476	22,099,858	0.83
50,001 ~ 100,000	707	50,351,765	1.89
100,001 ~ 200,000	311	43,813,725	1.64
200,001 ~ 400,000	185	51,275,124	1.92
400,001 ~ 600,000	87	42,279,322	1.59
600,001 ~ 800,000	50	34,662,377	1.30
800,001 ~ 1,000,000	36	32,778,918	1.23
over 1,000,001	195	1,952,056,131	73.21
Total	165,072	2,666,648,391	100.00

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

4.1.6 List of Major Shareholders

Record Date : 07/10/2023

Shareholder's Name	Shareholding	
	Shares	Percentage
Asustek Computer Inc.	448,506,484	16.83
T.H. Tung	94,667,309	3.55
Silchester International Investors International Value Equity Trust	80,954,000	3.04
Yuanta/P-shares Taiwan Dividend Plus ETF	73,864,585	2.77
Jonney Shih	67,032,290	2.52
Ted Hsu	56,353,713	2.11
Morgan Stanley & Co. International Plc	55,650,066	2.09
Labor Pension Fund (The New Fund)	46,926,200	1.76
Cathay United Bank in Custody for Infinity No. 1 Company Investment Account	38,506,000	1.45
Fubon Life Insurance Co., Ltd	36,000,000	1.35

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	2022	2023	01/01/2024-03/08/2024
Market Price per Share			
Highest Market Price	73.70	90.00	87.40
Lowest Market Price	54.70	62.80	80.70
Average Market Price	64.96	74.65	84.32
Net Worth per Share			
Before Distribution	68.41	70.87	-
After Distribution	64.41	Undistributed	-
Earnings per Share			
Weighted Average Shares (thousand shares)	2,667,906	2,665,262	-
Diluted Earnings Per Share	5.66	5.90	-
Dividends per Share			
Cash Dividends	4.0	Undistributed	-
Stock Dividend			
• Dividends from Retained Earnings	-	-	-
• Dividends from Capital Surplus	-	-	-
Accumulated Undistributed Dividends	-	-	-
Return on Investment			
Price / Earnings Ratio	11.48	12.65	-
Price / Dividend Ratio	16.24	Undistributed	-
Cash Dividend Yield Rate	6.16%	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 2023 dividend distribution at its meeting on March 14, 2024. The proposal will become effective according to the relevant regulations, upon the approval of shareholders at the Annual General Shareholders' Meeting on June 14, 2024.

Unit: NT\$

Items	Amount	
	Subtotal	Total
Beginning Retained Earnings	-	42,629,166,838
Add: Net Profit After Tax	-	15,712,958,092
Add: Gain on Re-measurement of Defined Benefits Plans	-	587,880
Add: Reversal of special reserve	-	538,925,539
Minus: Expiration of Restricted Stock to Employees	-	(23,975,039)
Distributable Net Profit	-	58,857,663,310
Minus: 10% Legal Reserve	-	(1,568,957,093)
Minus: Cash Dividend	-	(10,656,662,412)
Unappropriated Retained Earnings	-	46,632,043,805

4.1.8.3. Explanation of Expected Significant Changes in Company's Dividend Policy: None.

4.1.9 Impact to 2023 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 2023 resolved by the Board of Directors

a. Proposed remuneration to employees and remuneration to directors.

	Amount (NT\$)
Remuneration to Employees	1,533,000,000
Remuneration to Directors	153,000,000

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 2023.

4.1.10.4 Distribution of remuneration to employees and remuneration to directors in 2022 resolved by the Annual Shareholders Meeting on June 15, 2023

	Amount (NT\$)
Remuneration to Employees	1,365,000,000
Remuneration to Directors	135,000,000

Above cash bonus and compensation, being approved by the Board, has been expensed under the Company's 2022 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 03/08/2024 ; 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\$2,000,000,000	NT\$2,500,000,000	NT\$8,500,000,000
Redemption or Early Repayment Clause	None		
Covenants	None		
Credit Rating	twAA- (Taiwan Ratings Corporation, 01/24/2024)		
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, 01/24/2024)		
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		

4.3 Preferred Shares (with stock option): None.

4.4 Issuance of Global Depositary Receipts:

As of 03/08/2024

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 shares of Pegatron
Total Marketable Security Shares Recognized			Stands for 60,819,020 common shares of Pegatron
Rights and Obligations of GDR Holders			Same as those of common share holders (See Deposit Agreement and Custody Agreement for Details)
Trustee			Non applicable
GDR Institute			Citibank N.A.
Depositary Institute			Citibank Taiwan Limited
Outstanding GDSs (as of December 31, 2023)			225,107 GDRs
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\$)	2023	Max.	US\$14.50
		Min.	US\$10.40
		Average	US\$11.90
	As of March 08, 2024	Max.	US\$14.10
		Min.	US\$12.80
		Average	US\$13.46

4.5 Employee Stock Option: None.

4.6 Employee Restricted Stocks

4.6.1 Issuance of Employee Restricted Stocks

As of 02/29/2024

Type of Restricted Shares	First Grant of 2020	Second Grant of 2020
Approval Date by the Authority and total number of shares	2020/08/12 / 60,000,000	
Grant Date	2020/12/08	2021/06/11
Number of Employee Restricted Stock Granted	52,411,000	7,574,000
Number of Employee Restricted Stock still available for Issuance	0	
Price of Issuance	NT\$10	
Percentage of Employee Restricted Stocks to Outstanding Common Shares	1.97%	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 the average EPS or median of average EPS 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 the average ROE or median of average ROE 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, no 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, no 	

Type of Restricted Shares	First Grant of 2020	Second Grant of 2020
	<p>disclosure agreement, company code of conduct, behavior of business ethic and conduct.</p> <p>c. Upon the third anniversary of receiving RSAs, employees can exercise 25% of RSAs, provided the employees 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, no 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, no 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 11,747,750 shares delivered to the Trust	A total of 3,546,500 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 who received restricted stocks but fail to comply with the conditions.	
Number of Employee Restricted Stocks Bought Back (Note 1)	4,101,453	2,175,000
Number of Employee Restricted Stocks Free from Custody	36,561,797	1,852,500
Number of Employee Restricted Stocks under Custody	11,747,750	3,546,500
Number of Employee Restricted Stocks under Custody to Outstanding Common Shares (%)	0.44%	0.13%
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\$2,214,041 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, NT\$973,188 thousands, NT\$614,728 thousands and NT\$249,231 thousands in 2020, 2021, 2022 and 2023. The annually expensed amount is estimated at NT\$119,468 thousands and NT\$1,121 thousands in 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 2,664,165,603 shares, is estimated at NT\$0.10, NT\$0.37, NT\$0.23, NT\$0.09, \$0.04 and NT\$0 in 2020, 2021, 2022, 2023, 2024</p>	

Type of Restricted Shares	First Grant of 2020	Second Grant of 2020
	and 2025 respectively. Since the potential impact to EPS is limited, we do not expect any material impact to shareholders' equity.	

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 02/29/2024; 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 to Outstanding Common Shares (%)	Number of Employee Restricted Stocks under Custody	Price of Issuance	Total Amount of Issuance	Number of Employee Restricted Stocks to Outstanding Common Shares (%)
Management Team	CSO	T.H. Tung										
	Deputy CSO	Jason Cheng										
	Deputy Group CEO	S.J. Liao										
	President and Co-CEO	Kuang-Chih Cheng										
	President and Co-CEO	Kuo-Yen Teng										
	Senior Vice President	Te-Tzu Yao										
	Senior Vice President	H.T. Tung										
	Senior Vice President	Chung Yu Huang										
	Senior Vice President and Co-Chief Technology Officer	Pei-Chin Wang										
	Senior Vice President and Co-Chief Technology Officer	Yean-Jen Shue										
	Vice President and Co-Chief of Staff	Chiu-Tan Lin										
	Vice President and Co-Chief of Staff	Ming-Tung Hsu	10,730,000	0.40%	7,707,500	10	77,075,000	0.29%	3,022,500	10	30,225,000	0.11%
	Vice President	Tsung-Jen Ku Lai										
	Vice President	En-Bair Chang										
	Vice President	Tian-Bao Chang										
	Vice President	Chih-Hsiung Chen										
	Vice President	Hsi-Wen Lee										
	Vice President	Shaing-Shaing Wu										
	Vice President	Chen-Yu Feng										
	Vice President	Ting-Pang Huang										
	Vice President	Yi-Yung Wu										
	Corporate Governance Officer	Chieh-Tsung Chen										
	Chief Financial 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 (Note 2)										
	Associate Vice President	Ching-Ru Wu										
	Associate Vice President	Yen-Jen Lin										
	Associate Vice President	Kuo-Jung Hsu										
	Associate Vice President	Hsiang-Chieh Huang										
	Associate Vice President	Shing-Jung Kuo										
	Associate Vice President	Li-Ling Chao										
	Associate Vice President	I-Sheng Tsai										
	Associate Vice President	Che-Yen Lai										
			3,686,000	0.14%	2,591,750	10	25,917,500	0.10%	1,094,250	10	10,942,500	0.04%

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

Note 2: Retired from his position.

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, Server, 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; %

Major Product	2022		2023	
	Amount	%	Amount	%
3C Products	1,248,715,728	94.71	1,201,193,224	95.58
Other	69,697,994	5.29	55,590,170	4.42
Total	1,318,413,722	100.00	1,256,783,394	100.00

5.1.1.3 Product Lines

Computing Product

- a. Notebook PCs
- b. Desktop PCs
- c. Motherboards
- d. Server

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. The consumer system (laptops/2-in-1s) is designed to support different operating systems using platforms such as Intel Meteor Lake, Raptor Lake Refresh, and AMD Ryzen 8xxx (Hawk Point) series, as well as next-generation platforms. It is customized to meet market demands, incorporating features tailored for various needs including gaming, content creation, and portability. Additionally, it integrates the NVIDIA RTX 40xx series GPU to align with market requirements.
- b. Commercial and educational laptops are designed to primarily utilize platforms such as Intel Meteor Lake, Raptor Lake Refresh, Alder Lake-N, Jasper Lake, and next-generation platform products, as well as ARM architecture.
- c. The first “MIT” intelligent multi-wavelength medical beauty picosecond laser device: Picosecond laser is a non-invasive micro-plastic surgery approach and is the mainstream of overall medical beauty industry. Pegatron plans to develop laser professional technical capabilities and combine its existing electromechanical integration advantages to cultivate medical device design and manufacturing capabilities through this plan.
- d. Developing a high-speed 10Gb Ethernet gateway and vehicle-to-vehicle communication controller for cars, equipped with dual 5G MIMO antennas and dual Wi-Fi 6E networks, to serve as a central domain controller connecting various networks inside and outside the vehicle, and to provide internet services for autonomous vehicles. It supports functions such as eCall (emergency assistance), remote diagnosis and control of vehicle malfunctions, fleet management, and real-time driving information. The critical networks comply with ASIL B to ensure safe and reliable communication between electronic devices inside the car, making autonomous driving safer and more convenient. This new type of controller integrates high-speed digital imaging, ToF (Time-of-Flight) camera, and audio input, combined with in-car cameras, in-car array microphones, and in-car speakers, providing voice interaction for autonomous vehicles. The ToF camera protects passenger privacy.
- e. We have developed 60KW wall-mounted DC charging piles with built-in wireless technologies such as Wi-Fi, NFC, and BT. These charging piles use RTOS operating system and support the ISO15118 communication protocol, with built-in OCCP 1.6 (and 2.0.1 in developing) cloud control interface. They support various charging protocols such as CCS1, CCS2, providing charging services for electric

vehicles of different specifications. With our self-developed APP and algorithm, intelligent features such as power sharing can be easily configured to reduce the cost of power capacity expansion and additional power capacity installation. Multiple charging piles can be installed in the same field to provide charging services for multiple users. The OCCP cloud control platform supports billing and charging systems, enabling remote management of charging piles.

- f. Developing an automotive communication platform of rack-mounted high-performance computing by upgrading the car's communication backbone to the Zonal architecture. By regional segmentation, it provides intelligent wiring to enhance transmission speed, effectively suppress signal noise and EMC interference, reduce wiring weight for longer mileage, and simplify manufacturing process and ease of post-sale maintenance. The central high-performance computing is designed in a rack module, featuring an innovative Rack Latch mechanism. This latch design ensures stable and rapid hot swapping, reducing the overall size of the unit. Water cooling technology is introduced to meet the high-performance computing's heat dissipation requirements.
- g. Developing an intelligent cabin system for electric buses, with the on-board computer using the QNX automotive safety operating system and real-time operating system (RTOS). The system includes three display screens: the left screen provides a touch interface for driver operations, the middle screen displays driving information such as speed and ADAS, and the right screen displays blind spot images, panoramic images, and in-car images. The on-board computer receives signals from the vehicle's CAN system, integrating and displaying information from eight external systems to provide an integrated, safe, and convenient human-machine interface (HMI) for the driver. The eight external systems are: (1) Lane departure warning system, (2) Front collision warning system, (3) Panoramic display system, (4) Blind spot and wheel differential warning system, (5) Tire pressure monitoring system, (6) Driver identification and digital driving recorder, (7) Fatigue detection system, and (8) Alcohol lock.
- h. Development Real-time Extended Reality Multimedia provides truly immersive, real-time experiences 5G mobile networking 8K 360° video and spatial 3D audio camera. It is IP67 rating intrusion/moisture protection with an embedded battery, 4 cameras, 4 microphones, Bluetooth5.3, Wi-Fi 6, Power over Ethernet, a gyroscope, a compass, can work in harsh environment.
- i. Development outdoor dual wireless (Wi-Fi+Sub-G) energy saving IP65 with dual mode visions, siren tone enhancement camera. It has intrusion and moisture

protection with changeable battery, 2 microphones that support ANC and AI noise reduction for specific audio pattern, and object detection via PIR sensor.

- j. Developing newest Qualcomm SAR1130P platform AR glasses. Using AR waveguide optical display, dual-eye screens, 3 degrees of freedom (3DOF) head pose detection, ambient light sensing, P-sensor proximity detection, camera for photography and recording, touchpad interface, dual SPK speakers, four MIC audio inputs, Wi-Fi 7, and Bluetooth. With a full charge, estimation up to 8 hours of AR scene exploration.
- k. Developing the latest generation of DOCSIS 4.0 broadband network technology, integrating MoCA, 2.5Gbps/10Gbps Ethernet wide area network ports, to enhance high-speed network throughput. DOCSIS 4.0 technology supports up to 10 Gbps speeds downstream capacity and up to 6 Gbps upstream capacity, easily allowing for multi-gigabit symmetric services over HFC networks. As future applications are developed that benefit from higher upstream speeds, such as interactive video conferencing, remote learning, and health care applications, IoT and virtual reality, the ability to offer symmetric speeds is significant.
- l. Continuously integrating PAM4 encoding and optical communication technologies, we can enhance the switching capacity and transmission rate of enterprise and telecom-grade network equipment. In addition to existing ODM business model, we also offer open networking turnkey solution to support customers deploy their network at lower costs and in less time.
- m. Developing a Centralized Unit (CU), Distributed Unit (DU), and User Plane Function (UPF) for 5G Open Radio Access Network (O-RAN), using Intel Ice-Lake-D platform, with 8-port 10G or 4-port 25G configurations, including network physical layer (L1) acceleration, baseboard management controller (BMC), network synchronization (GPS, PTP), and related functions.
- n. Developing 10GPON enterprise-level optical fiber modem. The product combines PON and AP specifications, provides 10Gbps LAN port, and integrates the latest wireless technology WIFI-7 (802.11be) for WIFI tri-band applications (2.4G/5G/6G).
- o. Developing FWA 5G NSA/SA dual mode CPE, backwards compatible to 4G network. This product with 8 antenna supports 4x4MIMO and carrier aggregation, WIFI7 tri-band, 10Gbps 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.

- p. Developing a 5G surround view 360-degree camera, support Real-time extended Reality Multimedia (RXRM), it utilizes 5G's low-latency features to transmit high-definition 4K@30fps images in real time, built-in 4 radio microphones to create spatial sound effects, and support multiple independent devices can watch panoramic content at the same time. Its body is IP67 waterproof rated, which can be installed in harsh industrial environments, and includes a built-in battery for drone-mounted monitoring.
- q. Developing a new generation of Wi-Fi 7 tri-band (2.4G/5G/6G) 802.11be EHT wireless access point. It adopts the latest generation chipsets, which provides up to 40 Gbps wireless peak rate and 10G LAN/WAN Ethernet ports and supports VoIP functions simultaneously. The WIFI7 offers the new features as 320MHz channel bandwidth, Multi-Link-Capabilities and 4K QAM modulation. The targeted use cases for this device allow users to enjoy high speed, low latency, and MLO for the most demanding applications in Augmented Reality (AR), full-immersion Virtual Reality (VR), gaming, and more.
- r. The High-performance, low-power, multi-functional servers based on the new generation Arm architecture - Otis. The main system development items for Otis include: 1. Developing a 2U general-purpose server using Ampere's first Arm Neoverse N1 platform for cloud-native Altra/Altra Max CPU. The CPU achieves 256 cores, with a TDP reaching 250W. 2. Compliant with OCP specifications. 3. Obtained ARM SystemReady certification.
- s. High-density and high-efficiency storage server capable of accommodating 112 3.5-inch hard drives - Dino. Main development items include: (1) Developing a 5U high-capacity data storage unit using Intel Eagle Stream CPU, with a maximum TDP support of 300W. (2) Supports up to 112 3.5-inch CMR/SMR/HAMR HDDs. (3) Supports 2 HBA cards. (4) Compatible with SAS, and SATA hard drives.
- t. High-performance, low-power graphics acceleration processing server based on the new generation Arm architecture - Flo. Main development items include: (1) Developing a 2U graphics acceleration processing server using Ampere One CPU, capable of supporting 4 Full-Height Full-Length (FHFL) graphics accelerators (GPU), with the CPU reaching 384 cores and a TDP of 350W. (2) Developing open-source firmware by Andes, including Basic Input Output System (BIOS) and Baseboard Management Controller (BMC). (3) Compatible with U.2 SSDs, SAS, and SATA hard drives. (4) Obtained ARM SystemReady certification.

- u. Highly integrated modular artificial intelligence server equipped with the NVIDIA Grace Hopper™ superchip - Jimbo. Main development items include: (1) Developing the industry's first high-speed motherboard featuring the NVIDIA Superchip GH200. (2) Utilizing a Data Processing Unit (DPU) with a 400G connection to the front solid-state drive (SSD), instead of the traditional server approach where signals are pulled from the Central Processing Unit (CPU). (3) Designing flexible modular blocks for easy customer configuration of different product components. (4) Developing open-source firmware by Andes, including Basic Input Output System (BIOS) and Baseboard Management Controller (BMC). (5) Developing hardware server specifications certified to comply with NVIDIA standards (Version V3.3).
- v. High-performance computing/graphics acceleration server with dual computing nodes - Sterling. Main development items include: (1) Developing a 2U dual-node high-performance computing server for cloud-native applications using the Intel Birch Stream-SP platform, Grante Rapid-SP, and Sierra Forest-SP CPU. Each node can support one CPU, with the CPU reaching 144 cores and a TDP of 350W. (2) Two SKUs for each node configuration: Generic Compute Unit and Graphics Compute Unit. The Generic Compute SKU supports 8 E1.S NVME SSDs, while the Graphics Compute SKU supports 4 E1.S SSDs and 1 Full-Height Full-Length (FHFL) graphics accelerator card (GPU). (3) Supports MCR DIMM with an 8Gbps data transfer rate. (4) Supports PFR4.0 for platform firmware protection.
- w. Energy-efficient dual-Central Processing Unit (CPU) multi-functional server with CXL memory sharing technology - Mack. Main development items: a 2U general-purpose server system development, supporting 2 x dual-slot NVIDIA GPU.
- x. The AI Intelligent-based Remote Cabinet Monitoring and Prophetic Warning Fault Prevention Software Management System - Holley. Main development items: Remote intelligent CDU (Cooling Distribution Unit) control and management system, targeting a dissipated power of 65KW.
- y. Utilizing and integrating different sensing technologies such as DVS, radar (UWB), and IR etc., which may be possibly applied to healthcare applications such as fitness training, accident detection in the condition of privacy protection, and vital signs (breathing and heartbeat) without physical contact.
- z. 5G Module Hotspot, based on Qualcomm SDX75 platform, obeys 3GPP rel-17 spec. It meets GCF and PTCRB conformance requirement as well.
- aa. Developing LTE/Wi-Fi/BT/NFC software on Android Wearable OS watch using

Qualcomm SW5100 platform.

- bb. Application of AI in energy-saving research on air-cooled cooling for 2U servers involves the development of deep reinforcement learning AI for fan control systems. This technology enables separate control of air-cooled individual components, replacing traditional simultaneous control methods in air-cooled servers within large data cabinets. The result is a high-efficiency computing system and environmentally friendly air-cooled cooling product. This innovation enhances the competitiveness of the company's products across various types.
- cc. Developing new razor blade coatings with superior COF friction coefficient, adhesion, and wear resistance compared to market products. Additionally, developing innovative razor functions such as infrared light irradiation for wound repair and a blade cleaning mechanism to enhance the product's added value and competitiveness.
- dd. Intelligent sensing control and real-time light effect feedback fabric device technology. This technology uses optical fiber fabrics to interact with real-time perception and feedback light effects, providing an intelligent experience.
- ee. Developing the Head-mounted Emotion Detection Device which successfully solves the problem of poor signal detection of the sensor. It integrates EMG, PPG, skin electrode, and motion sensing into the head-mounted device and integrated with VR/MR, which provides a deeply customized virtual reality experience.
- ff. A smart baby care system integrates the benefits of both baby cameras and non-contact care systems. By harnessing mmWave and AIoT technology to create a conducive sleeping environment. Its dedicated app not only records and tracks the baby's physiological data but also offers various real-time interaction modes and alerts for monitoring baby status.
- gg. Regarding the heat dissipation performance of 5G products, efforts are directed towards optimizing the geometric parameters of heat dissipation fins to enhance heat dissipation efficiency. Furthermore, focus is placed on developing applications utilizing new materials, such as flexible graphite sheets and nano-carbon coatings that meet the requirements for high-performance heat dissipation. This endeavor aims to provide efficient solutions for future high-power products. The thermal solution encompasses a comprehensive range of heat dissipation techniques, including conduction, convection, and radiation, and can be widely applied to meet the heat dissipation requirements across various product categories within the company.

- hh. Developing new razor blade coatings with superior COF friction coefficient, adhesion, and wear resistance compared to market products. Additionally, developing innovative razor functions such as infrared light irradiation for wound repair and a blade cleaning mechanism to enhance the product's added value and competitiveness.
- ii. Using STMicroelectronics as the hardware platform and FreeRTOS as the operation system platform, it has built-in communication technologies such as BLE, NFC, UWB and RJ45. It can transmit position and breathing sensing information through BLE.
- jj. AI smart cockpit, driving concentration and physical sign sensing technology, and continuous research and development of advanced exterior sensing devices.
- kk. Conduct research and development of ultra-high-speed all-optical network APN using photoelectric integration technology for long-distance optical communication between telecom operators and cloud data centers.
- ll. A smart video conferencing system using Qualcomm SM8250 platform, it frames automatically according to the position of participants by built-in AI technology. It has wide applicability and flexibly applied in work, home, or school environment.
- mm. A Bluetooth earphone charging case equipped with multiple multimedia and advanced technology features.
- nn. An indoor O-RU meets Split 7.2a and has low power consumption.
- oo. Developing a PIR Motion test automated laboratory and uses the PIR Robot to measure the PIR Sensor signal fed back by the dynamic heat. This significantly reduces human interference and labor consumption, and achieve accurate, automated, and unmanned laboratories.
- pp. AI 360-Degree Video Conferencing System: This innovative development of CASCADE technology for multi-video conferencing devices will be capable of integrating audio and video feeds from multiple conference devices, with the technology that adopts AI edge-computing to assess the quality of speakers' video, and smartly stitches these inputs together before outputting to online video conferencing apps, such as Microsoft Teams, Google Meet, Zoom, etc.
- qq. Cloud-Based Smart Charging Station Management Solution: Developed on a cloud-based backend management system, our solution incorporated industry-standard AC/DC charge point OCPP 1.6J communication protocols, AI-powered smart charging power algorithms with user-friendly client applications, and it offers

high interoperability SaaS services for charging station management, load management, and real-time charging transaction data analysis.

- rr. Automotive Power Conversion System: Developing high-power silicon carbide motor driver technology for a 3-in-1 motor/gear reducer/inverter system, including four-quadrant control modes, motor control architecture, control algorithms, and motor tuning technologies. This enhances the power density of the powertrain system in a DC high-voltage up to 800V, expanding the scope of electric vehicle powertrain system product line.
- ss. Leveraging PEGEVERSE platform to construct modern Pegatron digital factories both domestically and internationally. Through digital twins' technology, we facilitate everything from factory layout planning to production line station simulation, accommodating highly customized, intelligent, and service-oriented business models to meet rapidly changing market demands.
- tt. Invest in the research and development of localized and industrialized large-scale generative artificial intelligence models, while concurrently establishing corresponding development processes and collaborative platforms, to provide standardized, autonomous, low-code MLOps development and validation environments, accelerating the deployment of applications across regions and industries.
- uu. Developing an AI software automatic verification and testing system, using deep learning technology to automatically adapt to various software platforms such as windows, iOS, Android, and automatically identify and recognize various never seen UI interfaces to find out what humans would judge as Abnormal software and system anomalies. The system improves system verification and testing efficiency by more than 10 times, and are applied to various hardware platforms such as x86, ARM, etc.
- vv. Developing a tablet with a metallic back cover, narrow bezel, and high-efficiency heat dissipation, integrating 5G/WiFi7 multi-antenna design and featuring NFC front sensing function in front of the screen.
- ww. Development of a 32x32 phased array antenna design for LEO broadband communication terminals operating at the Ku band.

5.1.2 Industry Overview

5.1.2.1 Progress and Development of the Industry

a. Computing Industry

According to IDC statistics, overall PC shipments (including laptops, desktops, and workstations) experienced a decline of approximately 13.8% in 2023 compared to the previous year. This decrease was primarily attributed to the uncertain macroeconomic conditions, which negatively impacted both business spending and consumer confidence. Looking ahead to 2024, several major PC markets, such as Western Europe, Japan, and the United States exhibit promising growth prospects. This is driven by factors such as the discontinuation of Windows 10 service by the end of 2025, the anticipated transition to Windows 11 by most enterprises beginning in 2024, and the replacement cycle for Chromebooks in the education market. Moreover, the market anticipates that 2024 will usher in the era of AI PCs. IDC defines AI PCs as devices equipped with specialized System on Chip (SoC) functionality capable of executing generative AI tasks. These devices utilize newly integrated Neural Processing Units (NPUs) to facilitate AI computing tasks, whether in the cloud or locally on the device. The growing demand for enhanced performance, reduced inference costs, and heightened privacy and security considerations among users further propels the development of AI PCs by IT vendors. IDC projects that PC shipments will continue to decline in 2024, with an estimated YoY decrease of approximately 3.5%. Additionally, the compound annual growth rate (CAGR) of PC shipments from 2022 to 2027 is anticipated to be -0.5%.

In terms of server-related products, the industry observed in 2023 that economic weakness was expected to impact server growth. Major service providers opted for older x86 or Arm-based servers to mitigate investment and procurement costs for AI infrastructure. Looking forward, the market anticipates ongoing vigilance regarding the global economic situation in the short term. Nevertheless, medium-to-long-term growth opportunities are foreseen in cloud and digital service demand, edge computing deployment, analytics, and AI/ML platform requirements. Despite the easing of component shortages in 2022, specific component supplies are expected to remain a risk in 2024. IDC estimates that global server spending will increase by approximately 4.2% year-on-year in 2024. Furthermore, the compound annual growth rate (CAGR) of global server spending from 2022 to 2027 is projected to be 8.9%.

b. Communication Industry

IDC surveys indicate that global smartphone shipments in 2023 totaled approximately 1.16 billion units, reflecting a decrease of 3.5% compared to the previous year's 1.20 billion units. This decline was primarily attributed to weak overall economic conditions affecting end-demand, inflation, and geopolitical conflicts. It is anticipated that as most markets gradually recover economically in 2024, further stimulating consumer demand, the smartphone market will return to growth trends. Shipments are expected to grow by 3.8% year-on-year. Furthermore, the penetration rate of 5G smartphones continues to rise, reaching 60.6% in 2023, and is projected to reach 83.2% by 2027. IDC forecasts that the overall average selling price (ASP), after experiencing an increase from 2022 to 2023, will begin to see an annual average decrease of 2.5% starting from 2024, reaching USD 396 by 2027. This reduction can predominantly be traced back to the decreasing prices of 5G smartphones and increasingly affordable pricing for foldable phones. IDC estimates smartphone shipments to reach approximately 1.29 billion units in 2027, with a CAGR of about 1.4% from 2022 to 2027.

After nearly four years of 5G capital expenditure cycles, the industry is observing a gradual slowdown in the infrastructure market for mobile networks. There is a significant decline in supplier spending on Radio Access Network (RAN) equipment, particularly in the US and Chinese markets. Although the adoption rate of 5G is slowing down, IDC predicts that the proportion of 5G in the RAN market will continue to increase, even though the overall market growth will remain flat in the future. IDC predicts that as communication service providers transition from LTE to 5G, the proportion of 5G within the mobile market will continue to grow annually. Moreover, due to the increased potential demand for capacity, communication service providers are expected to allot additional capital expenditures towards mid-band spectrum 5G in the coming years. IDC estimates that from 2022 to 2027, global expenditure on mobile network infrastructure will decrease from US\$43.9 billion to US\$43.2 billion, with a CAGR of approximately -0.3%.

c. Consumer Electronics Industry

The Company's consumer electronics products are mainly tablet, game consoles and IoT-related products. According to IDC statistics, the overall tablet shipments were approximately 128 million units in 2023, a decrease of about 20.7% compared to 2022. This was primarily due to subdued economic conditions following the peak demand during the pandemic and delayed enterprise equipment replacement plans.

Looking ahead to 2024, with the possibility of improving economic prospects, post-pandemic replacement cycles, and a lower base period of the previous year, global tablet shipments are expected to grow by about 5.6% year-on-year. In the long term, driven by the education market and the continued replacement of aging laptops by high-end detachable tablets, business tablet is expected to continue to show a growth trajectory. IDC estimates that the overall shipment will have a CAGR of about -3.4% from 2022 to 2027.

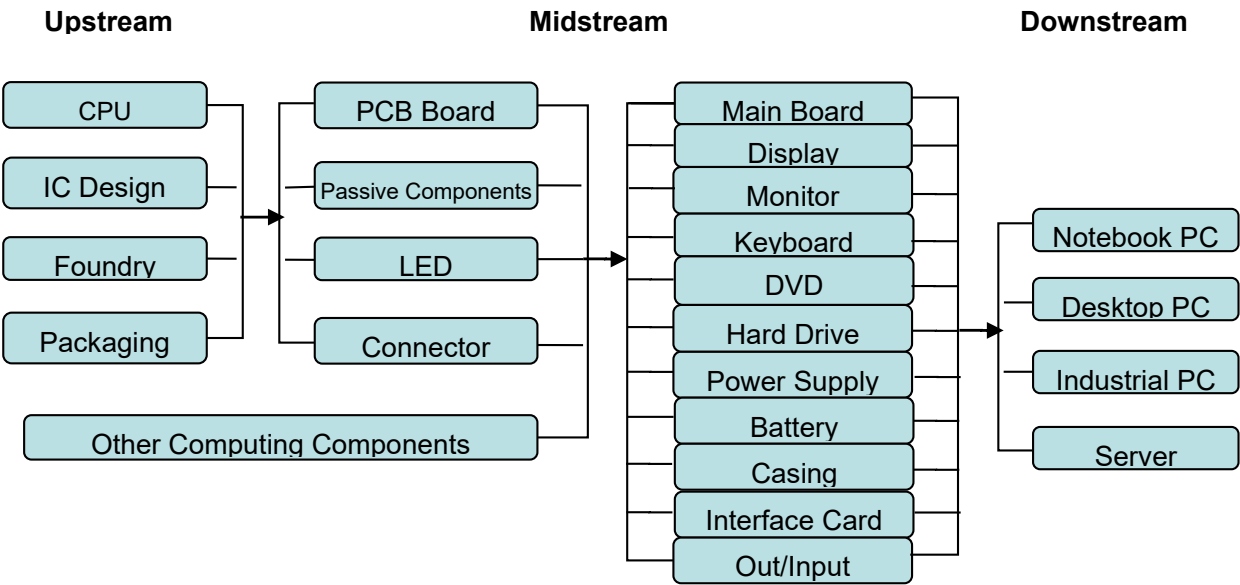
According to IDC data, global home game console shipments increased by 12.9% in 2023 compared to the previous year. In addition, it is expected that in the second half of 2024, Nintendo will release the Switch 2, which is expected to kick off the cycle of the tenth generation of game consoles. Although the PS5 and Xbox Series X/S may also launch more powerful updated models, IDC currently believes that Sony and Microsoft will not release the next generation of game consoles until 2028. The industry anticipates a spike in demand for PS5 hardware stability and supply, alongside heightened interest in hardware and game content across Xbox, Nintendo, and PlayStation platforms. This surge is expected to propel growth in the coming years, although continuous monitoring of the overall economic situation and its potential negative impacts remains imperative. IDC predicts a CAGR of approximately 3.3% in the global shipment of home game consoles from 2022 to 2027.

According to IDC statistics, global expenditure on the Internet of Things (IoT) amounted to approximately \$805.7 billion in 2023, reflecting a YoY growth of about 10.6%. Industry observation indicates that in recent years, many enterprises have undergone digital transformation and adopted IoT solutions. Among these solutions, data collection is crucial for gaining insights into operations and improving efficiency. Through IoT solutions, manufacturers expand their operational scale, consumer industries seek a better understanding of purchasing trends, cloud providers strive to predict data volumes, and industrial players aim to enhance operational agility and adapt to the market in real-time. IDC estimates that the overall global expenditure on IoT will see a CAGR of approximately 10.4% from 2022 to 2027.

Furthermore, in the global electric vehicle (EV) market, driven by the trends of electrification, connectivity, intelligence, and sharing in the automotive industry, IDC observes that the global number of EVs reached approximately 10.82 million in 2022, with a penetration rate of about 14%. The EV market in China, bolstered by improvements in component supply, high oil prices, government subsidies, and price

promotions, the market size reached approximately 6.89 million vehicles, with a penetration rate of about 31.3%. In 2022, the top three EV manufacturers globally were BYD, Tesla, and SAIC-GM Wuling, with a combined market share of approximately 36.1%. IDC believes that the key to success for future automotive players lies in continuing to invest in target markets (such as China and Europe), setting correct business goals and positioning, choosing appropriate technology directions, strengthening supply chain resilience, and cultivating talent pools. These efforts are essential for building a competitive edge in an industry marked by rapid change.

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 recently further integrate and develop AI technology with IoT, AI, and 5G into mobile device, networking, smart home, AIoT, automotive electronics, vehicle-to-everything (V2X) and metaverse, etc., catering for

the needs from the end market. It is expected to stimulate another wave of growth in computing, consumer, and communication segments.

In the post-pandemic era, demand for laptops, tablets and consumer electronic products is slowing down due to sluggish global economy, but 5G network penetration and infrastructure coverage continues to accelerate.

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 rise of Generative AI, combined with cloud and high-performance computing (HPC), is expected to drive another wave of server demand growth.

Driven by the global policy trends towards reducing carbon emissions and strengthening environmental protection, for mid to long term, 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) still have its importance, however, it will still take some time to build up infrastructure and equipment to increase the popularity of pure electric vehicles (BEV) around the world. a. 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 post-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, bringing uncertainty to the global industry and market. As long as OEM players can respond quickly, strengthen operations and

supply chain management, and flexibly adjust their global 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	2022	2023
R&D Expense (A)	16,043,597	15,888,696
Net Revenue (B)	1,318,413,722	1,256,783,394
(A)/(B) %	1.22	1.26

5.1.3.2 Research and Development Accomplishments in the Recent Year

Year	Achievement in Research and Development
2023	<ol style="list-style-type: none"> 1. In 2023, develop the world's lightest 16-inch 2-in-1 laptop in collaboration with Intel Meteor Lake, develop a consumer AI laptop combining Meteor Lake with the NVIDIA RTX 40xx series, develop commercial military-grade AI-connected laptops with Intel Meteor Lake and Raptor Lake Refresh, as well as ultra-thin concept laptops with AI applications. 2. Develop a high-speed triple-module 4G wireless communication and in-vehicle Ethernet gateway, providing car networking services such as eCall (emergency assistance calls), remote diagnosis and control of malfunctions, fleet management, and real-time driving information. It also serves as a hub for connecting various domains of electronic controllers within the vehicle network, ensuring secure and reliable communication between electronic devices in the vehicle, thus enhancing driver safety. 3. Develop an 11KW AC electric vehicle charging pile system with built-in Wi-Fi, NFC, Bluetooth, WWAN, and other wireless technologies, based on the NXP i.MX1050 platform and utilizing FreeRTOS as the system platform. Develop charging protocols such as J1772, CCS1/2, to accommodate various specifications of electric vehicles for charging. The entire series of ASUS charging pile systems supports the OCPP open charging protocol, enabling backend system management, remote real-time monitoring of charging stations, and integration with OSCP open smart charging protocol systems, facilitating the establishment of a faster charging operation ecosystem

	<p>for operators.</p> <ol style="list-style-type: none"> 4. Developed the lightweight VR headset that combines high-resolution display with pancake lens. customer paired with smartphone or computer, to immerse yourself in a high-quality VR experience. 5. 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. 6. 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 blind spots. 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. 7. 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. 8. Developed 25G SFP28 optical transceiver using BIDI design and can be applied from DU to RRU to meet 5G markets. 9. Developed a miniaturized Plug-and-Play 5G dual Power Delivery USB dongle which is for surveillance cameras 、Robotics 、automated guided vehicle 、long distance unattended station 、XR 、AR 、VR and MR device. 10. Developing a video bar conference system in Aspeed ATS1230 SOC, it contains auto framing and speaker tracking AI system that enables a user-friendly smart video conferencing environment. 11. Developing an IP66 rated industrial camera in Aspeed ATS1230 + 1220 SOC with POE design and includes both mic and buzzer built in. Its target application is set on production floor and allows user to have access to 360-degree surveillance needs remotely. 12. Developing ruggedized tablet of Intel 12th Alder Lake platform running Windows 10/11 Professional operating system with integrated barcode scanner and Wi-Fi 6E, as well as 5G connectivity. IP65 & C1D2 rating. 13. Developing semi-rugged commercial Android tablet with a built-in barcode scanner on Qualcomm QC4490 platform capable of Wi-Fi 6 and 5G Sub-6 wireless communication in IP65 rating. 14. Developed & Completed Otis, a 2U2P Server with Ampere 1st Cloud-native Altra / Altra Max (128 cores) CPU which is based on Arm Neoverse N1 cores. The system is not only compliant with OCP specification, but also certified as "ARM SystemReady." Besides, the system support 5+1 with "single rotor failure", hot-swappable Fan modules (6056 Fan) 15. Developing Flo, a 2400W (Titanium CRPS) 2U1P AI GPU-based Server with Ampere-One CPU and four 400W H100 NVLink GPU accelerators. The system supports DC-SCM 2.0, and OCP3.0
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	<p>connectors. Achievement: to learn OCP DC-MHS system modular design knowledge, including DC-SCM, OCP3.0, and M-DNO Mainboard type 4 designs.</p> <p>16. Developing Sterling, a 2400W 2U2N Cloud Server with Intel Xeon 6 (144 core) processor (Intel EVAC heatsink support ready). Supports both DDR5(6400MT/s) and MCR (8000MT/s). Supports PFR4.0 compliant PROT module. Support modular design: Following OCP DC-MHS spec to design “M-DNO type 2 Mainboard,” “DC-SCM module,” and “OCP3.0 slot,” “M-DNO type 2 Mainboard” can be sold separately to specific customers.</p> <p>17. Developed 5U system architecture, one computing node in 1U area, up to 1 Intel Sapphire Rapids / Emerald Rapids CPU 、 8 DDR5 RDIMMs 、 112 SATA/SAS HDDs 、 2 M.2 SSD 、 2 U.2 SSD 、 3 PCIe Gen5 Slots 、 1 OCP3.0 Slot per one computing node, it can be swapped and repaired in front side ; design 112 3.5-inch HDD storage devices and hot-plug feature (including SSD) in 2U~5U area, up to SAS4 24Gb/s and SATA3 6Gb/s and backward compatible, to meet big data storage requirements. Besides, keep high performance computing and system reliability, there are two 2000W PSUs with redundant design in rear side. Using DDR5 RDIMM with speed 6.4Gbps, enhanced double speed than DDR4 RDIMM. All NVMe and PCIe Slot support to PCIe Gen5(32Gbps) high transmission, enhanced 50% than PCIe Gen4 (16Gbps), and also design Broadcom SAS4 Margay Expander (24Gb/s), enhanced double speed than SAS3 Expander (12Gb/s).</p> <p>18. Developing Jimbo, a NVIDIA MGX 2U AI inference server. It's a new generation artificial intelligence system using Grace-Hopper superchip, supports 480GB LPDDR5x (CPU) and 96GB HBM3e (GPU) memory. The modular architecture provides extremely high flexibility and scalability for current and future GPUs, DPUs and CPUs. Supports NVIDIA's new data switch (Spectrum-X), in line with the application trend of the next generation CSP. High-speed network transmission is achieved through NVIDIA BlueField-3 DPU and Connect-X 7 NIC interconnection. Providing Improved AI workload performance with tightly integrated CPU and GPU.</p> <p>19. Developing a 2U server “Mack”: 2U general-purpose server system development, supporting 2 x dual-slot NVIDIA GPU, each GPU card can support a maximum TDP of 350W. Using the Intel Birch Stream-SP platform Granite Rapid and Sierra Forest CPU to develop a 2U single-node high-speed computing server for cloud-native applications. Each node can support 2 CPUs, with a CPU core count of 144 and a TDP of 350W. Develop modules that support PFR4.0 information security protection, which can be used in other projects in the future. Develop 3.5” SAS/SATA HDD Backplate.</p> <p>20. Integrating L11 (Rack) liquid cooling architecture (35kW @ ambient 25°C; 22kW @ ambient 40°C), saving 40% energy. Establish a cooling mechanism for L11 system monitoring and RPU flow control, hoping that the target cooling power can support 65KW in the future.</p> <p>21. Developed the algorithm of the latest dynamic version sensor (DVS) technology for the driver monitoring system (DMS). It may detect driver's distraction and fatigue via tracking the movement of eyes and yawn in the condition of privacy protection, to enhance driving safety.</p> <p>22. 5G mobile hotspot based on Qualcomm SDX65 platform, obeys 3GPP Rel-16 spec and has passed GCF and PTCRB conformance</p>
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	<p>certification.</p> <p>23. Successfully develop the "Innovative AI Application Instant Color and Texture Interactive Preview Data Platform" which applying the generative AI technology to the design of various product fields. This platform has virtual and real-time interactive experience and rendering preview function services.</p> <p>24. "Industry-leading innovative interactive body-sensing AI input interface" was a huge success development with an exclusively developed multi-touch strap and a millimeter-wave floating operation ring. The virtual and real synchronization allows users to have a more intuitive and delicate operation and gaming experience.</p> <p>25. New developed phone case accessories that featuring an exclusive design with a patented hidden speaker slot. The case was designed in a tough composite structure with shock-absorbing air cushions around the edges, and an embedded magnetic ring.</p> <p>26. Using Nordic nRF52832 BLE MCU as the platform, develop a product that integrates BLE and NFC/UHF. Use NFC/UHF to read various health information such as intraocular pressure, eyes temperature, etc. from the NFC/UHF tag on the smart contact lens (SCL). BLE will upload the above health information data to mobile apps.</p> <p>27. Developing an AI IoT wearable device based on Qualcomm SM7125 platform. It equips with Wi-Fi/BT/LTE wireless connectivity capabilities and laser projector which allows user to control the device via gesture and voice.</p> <p>28. Development high-gain directional antenna module, use low-loss substrates to optimize feed network with omni-direction antenna unit to reach higher than 12dBi antenna gain and 60deg beamwidth.</p> <p>29. Android smart watch equips mobile communication features. It provides accurate personal health information, e.g. Hydration Index, Oxygen Saturation, Respiration and Pulse Rate, by built-in precise health module as well.</p> <p>30. The true wireless Bluetooth earphones, incorporates RHA hearing aid algorithm technology to achieve advanced hearing assistance and noise reduction effects.</p> <p>31. Co-develop an Android IOT wearable device based on the Qualcomm SM7125 platform that integrates LTE/Wi-Fi/BT/GPS, highly integrates AI applications, and uses micro-projection to replace the traditional screen as the human-machine interface.</p> <p>32. Implement LEO user terminal phase quantization technology, which can reach 0.1 degrees of high-precision beam scanning and also finish fast 400u sec beam switch.</p> <p>33. Develop a new Chebyshev and Taylor radar antenna architecture with a bandwidth covering 76-81GHz frequency to meet application needs of next-generation radar.</p> <p>34. Develop a PIR detection Fresnel lens with ultra-wide-angle and high-resolution capabilities, which can be applied to smart home security human body detection devices. In addition to having both wide-angle and high-resolution capabilities and using TracePro macro to speed up the simulation design and develop corresponding performance verification and problem debugging.</p>
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	<p>35. Video and Audio CASCADE Technology: In AI 180/360 video conferencing products, this technology utilizes low-latency transmission capabilities of Ethernet and software algorithms to synchronize audio and video signals between two devices, sharing AI parameters to reassemble images, which ensures the visual presentation remains optimal and maintains the correct focus on the person speaking.</p> <p>36. New Generation Android Tablet: Developed a new generation of educational tablets that are shock-resistant, waterproof, and dustproof, using a high-performance mobile SoC with a quad-core ARM A35 CPU at 1.5GHz and an ARM G31-2EE GPU. These tablets are designed to provide digital learning tools for students in developing countries like Africa, enhancing their knowledge through multimedia learning methods. The aim is to offer devices that are durable, reliable, energy-efficient, and offer great value for money.</p> <p>37. Vehicle Telematics: Equipped to support multiple 5G networks and 10G Ethernet-wired connections, this telematics also supports Wi-Fi, BT, Cameras, and A2B audio, providing autonomous vehicles with exceptionally reliable high-speed data transmission capabilities.</p> <p>38. Establish a digital twin platform that enables users to collaborate in development, conduct remote synchronization and monitoring of equipment, and playback events. Through Cyber Physical System and simulation, conduct parameter optimization and speed up development and manufacturing progress.</p> <p>39. Use dynamic visual sensing technology to develop human body posture estimation. According to human body movements, light intensity changes in various parts, analyze the coordinates of key points of the human body, and then define the body segments of each part. In the future, it can be applied in home care, driving monitoring, human Machine interactive entertainment, while protecting the privacy rights of users.</p> <p>40. Construct the model training process, use unsupervised, semi supervise, knowledge distillation and other deep learning technologies to develop Tiny AI with optimized AI computing power, the cost can be reduced by more than 10 times, the speed can be increased by more than 10 times, and it can be applied to different fields in the future. For example, DVS-car, DVS-Pose, AIoT home human-computer interaction.</p> <p>41. Developing algorithms based on the SGP4 model to process IMU attitude angles and data in GEO/MEO/LEO TLE formats for satellite tracking, enabling the phased array antenna to point its beam towards the tracked satellite.</p> <p>42. Developing an intelligent algorithm to detect the operating status of Type C for multi-antenna switching, aiming to optimize USB3 interference on Wi-Fi and enhance the networking experience of handheld gaming console users.</p> <p>43. Developing a commercial 2-in-1 laptop that is designed to simultaneously support 5G FR1 (MTK T700) and LTE (Qualcomm SDX12) mobile networks and equipped with the latest WiFi7 module (Intel BE200) to achieve mobile broadband networks exceeding 1Gbps.</p>
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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, 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.
- e. Improve production capacity utilization and ensure that the pace of production capacity expansion is consistent with the company's growth rate.

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 levels.
 - 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
 - Leveraging our core technology of computing products, consumer electronics and communication products, and combining integration capabilities in software and hardware, in order to provide customers high value-added

product design, research and development, manufacturing and other related technical support.

- To invest in key components based on major product development trends, and to strengthen the competitive advantage of the core assembly business.
- 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; %

		2022		2023	
		Amount	%	Amount	%
Domestic		107,377,821	8.14	84,777,999	6.75
Export	Asia	68,985,343	5.23	60,511,053	4.81
	Europe	582,106,576	44.15	576,734,903	45.89
	America	486,737,798	36.92	474,747,645	37.77
	Others	73,206,184	5.56	60,011,794	4.78
	Subtotal	1,211,035,901	91.86	1,172,005,395	93.25
Total		1,318,413,722	100.00	1,256,783,394	100.00

5.2.1.2 Market Share

According to market research, notebook PC ODM/EMS companies in Taiwan accounted for 126 million units of notebook PCs in 2023, around 76% of total global shipment volume. This included 43.83 million units from Quanta, 31.99 million units from Compal, 16.23 million units from Wistron, 11.35 million units from Inventec and 8 million units from Pegatron. Notebook PCs manufactured by Pegatron accounted for 4.83% of worldwide volume.

5.2.1.3 Market Demand, Supply and Growth

In order to expand market shares, customers depend more on suppliers to shorten time to market for computing, consumer electronics and communication products, and meanwhile suppliers are also developing and offering more service categories. Currently, more international brand customers outsource products to ODM/EMS companies, whom, apart from manufacturing, can also provide extensive services for logistics and after sale services. With capabilities in cost control, advantages in manufacturing skills, production flexibility, and experience in logistics, innovative

research, marketing and management, ODM/EMS companies in Taiwan have the competitive edge in the industry. In addition, with highly vertical integrated capabilities, efficient product design and production flexibilities, ODM/EMS companies in Taiwan can provide services to customers that differ from other EMS and OEM companies located elsewhere.

Looking ahead, considering our three major product segments, the computing products encountered a slowdown in shipment momentum and revenue contribution due to the global economic recession and inflationary pressures in 2023. From an industry perspective, it is expected that the entire industry chain will remain at a sluggish level in the first half of 2024, with hopes for a return to normal or even year-on-year growth trends in the second half of the year. Additionally, during the pandemic, it is expected that the replacement wave in the education markets of developed countries will soon arrive. Coupled with the impending discontinuation of support for Windows 10 in 2025, this will support growth in the commercial PC market. Regarding AI PCs, products are expected to be showcased starting in 2024, with shipments gradually increasing from 2025 onwards.

Regarding consumer electronics products such as tablets, game consoles, and IoT-related products, although demand for tablets has decreased due to economic factors over the past year, there is potential for a resurgence in the medium to long term, particularly driven by office needs, especially for commercial and detachable tablets. In terms of game consoles, Sony and Microsoft introduced new products at the end of 2020. Due to the longer product lifecycle, it is expected that in the next 1–2 years, stable shipment can still be maintained through the release of different game software or specification updates by brand customers. As for IoT-related products, the market anticipates that the performance of smart home devices overall will continue to be fueled by ongoing innovation in terminal applications, increasingly affordable prices, and a wider array of value-added services.

Looking at communication products in the medium to long term, it is expected that global smartphones will continue to transition to 5G smartphones as the development focus shifts for brand manufacturers, accelerating the replacement to 5G smartphones in the market. Furthermore, mobile network operators are gradually expanding their 5G coverage, leading to an annual increase in the penetration rate of LTE/5G networks. In terms of broadband products, alongside the momentum from 5G and Wi-Fi 7 technologies driving terminal demand, infrastructure development is underway in numerous emerging countries. This is expected to simultaneously drive the growth in demand for broadband products.

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 6,393. 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 , and new capacity plant in Malaysia, 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 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 to developing vertical integration. With our capabilities and expertise in working with a wide range of materials—from traditional metal stamping and plastic injection to newer light metal technologies—we can fulfill our customers' diverse needs and product design requirements, enhancing our ability to offer competitive one-stop-shopping solutions. By focusing on vertical integration, we aim to secure larger cost advantages and shorter time-to-market, helping 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 has 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, who 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, servers, and other information electronic products that are mainly used for word processing, information management, typesetting, industrial design, presentation, statistical analysis, multimedia application, and data computing and storage 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
Chipset	X Company 、 R Company	Stable
Display	X Company 、 J Company	Stable
System Module	X Company 、 Q Company	Stable
Mechanical Parts	X Company 、 T 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	2022				2023			
	Company Name	Amount	%	Relation with Issuer	Company Name	Amount	%	Relation with Issuer
1	X Company (Note1)	573,675,184	47.45	None	X Company (Note1)	571,409,093	56.61	None
2	J Company (Note 1)	147,255,890	12.18	None	J Company (Note 1)	99,819,749	9.89	None
3	Z Company (Note 1)	69,573,811	5.75	Shareholder	Z Company (Note 1)	56,514,163	5.60	Shareholder
	Others	418,424,677	34.62	-	Others	281,691,728	27.90	-
	Net Total Purchases	1,208,929,562	100.00	-	Net Total Purchases	1,009,434,733	100.00	-

Note 1: In 2022 and 2023, 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	2022				2023			
	Company Name	Amount	%	Relation with Issuer	Company Name	Amount	%	Relation with Issuer
1	A Company	704,253,324	53.42	None	A Company	732,256,963	58.26	None
2	B Company	222,995,207	16.91	None	B Company	189,287,841	15.06	None
	Others	391,165,191	29.67	-	Others	335,238,590	26.68	-
	Net Total Sales	1,318,413,722	100.00	-	Net Total Sales	1,256,783,394	100.00	-

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

5.2.5 Production Quantities and Value over the Past Two Years

Unit: thousands; NT\$ thousands

Output Year Major Products (or by departments)	2022			2023		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
3C Products	6,448	4,645	13,124,407	1,060	882	6,581,319
Others	-	-	28,238,928	-	-	18,034,502
Total	6,448	4,645	41,363,335	1,060	882	24,615,821

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	2022				2023			
		Domestic		Export		Domestic		Export	
		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
3C Products		7,141	90,246,594	142,321	1,051,751,402	7,141	74,058,056	115,880	1,020,747,183
Others		-	1,353,999	-	89,034,073	-	1,778,904	-	85,386,503
Total		7,141	91,600,593	142,321	1,140,785,475	7,141	75,836,960	115,880	1,106,133,686

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		2022	2023	As of 03/08/2024
Number of Employees	Others	5,064	3,979	3,913
	R&D	3,743	3,748	3,755
	Total	8,807	7,727	7,668
Average Age		37.9	39.2	39.4
Average Years of Service		7.5	8.7	8.9
Education	Ph.D.	0.28%	0.36%	0.37%
	Master's Degree	31.27%	36.20%	36.62%
	Bachelor's Degree	55.56%	53.06%	52.79%
	Senior High School	11.66%	9.28%	9.15%
	Below Senior High School	1.23%	1.10%	1.07%

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

For the most recent year ended on the publication date of the annual report, the Company did 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 oversee environmental protection which is in compliance with the legal

requirements. Waste handling and disposal, wastewater management, environmental testing and chemicals management have been conducted and controlled according to management procedures. Furthermore, we entrust a 3rd party 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 agreement, 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 testing, inspections of hazardous chemicals on products, environmental management system certification, hiring of dedicated professionals, environmental trainings, and other relevant activities, etc.

5.5 Employee Relations

5.5.1 Employee's Welfare and Benefit

a. Employee welfare and benefit

Both the Company and Pegatron Employee Welfare Committee provide employee's welfare and benefit. Corporate benefit program offers the employees group insurance, travel insurance on business trips, etc. Moreover, our leave and attendance rules abide local regulations as a baseline with possible leniency. On the other hand, benefits from Pegatron Employee Welfare Committee includes birthday gift, festival bonuses, meal subsidy, recreational gift voucher, reunion day, family day, summertime entertainment voucher, etc. The details of employee's 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 180,000 training hours in 2023. The average training hour is above 29 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 based on their competencies.
Management training	We plan management training programs such as new manager orientation based on roles and responsibilities of supervisors.
Professional competency training	Each unit plans professional competency training programs based on needs of professional knowledge and skills.
Trainer's training	In order to pass down the internal knowledge, trainer's training is held regularly. Both e-learning and classroom trainings are provided.
General lecturer training	Includes art, living, and management lectures.
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 feedback, 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 enhancing 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 management 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-Availability 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 receive information security training.
- Conduct Phishing mail drill regularly.

e. Risk distribution

We have invested in cybersecurity insurance for the cause of risk distribution from 2022. Being a valuable client, insurance also provide us the resource of cybersecurity expert all over the world to strength our capabilities to respond potential incidents.

f. 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 03/08/2024

Agreement	Counterparty	Period	Major Contents	Restrictions
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
Investment Agreement	Lizhen Precision Intelligent Manufacture (Kunshan) Co., Ltd. et al.	12/29/2023	Bring in the strategic investor for business collaboration	None
Real Estate Purchase Agreement	TRIOCEAN INDUSTRIAL CORPORATION CO., LTD.	05/22/2023	Purchase the building and land from TRIOCEAN INDUSTRIAL	None
Real Estate Sale Agreement	PEGAVISION CORPORATION	10/20/2023	Sell the building and land to PEGAVISION	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	GENERAL ZIPPER MACHINERY CO., LTD.	09/01/2022 ~ 12/31/2027	Lease the building from GENERAL ZIPPER MACHINERY as the factory	None
Lease Agreement	CMP Development Limited	01/16/2022 ~ 05/31/2027	Lease the building from CMP Development as the office	None
Software Purchase Agreement	Acer e-Enabling Service Business Inc.	12/01/2022 ~ 12/30/2025	Purchase of Microsoft operating system and the related software	None
License Agreement	Microsoft Ireland Operations Limited.	12/01/2022 ~ 11/30/2025	License of Microsoft Office system and the related software	None
Construction Engineering Agreement	Charlie Technologies Engineering co., Ltd.	10/12/2023 ~ 10/06/2024	Reconstruction of Taoyuan-5 factory	None
Lease Agreement	Suzhou DTW Warehouse Co., Ltd.	01/01/2023 ~ 12/31/2023	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)				
		2019	2020	2021	2022	2023
Current assets		475,833,911	582,130,864	564,850,826	502,487,782	420,400,900
Funds & Investments		256,093	351,450	25,615,113	31,435,250	36,220,532
Property, plant and equipment		80,248,760	83,385,274	69,736,530	79,689,609	75,303,420
Intangible assets		1,297,891	386,975	208,186	225,014	238,264
Other assets		12,883,138	18,092,046	16,359,708	22,385,132	24,906,081
Total assets		570,519,793	684,346,609	676,770,363	636,222,787	557,069,197
Current liabilities	Before Distribution	345,586,659	444,312,180	428,588,053	365,435,996	282,255,608
	After Distribution	357,335,222	456,295,111	441,931,356	376,103,422	Undistributed
Non-current liabilities		31,687,621	41,093,907	53,915,433	56,218,528	53,195,822
Total liabilities	Before Distribution	377,274,280	485,406,087	482,503,486	421,654,524	335,451,430
	After Distribution	389,022,843	497,389,018	495,846,789	432,321,950	Undistributed
Equity		157,665,062	162,594,581	166,604,545	182,488,565	188,809,892
Share capital		26,110,919	26,628,737	26,691,316	26,676,337	26,642,241
Capital surplus		81,052,101	83,008,347	83,321,308	83,352,004	84,195,646
Retained earnings	Before Distribution	61,799,379	69,970,357	78,226,029	80,059,864	85,082,010
	After Distribution	50,050,816	57,987,426	64,882,726	69,392,438	Undistributed
Other equity interest		(11,294,337)	(17,012,860)	(21,631,550)	(7,592,537)	(7,110,005)
Treasury stock		(3,000)	-	(2,558)	(7,103)	-
Non-controlling interests		35,580,451	36,345,941	27,662,332	32,079,698	32,807,875
Total Equity	Before Distribution	193,245,513	198,940,522	194,266,877	214,568,263	221,617,767
	After Distribution	181,496,950	186,957,591	180,923,574	203,900,837	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)				
	2019	2020	2021	2022	2023
Operating revenues	1,366,287,326	1,399,332,906	1,263,720,182	1,318,413,722	1,256,783,394
Gross profit	45,105,358	49,604,249	46,573,368	57,126,661	46,106,358
Results from operating activities	16,906,266	19,062,736	16,854,460	24,997,526	14,752,658
Non-operating income and expenses	8,561,639	10,380,547	11,271,382	2,957,887	9,554,595
Profit before tax	25,467,905	29,443,283	28,125,842	27,955,413	24,307,253
Profit (loss) from continuing operations	18,284,108	22,419,552	25,027,094	21,162,959	17,412,793
Profit (loss) from discontinued operations	-	-	-	-	-
Profit (loss)	18,284,108	22,419,552	25,027,094	21,162,959	17,412,793
Other comprehensive income (after tax)	(4,023,062)	(4,814,250)	(3,267,163)	13,783,676	505,275
Comprehensive income	14,261,046	17,605,302	21,759,931	34,946,635	17,918,068
Profit (loss), attributable to owners of parent	19,317,741	20,207,598	20,545,643	15,096,180	15,712,958
Profit (loss), attributable to non-controlling interests	(1,033,633)	2,211,954	4,481,451	6,066,779	1,699,835
Comprehensive income, attributable to owners of parent	15,889,966	15,462,872	17,354,177	28,516,320	16,252,473
Comprehensive income, attributable to non-controlling interests	(1,628,920)	2,142,430	4,405,754	6,430,315	1,665,595
Basic earnings per share	7.40	7.73	7.71	5.66	5.90

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)				
		2019	2020	2021	2022	2023
Current assets		576,874,914	509,195,078	565,204,693	568,371,268	437,766,651
Funds & Investments		138,654,566	147,643,776	179,558,218	201,342,799	204,483,648
Property, plant and equipment		8,123,507	10,182,540	10,529,131	9,816,894	9,909,052
Intangible assets		143,655	92,409	118,522	115,105	115,701
Other assets		1,910,403	4,859,180	1,326,277	1,367,762	1,056,630
Total assets		725,707,045	671,972,983	756,736,841	781,013,828	653,331,682
Current liabilities	Before Distribution	547,410,312	481,384,680	551,975,918	563,943,584	438,427,337
	After Distribution	559,158,875	493,367,611	565,319,221	574,611,010	Undistributed
Non-current liabilities		20,631,671	27,993,722	38,156,378	34,581,679	26,094,453
Total liabilities	Before Distribution	568,041,983	509,378,402	590,132,296	598,525,263	464,521,790
	After Distribution	579,790,546	521,361,333	603,475,599	609,192,689	Undistributed
Equity		NA	NA	NA	NA	NA
Share capital		26,110,919	26,628,737	26,691,316	26,676,337	26,642,241
Capital surplus		81,052,101	83,008,347	83,321,308	83,352,004	84,195,646
Retained earnings	Before Distribution	61,799,379	69,970,357	78,226,029	80,059,864	85,082,010
	After Distribution	50,050,816	57,987,426	64,882,726	69,392,438	Undistributed
Other equity interest		(11,294,337)	(17,012,860)	(21,631,550)	(7,592,537)	(7,110,005)
Treasury stock		(3,000)	-	(2,558)	(7,103)	-
Non-controlling interests		NA	NA	NA	NA	NA
Total Equity	Before Distribution	157,665,062	162,594,581	166,604,545	182,488,565	188,809,892
	After Distribution	145,916,499	150,611,650	153,261,242	171,821,139	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)				
	2019	2020	2021	2022	2023
Operating revenues	1,264,832,885	1,246,781,505	1,168,133,102	1,232,386,068	1,181,970,646
Gross profit (Note 2)	24,130,535	18,045,943	15,262,138	28,949,608	25,718,973
Results from operating activities	11,715,347	4,537,702	2,373,347	15,235,324	11,970,918
Non-operating income and expenses	9,788,099	16,890,111	18,690,347	2,676,356	8,223,714
Profit before tax	21,503,446	21,427,813	21,063,694	17,911,680	20,194,632
Profit (loss) from continuing operations	19,317,741	20,207,598	20,545,643	15,096,180	15,712,958
Profit (loss) from discontinued operations	-	-	-	-	-
Profit (loss)	19,317,741	20,207,598	20,545,643	15,096,180	15,712,958
Other comprehensive income (after tax)	(3,427,775)	(4,744,726)	(3,191,466)	13,420,140	539,515
Comprehensive income	15,889,966	15,462,872	17,354,177	28,516,320	16,252,473
Profit (loss), attributable to owners of parent	NA	NA	NA	NA	NA
Profit (loss), attributable to non-controlling interests	NA	NA	NA	NA	NA
Comprehensive income, attributable to owners of parent	NA	NA	NA	NA	NA
Comprehensive income, attributable to non-controlling interests	NA	NA	NA	NA	NA
Basic earnings per share	7.40	7.73	7.71	5.66	5.90

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 2019 to 2023

Year	CPA Firm	CPA's Name	Auditing Opinion
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
2022	KPMG	Kuo-Yang Tseng & Chi-Lung Yu	Unqualified
2023	KPMG	Shih-Chin Chih & Chun-Kuang Chen	Unqualified

6.2 Five-Year Financial Analysis

6.2.1 Consolidated Financial Analysis

Year (Note1) Item (Note 2)		Five-Year Financial Analysis				
		2019	2020	2021	2022	2023
Capital structure (%)	Debt ratio	66.13	70.92	71.29	66.27	60.21
	Ratio of long-term capital to property, plant and equipment	274.47	281.19	346.08	325.22	346.31
Solvency	Current ratio (%)	137.69	131.01	131.79	137.50	148.94
	Quick ratio (%)	105.36	91.57	96.17	81.32	110.88
	Times interest earned (Times)	8.98	17.71	30.27	15.45	9.32
Operating ability	Accounts receivable turnover (Times)	6.69	6.47	5.33	6.36	6.62
	Average collection period	54.56	56.41	68.48	57.39	55.13
	Inventory turnover (Times)	9.25	9.48	7.48	6.66	8.52
	Accounts payable turnover (Times)	5.92	5.68	4.64	5.49	5.58
	Average days in sales	39.46	38.50	48.79	54.80	42.84
	Property, plant and equipment turnover (Times)	17.03	16.78	18.12	16.54	16.68
	Total assets turnover (Times)	2.39	2.04	1.86	2.07	2.25
Profitability	Return on total assets (%)	3.61	3.79	3.79	3.45	3.20
	Return on stockholders' equity (%)	9.63	11.43	12.72	10.35	8.37
	Pretax profit to paid-in capital (%)	97.54	110.56	105.37	104.79	91.23
	Net profit margin (%)	1.34	1.60	1.98	1.60	1.38
	Basic earnings per share (\$)	7.40	7.73	7.71	5.66	5.90
Cash flow	Cash flow ratio (%)	22.42	(Note 3)	14.82	5.22	30.95
	Cash flow adequacy ratio (%)	97.96	58.34	50.64	74.44	80.47
	Cash reinvestment ratio (%)	21.58	(Note 3)	15.11	0.94	20.42
Leverage	Operating leverage	2.10	1.96	1.81	1.59	2.03
	Financial leverage	1.23	1.10	1.06	1.08	1.24

Analysis of financial ratio change in the last two years.

1. Quick ratio: The ratio increased in 2023 due to the decrease in current liability.
2. Times interest earned: The ratio decreased in 2023 due to the increase in interest expense.
3. Inventory turnover: The ratio increased in 2023 due to the decrease in average inventory.
4. Average days in sales: The days decreased in 2023 due to the increase in inventory turnover.
5. Cash flow ratio: The ratio increased in 2023 due to the increase in net cash inflow from operating activity.
6. Cash reinvestment ratio: The ratio increased in 2023 due to the increase in net cash inflow from operating activity.
7. Operating leverage: The ratio increased in 2023 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 = $(\text{Current assets} - \text{Inventory} - \text{Prepaid expense}) / \text{current liability}$
- (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 = $\text{Net cash flow from operating activity in the past 5 years} / (\text{Capital expenditure} + \text{Inventory interest} + \text{Cash dividend}) \text{ in the past 5 years}$
- (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.

6.2.2 Individual Financial Analysis

Year (Note1) Item (Note 2)		Five-Year Financial Analysis				
		2019	2020	2021	2022	2023
Capital structure (%)	Debt ratio	78.27	75.80	77.98	76.63	71.10
	Ratio of long-term capital to property, plant and equipment	2,192.96	1,868.08	1,940.30	2,203.55	2,146.52
Solvency	Current ratio (%)	105.38	105.77	102.39	100.78	99.84
	Quick ratio (%)	99.60	98.18	95.04	91.93	89.15
	Times interest earned (Times)	13.48	26.42	38.18	18.86	18.79
Operating ability	Accounts receivable turnover (Times)	6.88	6.68	5.61	6.19	4.09
	Average collection period	53.05	54.64	65.06	58.96	89.24
	Inventory turnover (Times)	29.97	35.95	29.67	26.12	25.98
	Accounts payable turnover (Times)	2.72	2.89	2.74	2.64	2.83
	Average days in sales	12.18	10.15	12.30	13.97	14.04
	Property, plant and equipment turnover (Times)	155.70	122.44	110.94	125.53	119.28
	Total assets turnover (Times)	1.74	1.85	1.54	1.57	1.80
Profitability	Return on total assets (%)	2.90	2.98	2.93	2.06	2.35
	Return on stockholders' equity (%)	12.56	12.61	12.48	8.64	8.84
	Pretax Profit to paid-in capital (%)	82.35	80.46	78.91	67.14	75.79
	Net profit margin (%)	1.53	1.62	1.75	1.22	1.32
	Basic earnings per share (\$)	7.40	7.73	7.71	5.66	5.90
Cash flow	Cash flow ratio (%)	7.31	(Note 3)	5.13	0.77	14.44
	Cash flow adequacy ratio (%)	75.34	49.64	13.41	20.16	84.52
	Cash reinvestment ratio (%)	17.21	(Note 3)	7.95	(Note 3)	24.40
Leverage	Operating leverage	1.08	1.21	1.52	1.08	1.10
	Financial leverage	1.17	1.22	1.31	1.07	1.10
Analysis of financial ratio change in the last two years. 1. Accounts receivable turnover: The ratio decreased in 2023 due to the increase in average accounts receivable. 2. Average collection period: The days increased in 2023 due to the decrease in accounts receivable turnover. 3. Cash flow ratio: The ratio increased in 2023 due to the increase in net cash inflow from operating activity. 4. Cash flow adequacy ratio: The ratio increased in 2023 due to the increase in net cash flow from operating activity in the past 5 years. 5. Cash reinvestment ratio: The ratio increased in 2023 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: 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) =
 $\text{Cost of goods sold} / \text{Average accounts payable (including accounts payable and notes payable derived from business operation)}$
- (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 = $\text{Net cash flow from operating activity in the past 5 years} / (\text{Capital expenditure} + \text{Inventory interest} + \text{Cash dividend}) \text{ in the past 5 years}$
- (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 14, 2024

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

Pegatron Corporation

Chairman of the Audit Committee: C. Lin

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	2023	2022	Difference	
			Amount	%
Current Assets	420,400,900	502,487,782	(82,086,882)	(16.34%)
Funds & Investments	36,220,532	31,435,250	4,785,282	15.22%
Property, plant and equipment	80,263,084	85,899,728	(5,636,644)	(6.56%)
Intangible Assets	238,264	225,014	13,250	5.89%
Other Assets	19,946,417	16,175,013	3,771,404	23.32%
Total Assets	557,069,197	636,222,787	(79,153,590)	(12.44%)
Current Liabilities	282,255,608	365,435,996	(83,180,388)	(22.76%)
Long-term Liabilities	39,170,272	44,602,419	(5,432,147)	(12.18%)
Other Liabilities	14,025,550	11,616,109	2,409,441	20.74%
Total Liabilities	335,451,430	421,654,524	(86,203,094)	(20.44%)
Capital stock	26,642,241	26,676,337	(34,096)	(0.13%)
Capital surplus	84,195,646	83,352,004	843,642	1.01%
Retained Earnings	85,082,010	80,059,864	5,022,146	6.27%
Other Adjustments	25,697,870	24,480,058	1,217,812	4.97%
Total Stockholders' Equity	221,617,767	214,568,263	7,049,504	3.29%
Analysis of changes in financial ratios:				
1. Other Assets: The increase is due to increase in advance payment for equipment.				
2. Current Liabilities: The decrease is due to decrease in short-term loans.				
3. Other Liabilities: The increase is due to the increase of deferred income tax liabilities and contract liabilities.				

- **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	2023	2022	Difference	
			Amount	%
Net Sales	1,256,783,394	1,318,413,722	(61,630,328)	(4.67%)
Cost of Sales	1,210,677,036	1,261,287,061	(50,610,025)	(4.01%)
Gross Profit	46,106,358	57,126,661	(11,020,303)	(19.29%)
Operating Expense	31,353,700	32,129,135	(775,435)	(2.41%)
Results from operating activities	14,752,658	24,997,526	(10,244,868)	(41.98%)
Non-operating Income and Expenses	9,554,595	2,957,887	6,596,708	223.02%
Profit Before Tax	24,307,253	27,955,413	(3,648,160)	(13.05%)
Income Tax Expense	6,894,460	6,792,454	102,006	1.50%
Profit for the year	17,412,793	21,162,959	(3,750,166)	(17.72%)
Other Comprehensive Income (loss)	505,275	13,783,676	(13,278,401)	(96.33%)
Total Comprehensive Income	17,918,068	34,946,635	(17,028,567)	(48.73%)
Analysis of changes in financial ratios:				
1. Results from operating activities: The decrease is due to the decrease of sales.				
2. Non-operating Income and Expenses: The increase is due to the decrease of other losses.				
3. Other comprehensive income: The decrease is due to the decrease of exchange differences on translation of foreign statements.				

7.3 Analysis of Cash Flow

7.3.1 Cash Flow Analysis for the Current Year – Consolidated

Unit: NT\$ thousands; %

Item \ Year	2022	2023	Difference	
			Amount	%
Cash flows from operating activities	19,091,954	87,378,597	68,286,643	357.67
Cash flows from investing activities	(25,703,921)	(20,799,762)	4,904,159	19.08
Cash flows from financing activities	(29,952,809)	(48,649,193)	(18,696,384)	62.42
Analysis of changes in financial ratios:				
1. Cash flows from operating activities: The increase in cash flow was due to decreased inventories.				
2. Cash flows from investing activities: The decrease was due to reduce acquisition of property, plant and equipment and decrease in prepayments on purchase of equipment 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 for under equity method are mostly for strategic investments. In 2023, the investment income under the equity method reached NT\$7,259,834 thousand dollars, which increase by 97% as compared to the previous year, primarily due to improvements in the operating efficiency of mainland China and overseas subsidiaries. Going forward, the Company will continue focusing on strategic investment and carefully assessing the financial risks and investment returns 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. 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 Price Index of Domestic and Imported Goods increased by 2.49% and dropped by 1.99%- respectively in 2023, as the result of both Import Price Index (IPI) and Export Price Index (EPI) declined simultaneously, inflation was slowing down, which did not have significant impact on the Company's financial conditions in 2023. 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 2023 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 2023. 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\$11.3 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 2023 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 times 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 2023 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 2023 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 2023 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 16.83% of Pegatron total outstanding shares. Asustek has reiterated its intention to reduce its equity interest gradually and orderly in Pegatron. Pegatron will work closely with Asustek to complete their contemplated disposals of Pegatron shares in a way that would minimize the negative impact on the price of Pegatron shares and other shareholders.

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

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

7.6.12 Litigation or Non-litigation Matters

In 2023 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

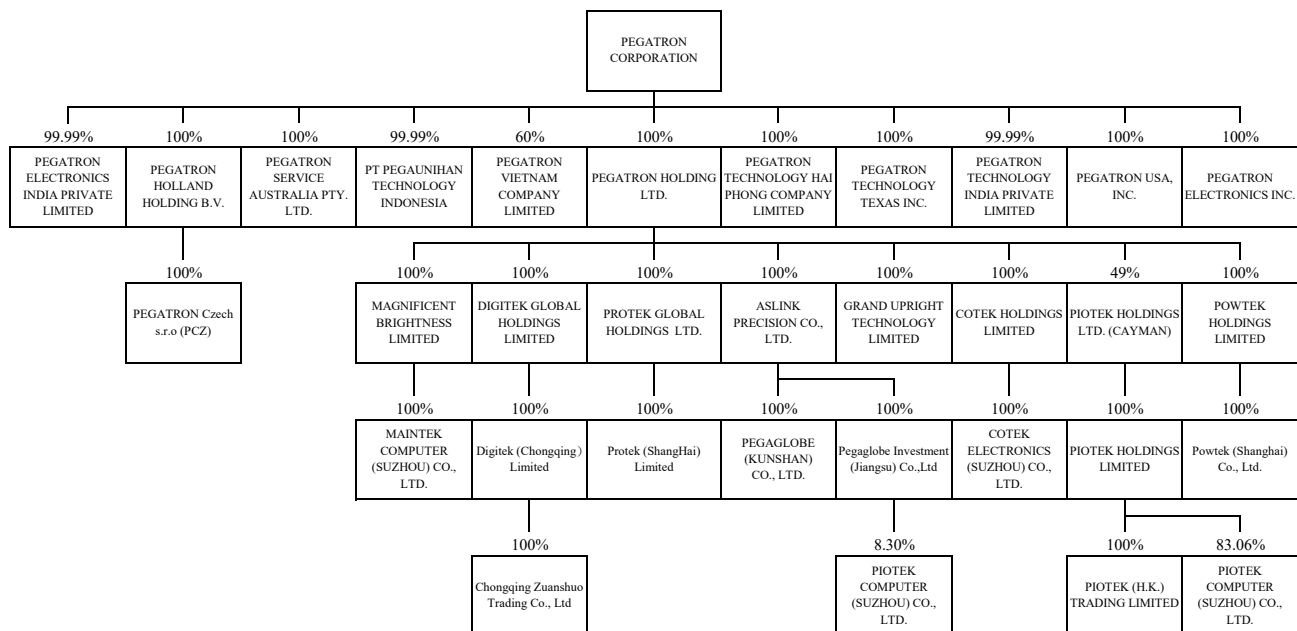
In 2023 and as of the date of this annual report, the Company did not have any other major risks.

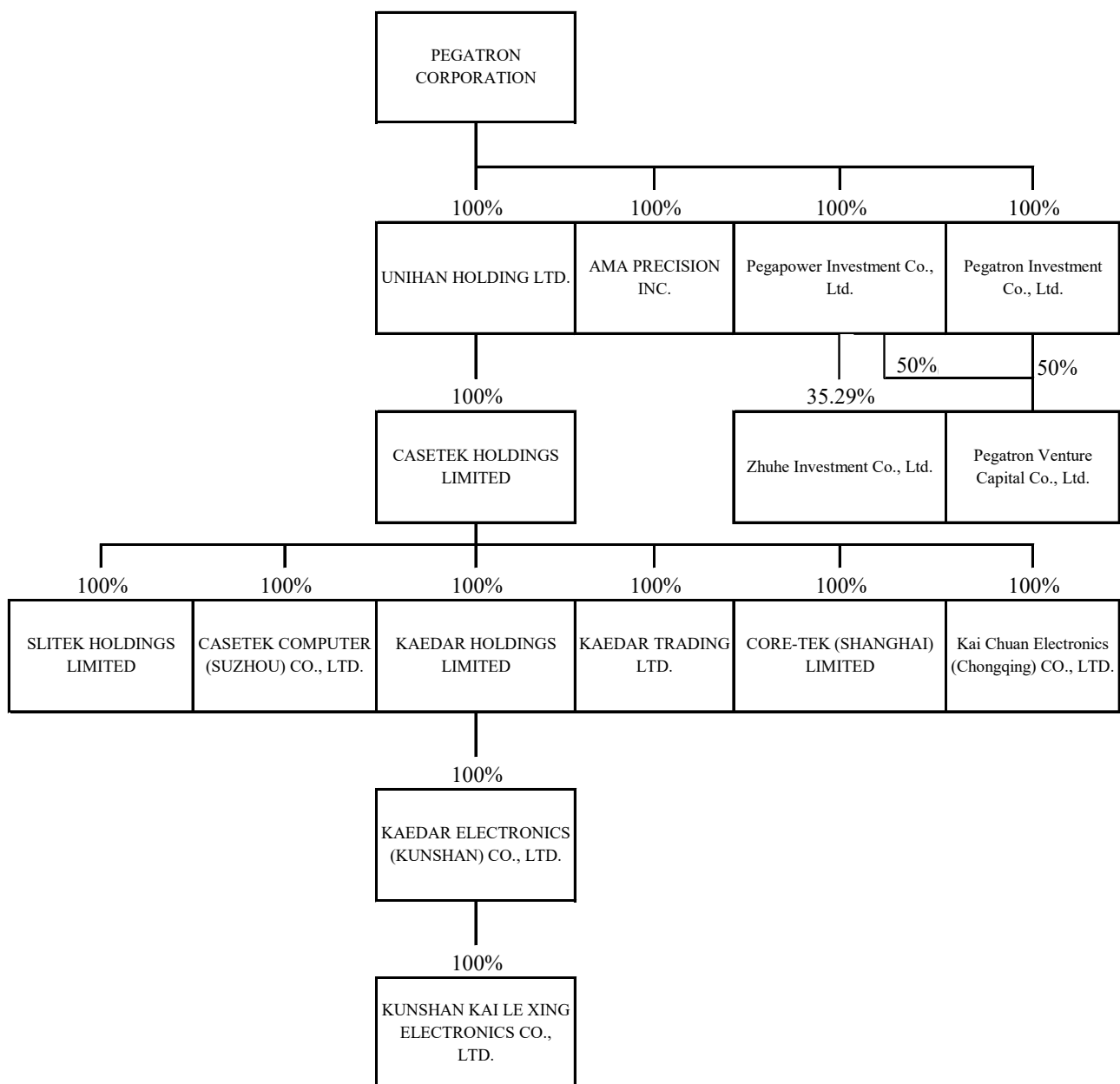
8. Other Special Notes

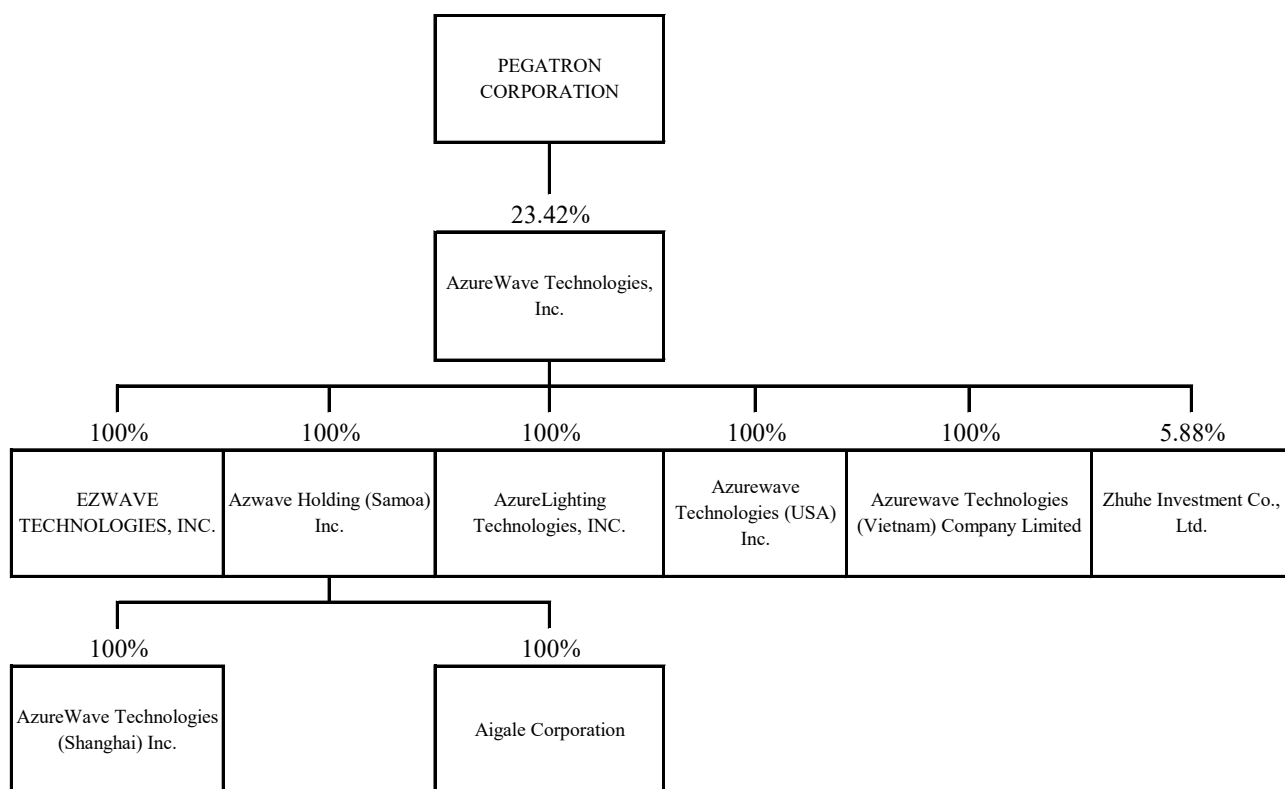
8.1 Summary of Affiliated Companies

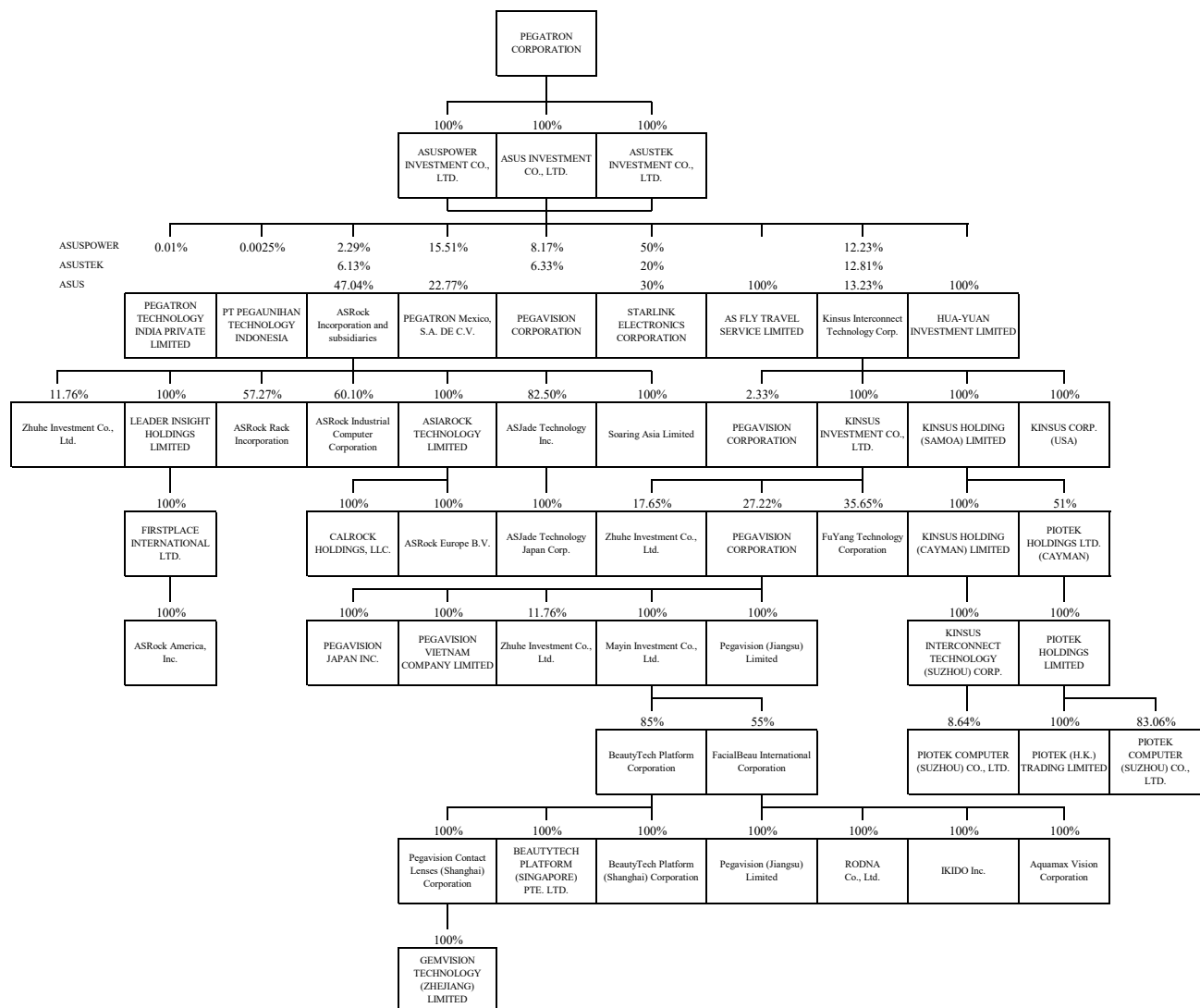
8.1.1 Affiliated Companies Chart

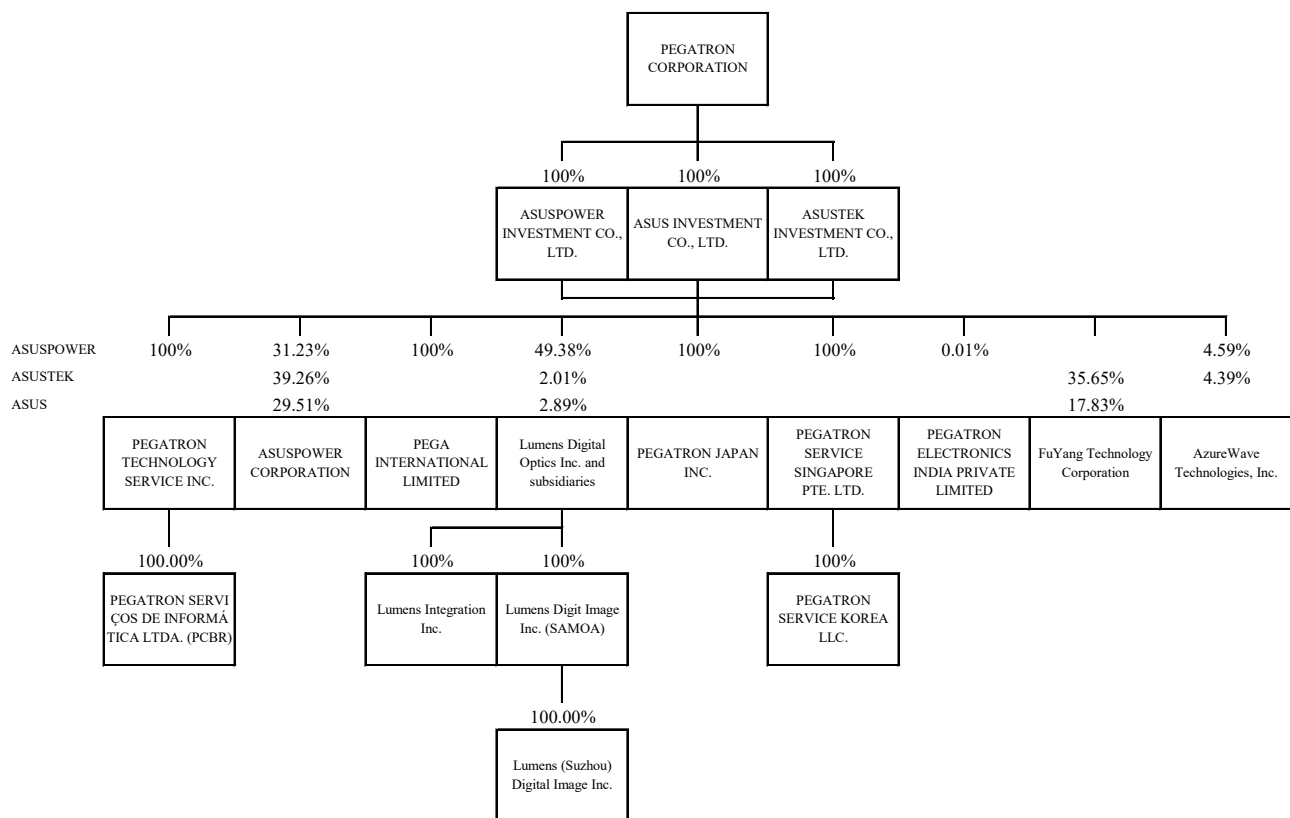
As of 12/31/2023

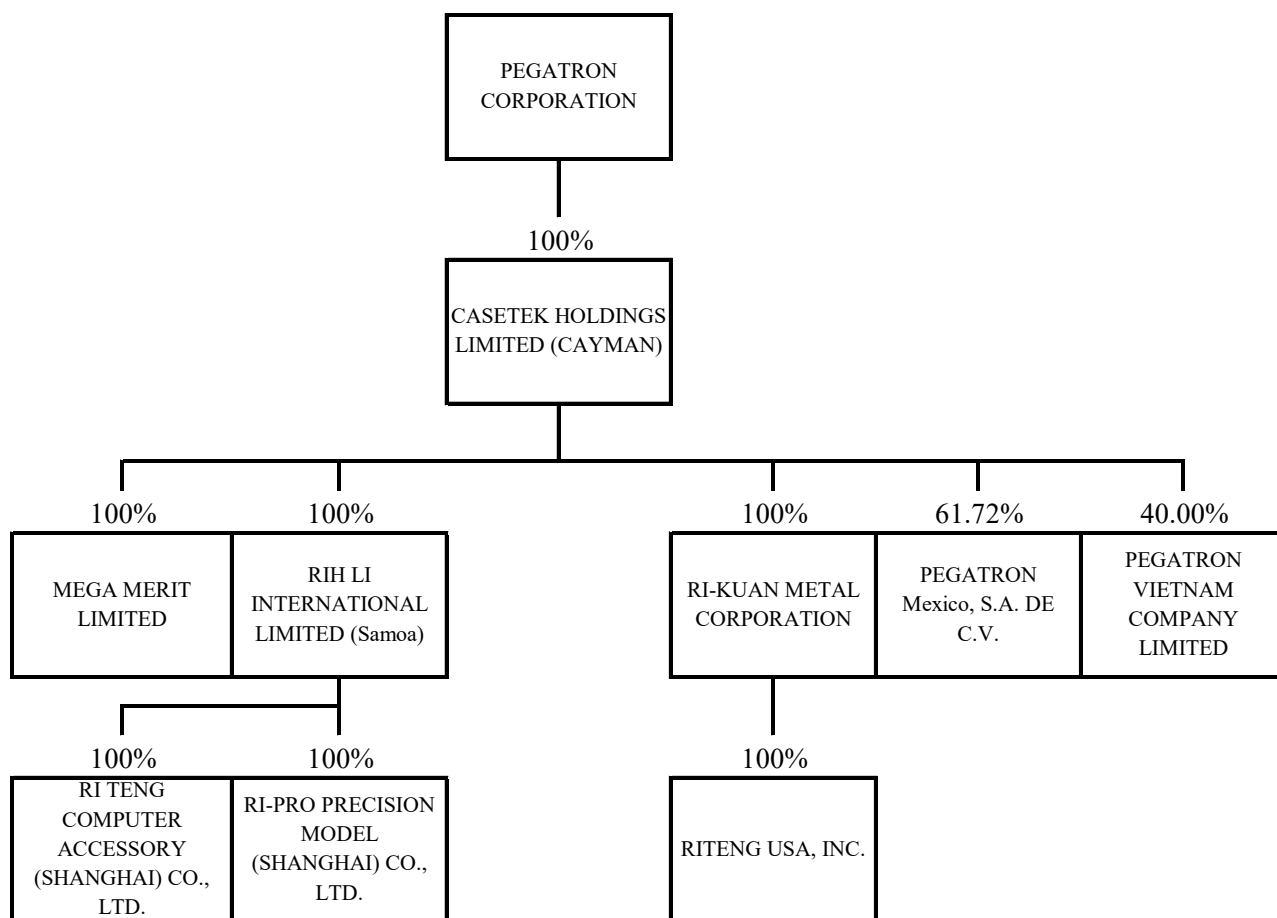












8.1.2 Business Scope of Pegatron and Its Affiliated Companies

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 2023 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 3 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, 2023 AND 2022

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

Company name: Pegatron Corporation

Chairman: Tzu-Hsien Tung

Date: March 14, 2024.

Independent Auditors' Report

To the Board of Directors of Pegatron Corporation:

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

1. Revenue recognition

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

(a) Key audit matters:

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

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

(b) Auditing procedures performed:

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

2. Inventory valuation

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

(a) Key audit matters:

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

(b) Auditing procedures performed:

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

Other Matter

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

KPMG

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

Notes to Readers

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

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

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

PEGATRON CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

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

See accompanying notes to financial statements.

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

PEGATRON CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets (CONT'D)

December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

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

See accompanying notes to financial statements.

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

PEGATRON CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2023 and 2022

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

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

See accompanying notes to financial statements.

(Expressed in Thousands of New Taiwan Dollars)

See accompanying notes to financial statements.

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

PEGATRON CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

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

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

PEGATRON CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows (CONT'D)

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

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

See accompanying notes to financial statements.

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

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

(1) Company history

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

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

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

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

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

(3) New standards, amendments and interpretations adopted

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

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

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

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

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

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

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

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	<p>The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture.</p> <p>The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.</p>	Effective date to be determined by IASB

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- Amendments to IAS 21 “Lack of Exchangeability”

(4) Summary of material accounting policies

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

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

(a) Statement of compliance

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

(b) Basis of preparation

(i) Basis of measurement

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

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries.

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

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

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

(ii) Acquisition of non-controlling interests

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

(iii) Subsidiaries

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

(iv) Business combination under common control

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Losing control

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

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

Investor	Subsidiary	Nature of business	Shareholding ratio		Notes
			December 31, 2023	December 31, 2022	
THE COMPANY	UNIHAN HOLDING LTD. (UNIHAN)	Investing activities	100.00 %	100.00 %	
UNIHAN	CASETEK HOLDINGS LIMITED (CASETEK)	Investing and trading activities	100.00 %	100.00 %	
CASETEK	SLITEK HOLDINGS LIMITED (SLITEK)	Investing and trading activities	100.00 %	100.00 %	
CASETEK	CASETEK COMPUTER (SUZHOU) CO., LTD. (CASETEK SUZHOU)	Manufacturing, developing and selling computers, computer parts, application systems, and providing after-sales service	100.00 %	100.00 %	
CASETEK	KAEDAR HOLDINGS LIMITED (KHL)	Investing and trading activities	100.00 %	100.00 %	
KHL	KAEDAR ELECTRONICS (KUNSHAN) CO., LTD. (KAEDAR)	Tooling molds of stainless-steel computer cases	100.00 %	100.00 %	
KAEDAR	KUNSHAN KAILEXING ELECTRONICS CO., LTD. (KAILEXING)	Manufacture of electric and electronic components; wholesale and retail of electronic components; manufacture and sale of molds; manufacture and sale of equipment for processing plastics; manufacture of transportation equipment and counting scales for production.	100.00 %	- %	Note 12
CASETEK	KAEDAR TRADING LTD. (KTL)	Investing and trading activities	100.00 %	100.00 %	
CASETEK	CORE-TEK (SHANGHAI) LIMITED (CORE-TEK)	Researching and producing spare parts for notebook computers, designing nonmetal tooling, electronic specific equipment and related products, repairing and producing precision equipment and providing after-sales service	100.00 %	100.00 %	
CASETEK	KAI-CHUAN ELECTRONICS (CHONGQING) CO., LTD. (KAI-CHUAN)	Manufacturing, developing and inspecting computers and application systems, designing and manufacturing nonmetal and metal tooling, developing plastic and electronic component, selling self-manufactured products	100.00 %	100.00 %	

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investor	Subsidiary	Nature of business	Shareholding ratio		Notes
			December 31, 2023	December 31, 2022	
ASLINK	PEGAGLOBE (KUNSHAN) CO., LTD. (PEGAGLOBE KUNSHAN)	Manufacturing satellite navigation and positioning receiving equipment and key components, mobile phones, third generation and subsequent mobile communication mobile phones, base stations, core equipment and network testity equipment, large and medium-sized electronic computers, portable microcomputers, high-ends servers, large-capacity optical, disle drives and their components, high-end server, disk drive, and other related components	100.00 %	100.00 %	
ASLINK	PEGAGLOBE INVESTMENT (JIANGSU) CO., LTD. (PEGAGLOBE JIANGSU)	Investing activities with own funds: equity investment	100.00 %	100.00 %	
PEGA HOLDING	DIGITEK GLOBAL HOLDINGS LIMITED (DIGITEK)	Investing and trading activities	100.00 %	100.00 %	
DIGITEK	DIGITEK (CHONGQING) CO. LTD. (DIGITEK CHONGQING)	Research and development, manufacture, sale of satellite communication equipment, satellite navigation receive equipment, cellphone, internet related equipment, computer, video decoding equipment, car-used electrical equipment and component. The company also provides export, proxy, repair services	100.00 %	100.00 %	
DIGITEK CHONGQING	CHONGQING ZUANSHUO TRADING CO., LTD. (ZUANSHUO)	Computer software and hardware, computer parts, electronic products (excluding electronic publications), electric appliance, industrial communication device (excluding wireless transmitter and transmitter), communication equipment (excluding wireless transmitter and satellite ground receiving facilities), and providing related technical consulting services. Import and export of goods and technology. Packaging service, product design, marketing planning, business consulting	100.00 %	100.00 %	
PEGA HOLDING	MAGNIFICENT BRIGHTNESS LIMITED (MAGNIFICENT)	Investing and trading activities	100.00 %	100.00 %	
MAGNIFICENT	MAINTEK COMPUTER (SUZHOU) CO., LTD. (MAINTEK)	Manufacture, develop and research and sale of power supplier, new electronic component, computer case, and computer system. Repair of laptop, motherboard and related product	100.00 %	100.00 %	
PEGA HOLDING	PROTEK GLOBAL HOLDINGS LTD. (PROTEK)	Investing and trading activities	100.00 %	100.00 %	

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investor	Subsidiary	Nature of business	Shareholding ratio		Notes
			December 31, 2023	December 31, 2022	
PROTEK	PROTEK (SHANGHAI) LTD. (PROTEK SHANGHAI)	Develop and research, manufacture, assemble, repair, sale and design of satellite communication equipment, satellite navigation receive equipment and essential component. Sale of cellphone, medium and large sized computer, portable computer, printing machine and electrical component, and providing after-sales service	100.00 %	100.00 %	
PEGA HOLDING	COTEK HOLDINGS LIMITED (COTEK)	Investing and trading activities	100.00 %	100.00 %	
COTEK	COTEK ELECTRONICS (SUZHOU) CO., LTD. (COTEK SUZHOU)	Developing, manufacturing and selling new electronic components, circuit boards and relevant products, and providing after-sales service	100.00 %	100.00 %	
PEGA HOLDING	TOP QUARK LIMITED (TOP QUARK)	Investing activities	- %	100.00 %	Note 10
THE COMPANY	ASUSPOWER INVESTMENT CO., LTD. (ASUSPOWER INVESTMENT)	Investing activities	100.00 %	100.00 %	
THE COMPANY	ASUS INVESTMENT CO., LTD. (ASUS INVESTMENT)	Investing activities	100.00 %	100.00 %	
THE COMPANY	ASUSTEK INVESTMENT CO., LTD. (ASUSTEK INVESTMENT)	Investing activities	100.00 %	100.00 %	
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	ASROCK INCORPORATION (ASROCK)	Selling motherboards, related product development and design	55.46 %	55.30 %	Note 3
ASROCK	ASIAROCK TECHNOLOGY LIMITED (ASIAROCK)	Investing and holding activities	100.00 %	100.00 %	
ASIAROCK	ASROCK EUROPE B.V. (ASROCK EUROPE)	Data storage and sale of electronic material and international trade	100.00 %	100.00 %	
ASIAROCK	CALROCK HOLDINGS, LLC (Calrock)	Office building leasing	100.00 %	100.00 %	
ASROCK	LEADER INSIGHT HOLDINGS LIMITED (Leader)	Investing and holding activities	100.00 %	100.00 %	
LEADER	FIRSTPLACE INTERNATIONAL LTD. (Firstplace)	Investing and holding activities	100.00 %	100.00 %	
FIRSTPLACE	ASRock America, Inc. (ASRock America)	Selling database service and trading electronic components	100.00 %	100.00 %	
ASROCK	ASRock Rack Incorporation (ASRock Rack)	Manufacturing and selling computer and related peripherals	57.27 %	59.68 %	Note 4
ASROCK	ASRock Industrial Computer Corporation (ASRock Industrial)	Manufacturing and selling computer and related peripherals	60.10 %	64.46 %	Note 5
ASROCK	Soaring Asia Limited (Soaring)	Trading activities	100.00 %	100.00 %	

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Investor	Subsidiary	Nature of business	Shareholding ratio		Notes
			December 31, 2023	December 31, 2022	
ASROCK	ASJade Technology Incorporation (ASJade)	Information software service	82.50 %	82.50 %	Note 6
ASJade	ASJade Technology Japan Corp. (ASJade Japan)	Trading of charging piles	100.00 %	- %	Note 12
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND CASETEK CAYMAN	PEGATRON Mexico, S.A. DE C.V. (PMX)	Manufacture of electronic products, the whole-sale and retail-sale of electronic materials.	100.00 %	100.00 %	Note 7
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	KINSUS INTERCONNECT TECHNOLOGY CORP. (KINSUS)	Manufacturing electronic parts, whole selling and retailing of electronic components, as well as providing business management consultant service	38.27 %	38.41 %	Note 2
KINSUS	KINSUS INVESTMENT CO., LTD. (KINSUS INVESTMENT)	Investing activities	100.00 %	100.00 %	
KINSUS, KINSUS INVESTMENT, ASUSPOWER INVESTMENT AND ASUSTEK INVESTMENT	PEGAVISION CORPORATION (PEGAVISION)	Medical equipment manufacturers, optical instruments, precision instruments manufacturers and sales of the preceding products	44.05 %	45.21 %	Note 8
PEGAVISION	PEGAVISION VIETNAM COMPANY LIMITED (PEGAVISION VIETNAM)	Manufacturing and selling medical appliances	100.00 %	- %	Note 12
PEGAVISION	PEGAVISION JAPAN INC. (PEGAVISION JAPAN)	Selling medical appliances	100.00 %	100.00 %	
PEGAVISION	Pegavision (Jiangsu) Limited (Pegavision Jiangsu)	Manufacturing and selling medical appliances	100.00 %	100.00 %	
PEGAVISION	Mayin Investment Co., Ltd. (Mayin)	Investing activities	100.00 %	100.00 %	
Mayin	BeautyTech Platform Corporation (BeautyTech)	Selling medical appliances and cosmetics	85.00 %	85.00 %	
BeautyTech	PEGAVISION CONTACT LENSES CORPORATION (PEGAVISION SHANGHAI)	Selling medical appliances	100.00 %	100.00 %	Note 9
PEGAVISION SHANGHAI	Gemvision Technology (Zhejiang) Limited (Gemvision Zhejiang)	Selling medical appliances	100.00 %	100.00 %	
BeautyTech	BEAUTYTECH PLATFORM (SINGAPORE) PTE. LTD. (BEAUTYTECH SG)	Selling medical appliances and cosmetics	100.00 %	100.00 %	
BeautyTech	BeautyTech Platform (Shanghai) Corporation (BeautyTech Shanghai)	Selling medical appliances and cosmetics	100.00 %	100.00 %	Note 9
Mayin	FacialBeau International Corporation (FacialBeau)	Selling medical appliances and cosmetics	55.00 %	55.00 %	

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			December 31, 2023	December 31, 2022	
FacialBeau	FacialBeau (Jiangsu) Corporation (FacialBeau Jiangsu)	Selling medical appliances and cosmetics	100.00 %	100.00 %	Note 9
FacialBeau	Aquamax Vision Corporation(Aquamax)	Selling medical appliances and cosmetics	100.00 %	100.00 %	
FacialBeau	IKIDO Inc. (IKIDO)	Selling medical appliances and cosmetics	100.00 %	100.00 %	
FacialBeau	RODNA CO. LTD. (RODNA)	Selling medical appliances and cosmetics	100.00 %	100.00 %	
KINSUS INVESTMENT, ASUSTEK INVESTMENT AND ASUS INVESTMENT	FUYANG TECHNOLOGY CORPORATION (FUYANG)	Manufacturing and wholesaling of wires, cables, and electronic components	89.13 %	89.13 %	
FUYANG	FUYANG FLEX HOLDING LTD. (FUYANG HOLDING)	Investing activities	- %	100.00 %	Note 10
FUYANG HOLDING	FUYANG ELECTRONICS (SUZHOU) CO., LTD. (FUYANG SUZHOU)	Researching, producing, inspecting, repairing and selling flexible multilayer model, computer digital signal process system and card; selling own produced products and providing related technical consulting service	- %	100.00 %	Note 10
KINSUS	KINSUS CORP. (USA) (KINSUS USA)	Designing substracts, formulating marketing strategy analysis, developing new customers, researching and development new product technology	100.00 %	100.00 %	
KINSUS	KINSUS HOLDING (SAMOA) LIMITED (KINSUS SAMOA)	Investing activities	100.00 %	100.00 %	
KINSUS SAMOA	KINSUS HOLDING (CAYMAN) LIMITED (KINSUS CAYMAN)	Investing activities	100.00 %	100.00 %	
KINSUS CAYMAN	KINSUS INTERCONNECT TECHNOLOGY (SUZHOU) CORP. (KINSUS SUZHOU)	Manufacturing and selling circuit boards (PCB) (not high-density fine-line)	100.00 %	100.00 %	
KINSUS CAYMAN	XIANG-SHOU (SUZHOU) TRADING LIMITED (XIANG-SHOU)	Trading of PCB related products and materials (not high-density fine-line)	- %	- %	Note 10
PIOTEK, KINSUS SUZHOU, PEGAGLOBE JIANGSU	PIOTEK COMPUTER (SUZHOU) CO., LTD. (PIOTEK SUZHOU)	Researching, developing, producing and selling electronic components, PCBs and related products and providing after-sale services	100.00 %	100.00 %	Note 7
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	STARLINK ELECTRONICS CORPORATION (STARLINK)	Manufacturing electronic parts and plastic products, and manufacturing and wholesaling electronic components	100.00 %	100.00 %	

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

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

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

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

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

(vii) Subsidiaries excluded from consolidation: None.

(d) Foreign currency

(i) Foreign currency transaction

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

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

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

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

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(ii) Foreign operations

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

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

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

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

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

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

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

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

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(f) Cash and cash equivalents

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

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

(g) Financial instruments

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

(i) Financial assets

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

1) Financial assets measured at amortized cost

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4) Business model assessment

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

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

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

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

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

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

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

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

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

- 6) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

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

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

7) Derecognition of financial assets

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

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

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

3) Treasury shares

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

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

4) Financial liabilities

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

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

5) Derecognition of financial liabilities

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

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

6) Offsetting of financial assets and liabilities

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

(h) Inventories

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

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

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

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

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

(j) Investment in associates

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

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

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

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

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

(k) Investment property

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

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

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

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

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

The estimated useful lives of investment properties are as follows:

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

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

(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.

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

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

(ii) Subsequent cost

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

(iii) Depreciation

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

Land is not depreciated.

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

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

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

(iv) Reclassification to investment property

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

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(m) Leases

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

(i) As a lessee

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

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

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

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

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

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

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

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

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

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

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

(ii) As a lessor

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

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

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

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PEGATRON CORPORATION AND SUBSIDIARIES
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 and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

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

(iii) Amortization

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

The estimated useful lives of intangible assets are as follows:

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

(o) Impairment of non financial assets

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

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

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

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

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

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

(p) Provisions

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

(q) Revenue from contracts with customers

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

(i) Sale of goods

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

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

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

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Rendering of services

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

(iii) Financial components

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

(r) Income taxes

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

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

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

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

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

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

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

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

(s) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

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

(iii) Short-term employee benefits

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

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(t) Share-based payment

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

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

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

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

(u) Business combination

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

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

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

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

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

(v) Government grants

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

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

(w) Earnings per share

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

(x) Operating segments

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

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PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

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

- Judgment regarding control of subsidiaries

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

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

- Valuation of inventories

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

(6) Explanation of significant accounts

- (a) Cash and cash equivalents

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

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the 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(z) for the interest rate risk and sensitivity analysis.

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

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

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

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

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

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

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

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

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

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

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

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

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

- (ii) Credit loss

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

The loss allowance provision was determined as follows:

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

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

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

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

The aforesaid financial assets were not pledged as collateral.

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

(iv) Accounts receivable factoring

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

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

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

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December 31, 2022

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

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

December 31, 2023

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

December 31, 2022

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

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

(e) Inventories

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

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The components of cost of goods sold were as follows:

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

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

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

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

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

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

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

(g) Investments accounted for using equity method

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

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

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

Name of Associates	Nature of Relationship with the Group	Main operating location/ Registered Country of the Company	Proportion of shareholding and voting rights	
			December 31, 2023	December 31, 2022
Luxcase (Yancheng) (RI KAI)	Designing, developing, manufacturing and selling electronic components, precision, non-metal and metal tooling, 3C electronic product parts and accessories	China	48.17 %	48.17 %

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

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Luxcase (Yancheng)

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

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

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

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

	December 31, 2023	December 31, 2022
Carrying amount of individually insignificant associates' equity	<u><u>\$ 881,036</u></u>	<u><u>749,616</u></u>
	For the years ended December 31	
	2023	2022
Attributable to the Group:		
Profit from continuing operations	\$ 88,765	10,220
Other comprehensive income	72	164
Total comprehensive income	<u><u>\$ 88,837</u></u>	<u><u>10,384</u></u>

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

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

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

Subsidiaries	Main operation place/Country of registration	Percentage of non-controlling interest	
		December 31, 2023	December 31, 2022
KINSUS and its subsidiaries	Taiwan	61.73 %	61.59 %
ASROCK and its subsidiaries	Taiwan	44.54 %	44.70 %

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

- (i) Information regarding KINSUS and its subsidiaries

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

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PEGATRON CORPORATION AND SUBSIDIARIES

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

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(i) Property, plant and equipment

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

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

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

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

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- (ii) KINSUS and its subsidiaries purchased 40 parcels of land with a total area of 36,115.24 square meters. Lands are located at the addresses of No.1113, 1114, 1438 to 1443, 1479, 1486 to 1487 at ShiLeiZi Sub-section, ShiLeiZi Section, No.1044, 1047 to 1049 at QingHua Section, and No.0001, 697 to 700 and 712 to 726 at RongHua Section, XinFeng Village. Due to regulatory restrictions, the agricultural land cannot be registered under KINSUS's name while it has been temporarily registered under the general manager's name and, to secure KINSUS's right to the land, mortgage registration has been set aside with KINSUS being the obligee.
- (iii) Please refer to Note 6(y) for gain and loss on the disposal of property, plant and equipment.
- (iv) Please refer to Note 8 for the details of property, plant and equipment pledged as collateral.
- (j) Right-of-use assets

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

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

(k) Other financial assets and other assets

Other financial assets and other assets were as follows:

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

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

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

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

(l) Short-term loans

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

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

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

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

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

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(n) Long-term loans

The details, terms and conditions were as follows:

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

(i) Please refer to Note 6(y) for interest expenses.

(ii) Collateral for bank loans

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

(iii) Government low-interest loan

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

(o) Bonds payable

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

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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 thousand.
3.Offering price	The Bonds are issued by par value at the issuance date.
4.Issuance period	Each of Tranche A, Tranche B and Tranche C has 3-year term, 5-year term and 7-year term, respectively. The issuance period of Tranche A commences from January 10, 2018 and matures on January 10, 2021. The issuance period of Tranche B commences from January 10, 2018 and matures on January 10, 2023. The issuance period of Tranche C commences from January 10, 2018 and matures on January 10, 2025.
5.Coupon rate	Tranche A, B and C bear annual coupon rates of 0.78%, 0.92% and 1.08%, respectively.
6.Repayment	Tranche A, Tranche B and Tranche C are repayable on maturity.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Item	2nd unsecured ordinary bonds issued in 2017
7. Interest payment	Interests are payable annually at coupon rate from the issuance date. The payment of each bond is rounded to the nearest dollar. If the repayment date and interest payment date are bank closing days, principal and interest shall be paid without extra interest on the next business day. If bondholders receive principal and interest past due the repayment date and interest payment date, there will be no calculation of extra interest.
8. Guarantee	The Bonds are unsecured ordinary corporate bonds.

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

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

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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.
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 be no calculation of extra interest.
8. Guarantee	The Bonds are unsecured ordinary corporate bonds.

(p) Lease liabilities

The Group's lease liabilities were as follows:

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

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

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The amounts recognized in profit or loss were as follows:

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

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

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

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

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

(q) Employee benefits

(i) Defined benefit plans

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

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group's employee benefit liabilities were as follows:

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

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

1) Composition of plan assets

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

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

2) Movements in present value of the defined benefit obligations

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

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

3) Movements in the fair value of plan assets

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

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

4) Expenses recognized in profit or loss

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

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

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

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

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

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

6) Actuarial assumptions

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

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

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

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

7) Sensitivity Analysis

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

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

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

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

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

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PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Defined contribution plans

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

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

(r) Income tax

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

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

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

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Reconciliation of income tax and profit before tax were as follows:

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

(iv) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

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

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

2) Unrecognized deferred tax assets

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

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

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

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PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

3) Recognized deferred tax assets and liabilities

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

	<u>Gain on foreign investments</u>	<u>Others</u>	<u>Total</u>
Deferred tax liabilities:			
Balance on January 1, 2023	\$ 1,347,510	542,152	1,889,662
Recognized in loss (profit)	590,620	181,848	772,468
Recognized in other comprehensive income	4,453	28	4,481
Exchange differences on translation	<u>(32,402)</u>	<u>(1,043)</u>	<u>(33,445)</u>
Balance on December 31, 2023	<u><u>\$ 1,910,181</u></u>	<u><u>722,985</u></u>	<u><u>2,633,166</u></u>
Balance on January 1, 2022	\$ 843,976	1,290,421	2,134,397
Recognized in loss (profit)	528,158	(850,456)	(322,298)
Recognized in other comprehensive income	9,098	-	9,098
Exchange differences on translation	<u>(33,722)</u>	<u>102,187</u>	<u>68,465</u>
Balance on December 31, 2022	<u><u>\$ 1,347,510</u></u>	<u><u>542,152</u></u>	<u><u>1,889,662</u></u>

	<u>Provision for Contingent Service Cost</u>	<u>Loss on valuation of inventory</u>	<u>Unrealized expenses</u>	<u>Others</u>	<u>Total</u>
Deferred tax assets:					
Balance on January 1, 2023	\$ 145,015	932,788	858,894	858,047	2,794,744
Recognized in profit (loss)	(69,470)	(31,010)	(315,035)	(95,772)	(511,287)
Recognized in other comprehensive income	-	-	53	664	717
Transferred to non-current assets held for sale	-	(61,795)	-	-	(61,795)
Exchange differences on translation	<u>-</u>	<u>451</u>	<u>8,741</u>	<u>(7,250)</u>	<u>1,942</u>
Balance on December 31, 2023	<u><u>\$ 75,545</u></u>	<u><u>840,434</u></u>	<u><u>552,653</u></u>	<u><u>755,689</u></u>	<u><u>2,224,321</u></u>

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

(v) Status of approval of income tax

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

(s) Capital and other equity

(i) Ordinary shares

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

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

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

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

(ii) Global depositary receipts

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Company may issue new GDRs with no more than 60,819,020 of the Company's common shares and deliver them to ASUSTEK GDR holders pursuant to the "Guidelines for Offering and Issuing by Issuer of Overseas Securities". As of December 31, 2023 and 2022, the Company has listed, in total, 225 thousand and 225 thousand units of GDRs, respectively, on the Euro MTF market of the Luxembourg Stock Exchange. As each unit of these GDRs represents 5 common shares of the Company, the Company has listed Company shares totaling 1,126 thousand and 1,126 thousand shares of stock, respectively.

1) Voting rights

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

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

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

(iii) Capital surplus

The components of the capital surplus were as follows:

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

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iv) Retained earnings

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

According to the R.O.C. Company Act, the Company should distribute dividends and bonuses, or all or part of the legal reserve and capital surplus, stipulated by the Company Act, as cash dividends based on the resolution of the Board of Directors with two-thirds directors present and approved by one-half of the present directors.

In order to bring about stability in the payment of dividends, the Company distributes dividends depending on the level of earnings of each year. The Company is facing a rapidly changing industrial environment. In consideration of the Company's long-term operating plan and funding needs, the Company adopts a stable dividend policy. Therefore, dividend distributions should not be less than 10% of distributable earnings. The distribution of cash dividend is not lower than 10% of total distribution of dividend.

1) Legal reserve

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

2) Special reserve

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

3) Earnings distribution

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

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Other equity (net of tax)

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

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

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(t) Share-based payment

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

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

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

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

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

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Determining the fair value of equity instruments granted

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

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

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

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

(ii) Restricted stock to employee

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

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

(iii) Expenses recognized in profit or loss

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

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(u) Subsidiary's share-based payments

(i) AZUREWAVE

A resolution was decided during the shareholders meeting held on July 15, 2021 to issue 3,000 thousand new shares of restricted stock awards to those full-time employees who meet AZUREWAVE's requirements. The restricted stock has been registered with and approved by the Securities and Futures Bureau of the Financial Supervisory Commission, R.O.C. On November 10, 2021, the board of directors issued all the restricted stock, with the fair value on the grant date of \$26.95 per share. The record date for the capital increase through issuance of restricted shares of stock was January 3, 2022.

The issuance of new shares of restricted stock awards was made free of charge, and 20%, 40%, and 40% of the restricted stock are vested in one, two, and three years of employment with AZUREWAVE from the subscription date. The new shares of restricted stock awards are kept by a trust, which is appointed by AZUREWAVE, before they are vested. These shares of stock shall not be sold, pledged, transferred, gifted, or by any other means disposed to third parties during the custody period. These shares of stock are entitled to the same rights as the holders of common stock once issued, except for those shares kept by a trust or shares that do not meet the vesting condition. If the employee does not fulfill the vesting conditions, AZUREWAVE has the right to recall the shares without cost.

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

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

(ii) New shares of restricted stock awards of ASROCK

1) ASROCK

On August 20, 2021 the shareholders' meeting of ASROCK approved a resolution to issue 2,300 thousand new shares of restricted stock awards to those full-time employees who meet certain requirements. The restricted shares of stock totaling 2,300 thousand shares have been registered with and approved by the Securities and Futures Bureau of the Financial Supervisory Commission, R.O.C. On October 28, 2021, 2,283 thousand shares were actually issued with a fair value of \$145 per share at the grant date.

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PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

A. The overall performance of ASROCK:

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

B. Personal performance:

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

C. One year of employment after the subscription of new shares of restricted stock awards, and there should be no violation of laws or regulations, company's working rules, business ethics codes, as well as other related regulations and agreements, in the first year, with the existing 40% of the shares are multiplied by the overall weight, then multiplied by the personal weight.

D. Two years of employment after the subscription of new shares of restricted stock awards, and there should be no violation of laws or regulations, company's working rules, business ethics codes, as well as other related regulations and agreements, in the second year, with the existing 30% of the shares multiplied by the overall weight, then multiplied by the personal weight.

E. Three years of employment after the subscription of new shares of restricted stock awards, and there should be no violation of laws or regulations, company's working rules, business ethics codes, as well as other related regulations and agreements, in the third year, with the existing 30% of the shares multiplied by the overall weight, then multiplied by the personal weight.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The new shares of restricted stock awards are kept by a trust, which is appointed by ASROCK, before they are vested. These shares of stock shall not be sold, pledged, transferred, gifted or by any other means of disposal to third parties during the custody period. These shares of stock are entitled to the same right as the holders of common shares once issued, except for those shares kept by a trust or those that do not meet the vesting condition.

The aforesaid information of new shares of restricted stock awards was as follows:

Vesting period	New shares of restricted stock awards			
	Year 1	Year 2	Year 3	Total
Original vested shares (In thousands of units)	913	685	685	2,283
Operating performance issue ratio	100.00 %	50.00 %	2.54 %	
Estimated employee turnover rate	0.02 %	2.32 %	3.78 %	
Qualified rate of performance	- %	100.00 %	76.92 %	
Vested shares (In thousands of units)	-	335	12	347
Fair value (dollars)	\$ 145	145	145	
Service costs	\$ -	45,158	1,698	46,856

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

2) ASRock Rack

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

Type of agreement	Grant date	Number of shares granted (In thousands of shares)	Contract term	Vesting condition
New shares of restricted stock awards	February 27, 2019	1,490	4 years	3 years of service vested 50% 4 years of service vested 50%
Employee share option plan (Note)	June 30, 2022	2,300	3 years and 6 months	2 years of service vested 50% 3 years of service vested 50%

Note: After the employee stock option is issued, except when ASRock Rack's securities with common share convertible right or stock option are converted to common stock or issue new shares as employee bonus, if ASRock Rack's common shares increase, and in the event of capital reduction for reasons other than treasury stock cancellation thereby causing a decrease in common shares and if ASRock Rack distributes common share cash dividends which account for more than 1.5% of current share price, ASRock Rack would make adjustment in accordance with ASRock Rack's employee stock option certificate issuance and stock subscription measures.

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PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

The aforesaid information of new shares of restricted stock awards was as follows:

Vesting period	New shares of restricted stock awards				
	Year 1	Year 2	Year 3	Year 4	Total
Original vested shares (In thousands of units)	-	-	745	745	1,490
Estimated employee turnover rate	-	-	14.19 %	20.00 %	
Vested shares after considering employee turnover rate (In thousands of units)	-	-	639	596	1,235
Fair value (dollars)	\$ -	-	5.53	5.53	
Service costs (dollars)	\$ -	-	3,535	3,296	6,831

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

The assumptions and pricing model adopted in the aforesaid share-based payments on June 30, 2022 was as follows:

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

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

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

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

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

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

3) ASRock Industrial

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

Type of agreement	Grant date	Number of shares granted (In thousands of shares)	Contract term	Vesting condition
Employee share option plan (Note)	April 20, 2021	2,200	3 years and 6 months	1 year of service vested 35% 2 years of service vested 35% 3 years of service vested 30%
Employee share option plan (Note)	July 8, 2022	2,100	3 years and 6 months	2 years of service vested 50% 3 years of service vested 50%

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

The assumptions and pricing model adopted in the aforesaid share-based payments on April 20, 2021 and July 8, 2022 were as follows:

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

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

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

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

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

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

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

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

4) ASJade

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

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

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

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

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

(Continued)

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

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

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

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

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

5) Modification or cancellation of the share-based payment plan for employees

No modification or cancellation of the share-based payment plan has occurred for the year ended December 31, 2023.

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

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

(iii) Employee stock option of Lumens

On March 11, 2021, the Board of Lumens resolved to issue 2,000 units for employee stock options. Each option certificate can purchase 1 thousand ordinary shares, delivered by issuing new shares. The option certificates are awarded to those employees who meet certain requirements of Lumens. Duration is 6 years, and the certificate owners can exercise the option certificates two years after the issuance. On September 15, 2021, Lumens issued 1,613 units of employee stock options.

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PEGATRON CORPORATION AND SUBSIDIARIES
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<u>Granted stock options</u>	<u>Accumulated exercisable stock option(%)</u>
2 years from grant date	30%
3 years from grant date	70%
4 years from grant date	100%

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

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

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

2) Employee stock options

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

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

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

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

(Continued)

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Notes to the Consolidated Financial Statements

3) Expenses resulting from share-based payment

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

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

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

- 1) On May 27, 2022, the shareholders' meetings approved to issue 5,400 thousand new shares of restricted stock awards for certain requirements employee, with the approval from the Securities and Futures Bureau of the Financial Supervisory Commission, R.O.C. On July 25, 2022, the board of KINSUS approved to issue 2,063 thousand shares of restricted stock, with the record date for the capital increase on August 19, 2022. However, only 1,932 thousand shares were actually issued, with a fair value of \$130 (dollars) per share at the grant date.

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

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

New shares of restricted stock awards are entitled to purchase shares at the price of \$85.6 (dollars) per share, and the vesting conditions were as follows:

I. Employees above grade 8 (inclusive)

Vesting conditions	Percentage of vesting shares
1 month from grant date	30% (Rounding up to thousands of shares)
8 months from grant date	20% (Rounding up to thousands of shares)
13 months from grant date	20% (Rounding down to thousands of shares)
20 months from grant date	10% (Rounding up to thousands of shares)
25 months from grant date	10% (Rounding up to thousands of shares)
32 months from grant date	Remaining shares

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
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II. Employees from grade 6 to grade 7

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

The restricted obligation before vested was as follows:

- a) The new shares of restricted stock awards are kept by a trust before being vested. These shares shall not be sold, pledged, transferred, gifted, or disposed of by any other means to third parties during the custody period.
- b) Upon the issuance of the new shares of restricted stock awards, they shall be kept by a trust immediately. Before the vesting conditions have been met, there shall not be any reason or way to request trustee to return the new shares of restricted stock awards.
- c) The new shares of restricted stock awards can participate in the distribution of cash dividend and stock dividend in the vesting period.
- d) The voting rights of these shareholders are executed by the custodian, and the custodian will act based on laws and regulations.

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

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

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

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

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

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PEGATRON CORPORATION AND SUBSIDIARIES
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The information of the share-based payment transactions was as follows:

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

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

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

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

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

3) Employee stock option of KINSUS

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

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

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(v) Earnings per share

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

	For the years ended December 31	
	2023	2022
Basic earnings per share		
Profit attributable to ordinary shareholders	\$ <u>15,712,958</u>	<u>15,096,180</u>
Weighted-average number of ordinary shares	<u>2,665,262</u>	<u>2,667,906</u>
	<u>\$ 5.90</u>	<u>5.66</u>
Diluted earnings per share		
Profit attributable to ordinary shareholders (diluted)	\$ <u>15,712,958</u>	<u>15,096,180</u>
Weighted-average number of ordinary shares	<u>2,665,262</u>	<u>2,667,906</u>
Effect of potentially dilutive ordinary share		
Effect of employee stock compensation	<u>21,494</u>	<u>25,900</u>
Weighted-average number of ordinary shares (diluted)	<u>2,686,756</u>	<u>2,693,806</u>
	<u>\$ 5.85</u>	<u>5.60</u>

(w) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the year ended December 31, 2023		
	DMS	Strategic Investment Group	Total
Primary geographical markets:			
Europe	\$ 570,840,828	5,894,075	576,734,903
U.S.A.	463,459,723	11,287,922	474,747,645
Taiwan	76,084,842	8,693,157	84,777,999
China	24,873,999	18,422,086	43,296,085
Japan	12,734,261	4,480,707	17,214,968
Other countries	53,199,571	6,812,223	60,011,794
	<u>\$ 1,201,193,224</u>	<u>55,590,170</u>	<u>1,256,783,394</u>
	For the year ended December 31, 2022		
	DMS	Strategic Investment Group	Total
Primary geographical markets:			
Europe	\$ 577,654,603	4,451,973	582,106,576
U.S.A.	470,697,500	16,040,298	486,737,798
Taiwan	92,709,892	14,667,929	107,377,821
China	29,852,877	21,217,828	51,070,705
Japan	13,842,083	4,072,555	17,914,638
Other countries	64,773,339	8,432,845	73,206,184
	<u>\$ 1,249,530,294</u>	<u>68,883,428</u>	<u>1,318,413,722</u>

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Contract balances

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

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

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

(x) Remunerations to employees and directors

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

For the years ended December 31, 2023 and 2022 the Company estimated its employee remuneration amounting to \$1,533,000 thousand and \$1,365,000 thousand, and directors' remuneration amounting to \$153,000 thousand and \$135,000 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees and directors of each period, multiplied by the percentage of remuneration to employees and directors as specified in the Company's articles. Such amounts were recognized as operating costs or operating expenses. The differences, if any, between the actual distributed amounts and estimated amounts will be treated as changes in accounting estimates and charged to profit or loss in next year. The numbers of shares to be distributed were calculated based on the closing price of the Company's ordinary shares, one day before the approval by the Board of Directors. Related information would be available at the Market Observation Post System website. There was no difference between the amounts approved in Board of Directors meeting and recognized for the year ended December 31, 2023 and 2022.

(y) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

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

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(ii) Other income

The details of other income were as follows:

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

(iii) Other gains and losses

The details of other gains and losses were as follows:

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

(iv) Finance costs

The details of finance costs were as follows:

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

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(z) Financial instruments

(i) Credit risk

1) Credit risk exposure

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

2) Concentration of credit risk

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

(ii) Liquidity risk

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

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

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

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Market risk

1) Exposure to currency risk

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

(Unit: Foreign currency / NTD in thousands)

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

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, loans, accounts payable, and other payables that are denominated in foreign currency. Assuming other variables remain the same, 1% appreciation (depreciation) of TWD against foreign currency for the years ended December 31, 2023 and 2022 would have increased or decreased the net profit after tax by \$209,583 thousand and \$24,734 thousand, respectively. The analysis is performed on the same basis for both periods.

3) Foreign exchange gains or losses on monetary items

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years ended December 31, 2023 and 2022, foreign exchange gain (loss), including realized and unrealized, amounted to (\$347,589) thousand and (\$2,049,882) thousand, respectively.

(iv) Interest rate analysis

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

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

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

(v) Other market price risk

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

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

(vi) Fair value Information

1) Fair value hierarchy

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

	December 31, 2023				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Financial assets mandatorily measured at fair value through profit or loss	\$ 14,735,835	12,121,382	-	2,614,453	14,735,835

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Notes to the Consolidated Financial Statements

December 31, 2023					
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income					
Stock of listed companies	\$ 1,133,702	1,133,702	-	-	1,133,702
Stock of unlisted companies	583,659	-	-	583,659	583,659
Subtotal	\$ 1,717,361	1,133,702	-	583,659	1,717,361
Financial assets at amortized cost					
Cash and cash equivalents	\$ 97,721,592	-	-	-	-
Notes and accounts receivable	154,906,363	-	-	-	-
Other receivables	431,586	-	-	-	-
Other financial assets	5,972,879	-	-	-	-
Subtotal	\$259,032,420	-	-	-	-
Financial liabilities at amortized cost					
Bank loans	\$ 65,702,236	-	-	-	-
Non-interest bearing liabilities	207,428,588	-	-	-	-
Lease liabilities	2,218,541	-	-	-	-
Unsecured ordinary corporate bonds	30,384,389	-	-	-	-
Subtotal	\$305,733,754	-	-	-	-
December 31, 2022					
	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	\$ 11,195,278	9,610,705	-	1,584,573	11,195,278
Financial assets at fair value through other comprehensive income					
Stock of listed companies	\$ 874,112	874,112	-	-	874,112
Stock of unlisted companies	529,534	-	-	529,534	529,534
Subtotal	\$ 1,403,646	874,112	-	529,534	1,403,646
Financial assets at amortized cost					
Cash and cash equivalents	\$ 84,577,382	-	-	-	-
Notes and accounts receivable	190,247,179	-	-	-	-
Other receivables	1,329,144	-	-	-	-
Other financial assets	12,387,354	-	-	-	-
Subtotal	\$288,541,059	-	-	-	-
Financial liabilities at amortized cost					
Bank loans	\$ 96,588,349	-	-	-	-
Non-interest bearing liabilities	240,715,180	-	-	-	-
Lease liabilities	2,888,601	-	-	-	-
Unsecured ordinary corporate bonds	34,876,992	-	-	-	-
Subtotal	\$375,069,122	-	-	-	-

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PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

a) Financial assets and financial liabilities measured at amortized cost

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

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

a) Non-derivative financial instruments

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

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

4) Transfers between levels of the fair value hierarchy

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

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

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

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

5) Reconciliation of Level 3 fair values

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

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

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

Quantified information of significant unobservable inputs was as follows:

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

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PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

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

- (vii) Offsetting financial assets and financial liabilities

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

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

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

December 31, 2023						
Financial liabilities that are offset which have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial liabilities (a)	Gross amounts of financial assets offset in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)		Net amounts (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral instruments	
Accounts Receivable and Payable	\$ 8,120,157	8,120,157	-	-	-	-
Other financial asset and short-term loan	\$ 11,185,409	11,185,409	-	-	-	-

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

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

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

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(aa) Financial risk management

(i) Overview

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

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

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

(ii) Structure of risk management

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

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

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

(iii) Credit risk

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

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

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

1) Accounts receivable and other receivables

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

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

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

2) Investment

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

3) Guarantee

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

(iv) Liquidity risk

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

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

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the 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 that will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Currency risk

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

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

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

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

2) Interest rate risk

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

3) Price floating risk on equity instruments

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

(ab) Capital management

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

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

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

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

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

(ac) Financing activities not affecting current cash flow

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

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

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

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PEGATRON CORPORATION AND SUBSIDIARIES
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(7) Related-party transactions

(a) Names and relationship with related parties

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

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

(b) Significant transactions with related parties

(i) Operating revenue

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

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

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

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(ii) Purchase of Goods from Related Parties

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

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

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

(iii) Loan to Related Parties

The loan to related parties was as follows:

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

(c) Transactions with key management personnel

Compensation for key management personnel was as follows:

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

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

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(8) Assets pledged as security

The carrying value of pledged assets was as follows:

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

(9) Commitments and contingencies

(a) Significant commitments and contingencies

(i) Unused standby letters of credit:

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

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

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

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

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

(10) Losses due to major disasters: None.

(11) Subsequent events: None.

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PEGATRON CORPORATION AND SUBSIDIARIES
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(12) Others

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

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

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

	For the years ended December 31	
	2023	2022
Depreciation in investment property	\$ <u>3,009</u>	<u>3,112</u>

(13) Other disclosures

- (a) Information on significant transactions:

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

No.	Item	Table
1	Loans to other parties	Table 1
2	Guarantees and endorsements for other parties	Table 2
3	Securities held at the reporting date (excluding investment in subsidiaries, associates and joint ventures)	Table 3
4	Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock	Table 4
5	Acquisition of real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock	Table 5
6	Disposal of real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock	Table 6
7	Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock	Table 7
8	Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock	Table 8
9	Trading in derivative instruments	None
10	Information on investees (excluding investees in Mainland China)	Table 9
11	Information on investment in Mainland China	Table 10
12	Business relationships and significant inter-company transactions	Table 11

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(b) Information on investees:

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

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

(d) Major shareholders:

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

(14) Segment information

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

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

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

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

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

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

(b) Geographic information

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

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

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

(c) Major Customer

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

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

Expressed in thousands of NTD

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

Note 1: Reference for the Nature of loan column

(1) the borrower has business contact with the creditor

(2) the borrower has short-term financing necessities

Note 2: Calculation for the ceiling on total loans granted

Ceiling on total loans granted

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

While granting loans to Taiwan subsidiaries which are directly or indirectly wholly-owned by the Company are as follows: ceiling on total loans granted to which is 40% of net worth of MAINTEK.

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

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

According to RI-TENG's policy for loans granted, except for the Company (PEGATRON) or foreign subsidiaries whose voting shares are directly or indirectly wholly-owned by the Company, when there is a short-term financing need, the ceiling on total loans granted to which is 100% of net worth of RI-TENG; the ceiling on total loans granted to all other parties is 30% of net worth of RI-TENG.

According to CASETEK CAYMAN's policy for loans granted, except for the Company (PEGATRON) or foreign subsidiaries whose voting shares are directly or indirectly wholly-owned by the Company, when there is a short-term financing need, the ceiling on total loans granted to which is 100% of net worth of CASETEK CAYMAN; the ceiling on total loans granted to all other parties is 60% of net worth of CASETEK CAYMAN.

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

Ceiling on total loans granted to single party

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

According to RI-TENG's policy for loans granted, except for the Company (PEGATRON) or foreign subsidiaries whose voting shares are directly or indirectly wholly-owned by the Company, when there is a short-term financing need, the ceiling on total loans granted to which is 100% of net worth of RI-TENG; the ceiling on total loans granted to other single party is 15% of net worth of RI-TENG.

According to CASETEK CAYMAN's policy for loans granted, except for the Company (PEGATRON) or foreign subsidiaries whose voting shares are directly or indirectly wholly-owned by the Company, when there is a short-term financing need, the ceiling on total loans granted to which is 100% of net worth of CASETEK CAYMAN; the ceiling on total loans granted to other single party is 30% of net worth of CASETEK CAYMAN.

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

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

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

Expressed in thousands of NTD

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

Note 1: Relationship with the endorser / guarantor:

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

Note 2: Ceiling on total endorsements / guarantees

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

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

Ceiling on endorsements/ guarantees to single party

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

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

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

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

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

Investor		Marketable securities		Relationship with the investor	Beginning balance		Addition		Disposal		Expressed in thousands of NT\$	
		Category	Item		Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Gain (loss) on disposal	Ending balance
CASETEK CAYMAN		Stock	PMX	-	-	1,527,436	-	1,556,547	-	-	-	3,390,253
CASETEK CAYMAN		Stock	PVN	-	-	-	-	3,113,094	-	-	-	2,978,511
PEGAVISION		Fund	Yuantia Wan-Tai Money Market Fund	-	17,190,427	264,208	40,450,950	623,500	787,914	790,500	2,464	6,400,626
PEGAVISION		Fund	Yuantia De-Li Money Market Fund	-	18,482,095	306,237	30,343,170	504,500	702,041	704,500	2,390	6,475,107
PEGAVISION		Fund	Mega Diamond Money Market Fund	-	-	-	192,441,379	2,475,000	1,331,384	1,332,197	2,197	88,870,417
PEGAVISION		Fund	FSITC Taiwan Money Market Fund	-	-	-	273,100,204	4,280,224	3,226,829	3,230,800	5,133	67,078,751
KINSUS		Stock	PEGAVISION	-	-	-	1,820,034	564,210	-	-	-	1,820,034
KAEDAR		Stock	KAILEXING	-	-	-	-	N/A (Note 2)	N/A (Note 2)	706,445	N/A (Note 2)	-
Lumens		Fund	Fuh Hwa Money Market	-	74,510,785	1,089,892	105,152,824	1,552,652	1,415,791	1,429,252	32	82,955,929
Azwave		Stock	AZURE YANQZHOU	-	-	198,102	-	-	308,170	193,584 (Note 3)	-	-
Azwave		Stock	Azurewave Shanghai	-	-	763,330	-	193,584 (Note 3)	-	-	-	1,281,375

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

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

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

Purchaser/seller	Counterparty	Relationship	Purchases (sales)	Transaction			Differences in transaction terms compared to third party transactions			Expressed in thousands of NTD		
				Amount	Percentage of total	Credit term	Unit price	Credit term	Balance	Notes/accounts receivable (payable)	Percentage of total notes/accounts receivable (payable)	Note
PEGATRON	PTSI	Subsidiary	Sale	(117,649)	(0.01)%	90 days on delivery	-	-	63,716	-	0.02 %	-
PEGATRON	COTEK SUZHOU	Subsidiary	Sale	(2,271,832)	(0.19)%	Open Account 90 Days	-	-	761,803	-	0.22 %	-
PEGATRON	MAINTEK	Subsidiary	Sale	(15,223,665)	(1.29)%	Open Account 90 Days	-	-	18,844,313	-	5.45 %	-
PEGATRON	PTI	Subsidiary	Sale	(13,930,030)	(1.18)%	Open Account 60 Days	-	-	18,593,889	-	5.38 %	-
PEGATRON	PTX	Subsidiary	Sale	(7,939,106)	(0.67)%	Open Account 90 Days	-	-	3,126,504	-	0.90 %	-
PEGATRON	CSG	Associate	Sale	(614,630)	(0.05)%	30 days on delivery	-	-	-	-	-	-
PEGATRON	PROTEK SHANGHAI	Subsidiary	Purchase	1,673,858	0.15 %	Open Account 60 Days	-	-	(50,167,974)	-	(14.01)%	-
PEGATRON	CASETEK SUZHOU	Subsidiary	Purchase	195,108	0.02 %	Open Account 60 Days	-	-	(22,626)	-	(0.01)%	-
PEGATRON	DIGITEK CHONGQING	Subsidiary	Purchase	4,322,588	0.38 %	Open Account 60 Days	-	-	(19,942,781)	-	(5.57)%	-
PEGATRON	COTEK SUZHOU	Subsidiary	Purchase	1,694,311	0.15 %	Open Account 60 Days	-	-	(69,071)	-	(0.02)%	-
PEGATRON	AZUREWAVE	Subsidiary	Purchase	111,525	0.01 %	Open Account 60 Days	-	-	(27,899)	-	(0.01)%	-
PEGATRON	PVN	Subsidiary	Purchase	105,811	0.01 %	Open Account 60 Days	-	-	(8,751,206)	-	(2.44)%	-
PEGATRON	PEGAGLOBE KUNSHAN	Subsidiary	Purchase	60,450,107	5.26 %	Open Account 60 Days	-	-	(72,295,686)	-	(20.19)%	-
PEGATRON	MAINTEK	Subsidiary	Purchase	34,527,302	3.01 %	Open Account 60 Days	-	-	(21,093,763)	-	(5.89)%	-
PEGATRON	ASRock Rack	Subsidiary	Purchase	133,041	0.01 %	Open Account 60 Days	-	-	(24,177)	-	(0.01)%	-
PEGATRON	PTB	Subsidiary	Purchase	7,654,658	0.67 %	Open Account 60 Days	-	-	(13,874,201)	-	(3.87)%	-
PEGATRON	RI Da	Associate	Purchase	346,039	0.03 %	Open Account 60 Days	-	-	(108,520)	-	(0.03)%	-
PEGATRON	PTI	Subsidiary	Purchase	7,626,424	0.66 %	Open Account 60 Days	-	-	(6,239,563)	-	(1.74)%	-
PEGATRON	PHP	Subsidiary	Purchase	608,279	0.05 %	Open Account 60 Days	-	-	(710,164)	-	(0.20)%	-
MAINTEK	PEGATRON	Parent company	Purchase	15,223,665	98.93 %	Open Account 90 Days	-	-	(18,844,313)	-	(96.05)%	-
MAINTEK	PEGATRON	Parent company	Sale	(34,527,302)	(92.39)%	Open Account 60 Days	-	-	21,093,763	-	75.76 %	-
MAINTEK	COTEK SUZHOU	Associate	Purchase	353,573	0.18 %	Open Account 60 Days	-	-	(67,278)	-	(0.34)%	-
MAINTEK	COTEK SUZHOU	Associate	Sale	(17,800,752)	(7.61)%	Open Account 90 Days	-	-	6,519,049	-	23.41 %	-
MAINTEK	COTEK SUZHOU	Associate	Purchase	1,808,728	0.91 %	Open Account 60 Days	-	-	(131,098)	-	(0.67)%	-
PEGAGLOBE KUNSHAN	PEGATRON	Parent company	Sale	(60,450,107)	(98.84)%	Open Account 60 Days	-	-	72,295,686	-	99.04 %	-
PEGAGLOBE KUNSHAN	PROTEK SHANGHAI	Associate	Sale	(293,489)	(0.07)%	Open Account 60 Days	-	-	40,056	-	0.05 %	-
PEGAGLOBE KUNSHAN	PROTEK SHANGHAI	Associate	Purchase	45,962,591	12.15 %	Open Account 60 Days	-	-	(5,608,740)	-	(6.15)%	-
DIGITEK CHONGQING	PEGATRON	Parent company	Sale	(4,322,588)	(99.97)%	Open Account 60 Days	-	-	19,942,781	-	99.95 %	-
DIGITEK CHONGQING	KAI-CHUAN	Associate	Purchase	254,761	0.39 %	Open Account 60 Days	-	-	(22,082)	-	(0.11)%	-
PROTEK SHANGHAI	PEGATRON	Parent company	Sale	(1,673,858)	(85.75)%	Open Account 60 Days	-	-	50,167,974	-	89.67 %	-
PROTEK SHANGHAI	PEGAGLOBE KUNSHAN	Associate	Purchase	293,489	0.10 %	Open Account 60 Days	-	-	(40,056)	-	(0.11)%	-
PROTEK SHANGHAI	PEGAGLOBE KUNSHAN	Associate	Sale	(45,962,591)	(13.90)%	Open Account 60 Days	-	-	5,608,740	-	10.03 %	-
COTEK SUZHOU	PEGATRON	Parent company	Purchase	2,271,832	13.63 %	Open Account 90 Days	-	-	(761,803)	-	(10.06)%	-
COTEK SUZHOU	PEGATRON	Parent company	Sale	(1,694,311)	(10.00)%	Open Account 60 Days	-	-	69,071	-	0.75 %	-
COTEK SUZHOU	MAINTEK	Associate	Purchase	17,800,752	83.37 %	Open Account 90 Days	-	-	(6,519,049)	-	(86.09)%	-
COTEK SUZHOU	MAINTEK	Associate	Sale	(353,573)	(1.52)%	Open Account 60 Days	-	-	67,278	-	0.73 %	-
COTEK SUZHOU	POWTEK SHANGHAI	Associate	Sale	(19,809,740)	(84.92)%	Open Account 60 Days	-	-	8,654,238	-	94.38 %	-
POWTEK SHANGHAI	COTEK SUZHOU	Associate	Purchase	19,809,740	99.97 %	Open Account 60 Days	-	-	(8,654,238)	-	(99.93)%	-
KAI-CHUAN	DIGITEK CHONGQING	Associate	Sale	(254,761)	(62.81)%	Open Account 60 Days	-	-	22,082	-	55.84 %	-
CASETEK SUZHOU	PEGATRON	Parent company	Sale	(195,108)	(7.61)%	Open Account 60 Days	-	-	8,83	-	8.83 %	-
CASETEK SUZHOU	MAINTEK	Associate	Sale	(1,808,728)	(70.59)%	Open Account 60 Days	-	-	22,626	-	22.626 %	-
CORE-TEK	PROTEK SHANGHAI	Associate	Sale	(153,445)	(100.00)%	Open Account 60 Days	-	-	131,098	-	51.14 %	-
PHP	PEGATRON	Parent company	Sale	(608,279)	(99.89)%	Open Account 60 Days	-	-	-	-	-	-
									710,164	-	100.00 %	-

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Notes to the Consolidated Financial Statements

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

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

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

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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Notes to the Consolidated Financial Statements

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

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Notes to the Consolidated Financial Statements

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

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

(Continued)

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

Expressed in thousands of NTD in dollars of foreign currency

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

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan at the beginning of period	Amount remitted from Taiwan to Mainland China / Amount remitted back to Taiwan		Accumulated amount of remittance from Taiwan at end of the period	Net income of investee	Ownership held by the Company (direct or indirect)	Investment income (loss) (Note 2, (2))	Book value of investments in Mainland China	Accumulated amount of investment income remitted back to Taiwan
					Remitted to Mainland China	Remitted back to Taiwan						
MAINTHEK (Note 5)	Manufacture, develop and research and sale of power supplier, new electronic component, computer case, and computer system. Repair of laptop, motherboard and related product	7,023,428 USD 228,590,000	(2)	5,432,180 USD 176,800,000	-	-	5,432,180 USD 176,800,000	718,784 USD 23,089,069	100%	718,784 USD 23,089,069	32,792,754 USD 1,067,298,740	-
PROTEK SHANGHAI	Develop and research, manufacture, assemble, repair, sale and design of satellite communication equipment, satellite navigation receive equipment and essential component. Sale of cellphone, medium and large sized computer, portable computer, printing machine and electrical component, and providing after-sales service	9,463,300 USD 308,000,000	(2)	9,463,300 USD 308,000,000	-	-	9,463,300 USD 308,000,000	1,069,587 USD 34,357,685	100%	1,069,587 USD 34,357,685	32,781,224 USD 1,066,923,487	3,923,738 USD 126,039,829
PIOTHEK SUZHOU (Note 7)	Researching, developing, producing and selling electronic components, PCBs and related products and providing after-sale services	6,166,508 USD 200,700,000	(2)	1,396,337 USD 45,446,280	-	-	1,396,337 USD 45,446,280	(120,883) (USD 3,883,060)	68.32%	(82,828) (USD 2,660,627)	529,996 USD 17,249,669	-
COTHEK SUZHOU	Developing, manufacturing and selling new electronic components, circuit boards and relevant products, and providing after-sales service	2,488,725 USD 81,000,000	(2)	2,120,025 USD 69,000,001	-	-	2,120,025 USD 69,000,001	60,554 USD 1,945,128	100%	60,554 USD 1,945,128	2,274,937 USD 74,041,880	-
RUNTOP (Note 8)	Manufacturing and selling computer parts and peripherals of digital automatic data processors, multimedia computer system accessories, power supply units, network switches, and modems.	215,075 USD 7,000,000	(2)	323,979 USD 10,544,482	-	-	323,979 USD 10,544,482	-	-	-	-	-
POWTEK SHANGHAI	Selling main boards, computer peripherals, notebooks, servers and software, and providing after-sales service	245,800 USD 8,000,000	(2)	403,896 USD 13,145,510	-	-	403,896 USD 13,145,510	106,196 USD 3,411,266	100%	106,196 USD 3,411,266	1,580,761 USD 51,448,698	-
DIGITEK CHONGQING	Research and development, manufacture, sale of satellite communication equipment, satellite navigation receive equipment, cellphone, internet related equipment, computer, video decoding equipment, car-used electrical equipment and component. The company also provides export, proxy, repair services	1,505,525 USD 49,000,000	(2)	1,505,525 USD 49,000,000	-	-	1,505,525 USD 49,000,000	381,298 USD 12,248,213	100%	381,298 USD 12,248,213	7,518,310 USD 244,696,839	-
ZHANSHUO (Note 14)	Sale of computer software and hardware, computer parts, electronic products, electric appliance, industrial communication device.	130,141 CNY 30,000,000	(3)	-	-	-	-	2,456 USD 78,877	100%	2,456 USD 78,877	143,782 USD 4,679,658	-
PEGAGLOBE KUNSHAN	Manufacturing satellite navigation and positioning receiving equipment and key components, mobile phones, third generation and subsequent mobile communication mobile phones, base stations, core equipment and network test 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	5,960,650 USD 194,000,000	(2)	5,960,650 USD 194,000,000	-	-	5,960,650 USD 194,000,000	1,078,733 USD 34,651,470	100%	1,078,733 USD 34,651,470	18,204,685 USD 592,504,001	-
PEGAGLOBE JIANGSU	Investing activities with own funds: equity investment	921,750 USD 30,000,000	(2)	921,750 USD 30,000,000	-	-	921,750 USD 30,000,000	29,058 USD 933,421	100%	29,058 USD 933,421	514,056 USD 16,730,854	-

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
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Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan at the beginning of period	Amount remitted from Taiwan to		Accumulated amount of remittance from Taiwan at end of the period	Net income of investee	Ownership held by the Company (direct or indirect)	Investment income (loss) (Note 2, (2))	Book value of investments in Mainland China	Accumulated amount of investment income remitted back to Taiwan
					Remitted to Mainland China	Remitted back to Taiwan						
CASETEK SUZHOU	Manufacturing, developing and selling computers, computer parts, application systems, and providing after-sales service	1,720,600 USD 56,000,000	(2)	1,720,600 USD 56,000,000	-	-	1,720,600 USD 56,000,000	217,453 USD 6,985,123	100%	217,453 USD 6,985,123	3,121,270 USD 101,587,312	1,880,496 USD 64,756,881
KAEDAR	Tooling molds of stainless-steel computer cases	537,688 USD 17,500,000	(2)	752,980 USD 24,507,092	-	-	752,980 USD 24,507,092	4,620 USD 148,392	100%	4,620 USD 148,392	612,300 USD 19,928,410	475,076 USD 16,968,508
KALEXING (Note 14)	Manufacture of electric and electronic components; wholesale and retail of electronic components; manufacture and sale of molds; manufacture and sale of equipment for processing plastics; manufacture of transportation equipment and counting scales for production.	434 CNY 100,000	(3)	-	-	-	-	(3) (USD 101)	100%	(3) (USD 101)	431 USD 14,018	-
CORE-TEK	Researching and producing spare parts for notebook computers, designing nonmetal tooling, electronic specific equipment and related products, repairing and producing precision equipment and providing after-sales service	368,700 USD 12,000,000	(2)	368,700 USD 12,000,000	-	-	368,700 USD 12,000,000	4,873 USD 156,533	100%	4,873 USD 156,533	214,486 USD 6,980,817	-
KAI-CHUAN	Manufacturing, developing and inspecting computers and application systems, designing and manufacturing nonmetal and metal tooling, developing plastic and electronic component, selling self-manufactured products	307,250 USD 10,000,000	(2)	307,250 USD 10,000,000	-	-	307,250 USD 10,000,000	(105,659) (USD 3,394,021)	100%	(105,659) (USD 3,394,021)	129,845 USD 4,226,026	-
Zhangjiagang East High-tech	Process, sale and transportation of steel.	184,350 USD 6,000,000	(2)	36,870 USD 1,200,000	-	-	36,870 USD 1,200,000	(1,454) (USD 46,695)	20%	(291) (USD 9,339)	(4,529) (USD 147,406)	-
FUYANG SUZHOU (Note 9)	Researching, producing, inspecting, repairing and selling flexible multilayer model, computer digital signal process system and card; selling own produced products and providing related technical consulting service.	1,351,900 USD 44,000,000	(2)	1,351,900 USD 44,000,000	178,932 USD 5,823,656	-	1,172,968 USD 38,176,344	-	-	-	-	-
HONGJIE SHANGHAI (Note 8)	Manufacture of all kinds of paper boxes, paper materials, paper plastics, cushioning material, tray, etc.	153,623 USD 5,000,000	(2)	28,659 USD 932,769	-	-	28,659 USD 932,769	-	-	-	-	-
HONGJIE SUZHOU (Note 8)	Manufacture of all kinds of paper boxes, paper materials, paper plastics, cushioning material, tray, etc.	408,949 USD 13,309,984	(2)	185,142 USD 6,025,762	-	-	185,142 USD 6,025,762	-	-	-	-	-
Suzhou Eslite (Note 8)	Production and processing of plant fiber products such as mold processing, paper pulp production and processing, paper trays, and cushion packaging materials.	156,698 USD 5,100,000	(2)	35,547 USD 1,156,954	-	-	35,547 USD 1,156,954	-	-	-	-	-
HONGJIE CHONGQING (Note 8)	Manufacture of all kinds of paper boxes, paper materials, paper plastics, cushioning material, tray, etc.	15,363 USD 500,000	(2)	2,350 USD 76,500	-	-	2,350 USD 76,500	-	-	-	-	-
Honggruosheng (Note 6)	Manufacture of all kinds of paper boxes, paper materials, paper plastics, cushioning material, tray, etc.	80,192 USD 2,610,000	(2)	19,449 USD 633,000	-	-	19,449 USD 633,000	-	-	-	-	-
Heilongjiang Hongjie (Note 8)	Manufacture of all kinds of paper boxes, paper materials, paper plastics, cushioning material, tray, etc.	75,584 USD 2,460,000	(2)	13,605 USD 442,800	-	-	13,605 USD 442,800	-	-	-	-	-
Suzhou Lianshuo (Note 6)	Manufacture of plugs.	214,597 USD 6,984,441	(2)	235,237 USD 7,656,224	-	-	235,237 USD 7,656,224	-	-	-	-	-

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Limitation on investment in Mainland China:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Notes to the Consolidated Financial Statements

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

Expressed in thousands of NTD

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

(Continued)

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

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

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

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

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

Attachment II

(English Translation of Financial Report Originally Issued in Chinese)

PEGATRON CORPORATION

NON-CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

(With Independent Accountants' Audit Report Thereon)

Independent Auditors' Report

To the Board of Directors of Pegatron Corporation:

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

1. Revenue recognition

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

(a) Key audit matters:

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

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

(b) Auditing procedures performed:

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

2. Inventory valuation

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

(a) Key audit matters:

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

(b) Auditing procedures performed:

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

Other Matter

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pegatron Corporation's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Pegatron Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)

March 14, 2024

Notes to Readers

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

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

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

PEGATRON CORPORATION

Balance Sheets

December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2023		December 31, 2022	
		Amount	%	Amount	%
Current assets:					
1100	Cash and cash equivalents (Note 6(a))	\$ 44,204,421	6.8	13,716,368	1.8
1110	Current financial assets at fair value through profit or loss (Note 6(b))	710,995	0.1	568,065	0.1
1170	Notes and accounts receivable, net (Notes 6(d) and (r))	134,763,234	20.6	165,851,319	21.2
1180	Accounts receivable due from related parties, net (Notes 6(d) and 7)	211,023,843	32.3	338,114,133	43.3
1200	Other receivables, net	63,985	-	77,252	-
130X	Inventories (Note 6(e))	46,651,141	7.2	49,670,316	6.4
1476	Other current financial assets (Note 8)	117,132	-	117,121	-
1479	Other current assets	231,900	-	256,694	-
		<u>437,766,651</u>	<u>67.0</u>	<u>568,371,268</u>	<u>72.8</u>
Non-current assets:					
1510	Non-current financial assets at fair value through profit or loss (Note 6(b))	1,205,064	0.2	937,017	0.1
1520	Non-current financial assets at fair value through other comprehensive income (Note 6(c))	874,772	0.1	672,647	0.1
1550	Investments accounted for using equity method (Note 6(f))	202,403,812	31.0	199,733,135	25.5
1600	Property, plant and equipment (Note 6(g))	9,909,052	1.5	9,816,894	1.3
1755	Right-of-use assets (Note 6(h))	356,077	0.1	469,895	0.1
1780	Intangible assets	115,701	-	115,105	-
1840	Deferred tax assets (Note 6(n))	660,329	0.1	860,494	0.1
1980	Other non-current financial assets (Note 8)	40,224	-	37,373	-
		<u>215,565,031</u>	<u>33.0</u>	<u>212,642,560</u>	<u>27.2</u>
Total assets		<u>\$ 653,331,682</u>	<u>100.0</u>	<u>781,013,828</u>	<u>100.0</u>

See accompanying notes to financial statements.

PEGATRON CORPORATION

Balance Sheets (CONT'D)

December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2023		December 31, 2022	
		Amount	%	Amount	%
Liabilities and Equity					
Current liabilities:					
2100	Short-term loans (Note 6(i))	\$ 34,691,850	5.3	51,484,097	6.6
2130	Current contract liabilities (Note 6(r))	377,726	0.1	725,074	0.1
2150	Notes and accounts payable	164,120,650	25.1	182,173,167	23.3
2180	Accounts payable to related parties (Note 7)	194,017,916	29.7	267,478,322	34.3
2219	Other payables (Note 6(m))	22,197,047	3.4	21,344,266	2.7
2230	Current tax liabilities	2,057,637	0.3	1,633,966	0.2
2281	Current lease liabilities (Note 6(l))	128,770	-	134,186	-
2321	Bonds payable, current portion (Note 6(k))	8,000,000	1.2	4,500,000	0.6
2322	Long-term loans payable, current portion (Note 6(j))	1,954,583	0.3	1,467,983	0.2
2399	Other current liabilities (Notes 6(j) and 7)	10,881,158	1.7	33,002,523	4.2
		<u>438,427,337</u>	<u>67.1</u>	<u>563,943,584</u>	<u>72.2</u>
Non-Current liabilities:					
2530	Bonds payable (Note 6(k))	22,384,389	3.4	30,376,992	3.9
2540	Long-term loans (Note 6(j))	1,505,587	0.3	3,455,414	0.5
2570	Deferred tax liabilities (Note 6(n))	706,400	0.1	290,000	-
2580	Non-current lease liabilities (Note 6(l))	231,700	-	339,569	-
2650	Credit balance of investments accounted for using equity method (Note 6(f))	1,128,273	0.2	-	-
2670	Other non-current liabilities (Notes 6(j) and (m))	138,104	-	119,704	-
		<u>26,094,453</u>	<u>4.0</u>	<u>34,581,679</u>	<u>4.4</u>
	Total liabilities	<u>464,521,790</u>	<u>71.1</u>	<u>598,525,263</u>	<u>76.6</u>
Equity (Notes 6(o) and (p)):					
3100	Share capital	<u>26,642,241</u>	<u>4.1</u>	<u>26,676,337</u>	<u>3.4</u>
Capital surplus:					
3210	Capital surplus, premium on capital stock	79,180,607	12.1	78,703,620	10.1
3280	Capital surplus, others	<u>5,015,039</u>	<u>0.8</u>	<u>4,648,384</u>	<u>0.6</u>
		<u>84,195,646</u>	<u>12.9</u>	<u>83,352,004</u>	<u>10.7</u>
Retained earnings:					
3310	Legal reserve	19,239,612	2.9	17,721,898	2.3
3320	Special reserve	7,523,660	1.2	20,918,849	2.7
3350	Unappropriated retained earnings	<u>58,318,738</u>	<u>8.9</u>	<u>41,419,117</u>	<u>5.3</u>
		<u>85,082,010</u>	<u>13.0</u>	<u>80,059,864</u>	<u>10.3</u>
Other equity interest:					
3410	Exchange differences on translation of foreign financial statements	(7,359,989)	(1.1)	(7,603,630)	(1.0)
3420	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	375,255	-	79,970	-
3491	Other equity, unearned compensation	<u>(125,271)</u>	<u>-</u>	<u>(68,877)</u>	<u>-</u>
		<u>(7,110,005)</u>	<u>(1.1)</u>	<u>(7,592,537)</u>	<u>(1.0)</u>
3500	Treasury stock	-	-	(7,103)	-
	Total equity	<u>188,809,892</u>	<u>28.9</u>	<u>182,488,565</u>	<u>23.4</u>
	Total liabilities and equity	<u>\$ 653,331,682</u>	<u>100.0</u>	<u>781,013,828</u>	<u>100.0</u>

See accompanying notes to financial statements.

PEGATRON CORPORATION

Statements of Comprehensive Income

For the years ended December 31, 2023 and 2022

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

		For the years ended December 31			
		2023		2022	
		Amount	%	Amount	%
4000	Operating revenue (Notes 6(r) and 7)	\$ 1,181,970,646	100.0	1,232,386,068	100.0
5000	Cost of sales (Notes 6(e), (l), (m), (p), (s) and 7)	<u>1,155,952,476</u>	<u>97.8</u>	<u>1,203,048,944</u>	<u>97.6</u>
5900	Gross profit from operations	26,018,170	2.2	29,337,124	2.4
5910	Less: Unrealized profit from sales	<u>299,197</u>	<u>-</u>	<u>387,516</u>	<u>-</u>
5950	Gross profit from operations	<u>25,718,973</u>	<u>2.2</u>	<u>28,949,608</u>	<u>2.4</u>
6000	Operating expenses (Notes 6(d), (l), (m), (p), (s) and 7):				
6100	Selling expenses	2,136,402	0.2	2,621,605	0.2
6200	General and administrative expenses	2,950,834	0.2	2,664,612	0.2
6300	Research and development expenses	<u>8,660,819</u>	<u>0.8</u>	<u>8,428,067</u>	<u>0.8</u>
6300	Total operating expenses	<u>13,748,055</u>	<u>1.2</u>	<u>13,714,284</u>	<u>1.2</u>
	Net operating income	<u>11,970,918</u>	<u>1.0</u>	<u>15,235,324</u>	<u>1.2</u>
	Non-operating income and expenses:				
7100	Interest income (Note 6(t))	1,136,792	0.1	304,242	-
7010	Other income (Notes 6(t) and 7)	1,132,861	0.1	873,138	0.1
7020	Other gains and losses (Notes 6(t), (u) and 7)	(144,607)	-	(1,166,606)	(0.1)
7050	Finance costs (Notes 6(d), (k), (l) and (t))	(1,161,166)	(0.1)	(1,015,034)	(0.1)
7070	Share of profit of subsidiaries, associates and joint ventures accounted for using equity method, net (Note 6(f))	<u>7,259,834</u>	<u>0.6</u>	<u>3,680,616</u>	<u>0.3</u>
	Total non-operating income and expenses	<u>8,223,714</u>	<u>0.7</u>	<u>2,676,356</u>	<u>0.2</u>
	Profit before tax	20,194,632	1.7	17,911,680	1.4
7950	Less: Income tax expenses (Note 6(n))	<u>4,481,674</u>	<u>0.4</u>	<u>2,815,500</u>	<u>0.2</u>
	Profit for the year	<u>15,712,958</u>	<u>1.3</u>	<u>15,096,180</u>	<u>1.2</u>
8300	Other comprehensive income (Note 6(o)):				
8310	Components of other comprehensive income (loss) that will not be reclassified to profit or loss				
8311	Gains on remeasurements of defined benefit plans	3,416	-	1,053	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	202,125	-	(342,950)	-
8330	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	90,333	-	2,040	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Total components of other comprehensive income (loss) that will not be reclassified to profit or loss	<u>295,874</u>	<u>-</u>	<u>(339,857)</u>	<u>-</u>
8360	Components of other comprehensive income that will be reclassified to profit or loss				
8380	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	243,641	-	13,759,997	1.1
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Total components of other comprehensive income that will be reclassified to profit or loss	<u>243,641</u>	<u>-</u>	<u>13,759,997</u>	<u>1.1</u>
8300	Other comprehensive income, net of tax	<u>539,515</u>	<u>-</u>	<u>13,420,140</u>	<u>1.1</u>
8500	Total comprehensive income	<u>\$ 16,252,473</u>	<u>1.3</u>	<u>28,516,320</u>	<u>2.3</u>
	Earnings per share, net of tax (Note 6(q))				
9750	Basic earnings per share	<u>\$ 5.90</u>		<u>5.66</u>	
9850	Diluted earnings per share	<u>\$ 5.85</u>		<u>5.60</u>	

See accompanying notes to financial statements.

PEGATRON CORPORATION

**For the years ended December 31, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)**

Share capital		Retained earnings			Other equity interest					
					Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign financial statements	Unearned compensation	Total other equity interest	Treasury stock	Total equity
Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings					
\$ 26,691,316	83,321,308	15,698,039	15,866,201	46,661,789	78,226,029	(21,363,627)	444,778	(21,631,550)	(2,558)	166,604,545
-	-	-	-	15,096,180	15,096,180	-	-	-	-	15,096,180
-	-	-	-	24,951	24,951	13,759,997	(364,808)	13,395,189	-	13,420,140
-	-	-	-	15,121,131	15,121,131	13,759,997	(364,808)	13,395,189	-	28,516,320
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	2,023,859	-	(2,023,859)	-	-	-	-	-	-
Special reserve appropriated	-	-	5,052,648	(5,052,648)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	(13,343,303)	(13,343,303)	-	-	-	-	(13,343,303)
Changes in equity of associates and joint ventures accounted for using equity method	-	149,964	-	-	-	-	-	-	-	149,964
Changes in ownership interests in subsidiaries	-	12,950	-	-	-	-	-	-	-	12,950
Expiration of restricted shares of stock issued to employees	(14,979)	19,524	-	56,007	56,007	-	-	-	(4,545)	56,007
Compensation cost arising from restricted shares of stock	-	(151,742)	-	-	-	-	-	-	-	-
Balance at December 31, 2022	26,676,337	83,352,004	17,721,898	20,918,849	41,419,117	80,059,864	79,970	643,824	(7,103)	182,488,565
Profit for the year	-	-	-	15,712,958	15,712,958	-	-	(68,877)	-	15,712,958
Other comprehensive income for the year	-	-	-	589	589	243,641	295,285	538,926	-	539,515
Total comprehensive income for the year	-	-	-	15,713,547	15,713,547	243,641	295,285	538,926	-	16,252,473
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	1,517,714	-	(1,517,714)	-	-	-	-	-	-
Reversal of special reserve	-	-	(13,395,189)	13,395,189	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	(10,667,426)	(10,667,426)	-	-	-	-	(10,667,426)
Changes in equity of associates and joint ventures accounted for using equity method	-	201,784	-	-	-	-	-	-	-	201,784
Changes in ownership interests in subsidiaries	-	171,144	-	-	-	-	-	-	-	171,144
Expiration of restricted shares of stock issued to employees	(34,096)	26,993	-	(23,975)	(23,975)	-	-	-	7,103	(23,975)
Compensation cost arising from restricted shares of stock	-	443,721	-	-	-	-	(56,394)	(56,394)	-	387,327
Balance at December 31, 2023	\$ 26,642,241	\$ 84,195,646	\$ 19,239,612	\$ 7,523,660	\$ 58,318,738	\$ 85,082,010	\$ 375,255	\$ (7,110,005)	\$ -	\$ 188,809,892

See accompanying notes to financial statements.

PEGATRON CORPORATION

Statements of Cash Flows

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

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

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

PEGATRON CORPORATION

Statements of Cash Flows (CONT'D)

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

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

See accompanying notes to financial statements.

PEGATRON CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2023 and 2022

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

(1) Company history

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

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

(2) Approval date and procedures of the financial statements

The parent company only financial statements were authorized for issue by the Board of Directors on March 14, 2024.

(3) New standards, amendments and interpretations adopted

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

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

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

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

(Continued)

PEGATRON CORPORATION
Notes to the Financial Statements

- (b) The impact of IFRSs endorsed 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, 2024, would not have a significant impact on its financial statements:

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

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

The following new and amended standards and interpretations, 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”	<p>The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture.</p> <p>The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.</p>	Effective date to be determined by IASB

The Company is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its 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 IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- Amendments to IAS21 “Lack of Exchangeability”

(Continued)

PEGATRON CORPORATION
Notes to the Financial Statements

(4) Summary of material accounting policies

The material accounting policies presented in the parent company only financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the parent company only financial statements.

(a) Statement of compliance

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

- 1) Financial assets at fair value through profit or loss are measured at fair value;
- 2) Financial assets at fair value through other comprehensive income are measured at fair value;
- 3) The net defined benefit liability is recognized at 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 entities of the Company is determined based on the primary economic environment in which the entities operate. The parent company only 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. Non-monetary 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:

(Continued)

PEGATRON CORPORATION
Notes to the Financial Statements

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

(ii) Foreign operations

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

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 monetary items 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 under one of the following criteria, and all other assets are classified as non-current:

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

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

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the balance sheet date; or

(Continued)

PEGATRON CORPORATION
Notes to the Financial Statements

- (iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

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

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

(f) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company 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 not at fair value through profit or loss ("FVTPL") is initially measured at fair value, plus transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

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

1) Financial assets measured at amortized cost

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

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

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

(Continued)

PEGATRON CORPORATION
Notes to the Financial Statements

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

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

- 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 ‘accounts 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) Financial assets at fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the 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 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) Assess whether contractual cash flows are solely payments of principal and interest

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

In assessing whether the contractual cash flows are solely payments of principal and interest, the 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 Financial Statements

6) Impairment of financial assets

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

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

- 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 accounts receivables is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the 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, informed credit assessment and 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-months 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 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 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 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 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 at 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 Financial Statements

6) Offsetting of financial assets and liabilities

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

7) Interest rate benchmark reform

When the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortized cost changed as a result of interest rate benchmark reform, the Company will update the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following two conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis, i.e., the basis immediately before the change.

When changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Company will first update the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. Thereafter, the Company will apply the applied policies on accounting for modifications to the additional changes.

(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 parent company only financial statements. Under equity method, the net income, other comprehensive income and equity in the parent company only 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.

(Continued)

PEGATRON CORPORATION
Notes to the Financial Statements

(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.

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

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

(ii) Subsequent cost

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

(iii) Depreciation

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

Land is not depreciated.

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

Buildings	1-50 years
Machinery equipment	4-7 years
Instrument equipment	3 years
Other facilities	1-15 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.

(Continued)

PEGATRON CORPORATION
Notes to the Financial Statements

(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 amount of the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

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

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

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

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

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

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

(Continued)

PEGATRON CORPORATION
Notes to the Financial Statements

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

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

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

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

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

(Continued)

PEGATRON CORPORATION
Notes to the Financial Statements

(k) Intangible assets

(i) Recognition and measurement

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

(ii) Subsequent expenditure

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

(iii) Amortization

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

The estimated useful lives for current and comparative periods are as follows:

Computer software	3 – 20 years
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Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(l) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories 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.

(Continued)

PEGATRON CORPORATION
Notes to the Financial Statements

(m) Provisions

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.

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) Rendering of 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.

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PEGATRON CORPORATION
Notes to the Financial Statements

(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.

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.

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PEGATRON CORPORATION
Notes to the Financial Statements

(iii) Short-term employee benefits

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

(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.

(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 at the time of the transaction (i) affects neither accounting nor taxable profits (losses) and (ii) does not give rise to equal taxable and deductible temporary differences; and

(Continued)

PEGATRON CORPORATION
Notes to the Financial Statements

- (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.

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 reserve, 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.

(s) Earnings per share

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

(t) Operating segments

Please refer to the consolidated financial report of Pegatron Corporation for the years ended December 31, 2023 and 2022 for operating segments information.

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

The preparation of the financial statements in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers 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.

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PEGATRON CORPORATION

Notes to the Financial Statements

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 parent company only financial statements is as follows:

- Please refer to the consolidated financial statement for the years ended December 31, 2023 and 2022 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(e) for further description of the valuation of inventories.

(6) Explanation of significant accounts

- (a) Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash on hand	\$ 150	150
Cash in banks	28,502,646	12,216,218
Time deposits	12,290,000	-
Cash equivalents — repurchase bonds	<u>3,411,625</u>	<u>1,500,000</u>
	<u>\$ 44,204,421</u>	<u>13,716,368</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 8 for details.
- (ii) Please refer to Note 6(u) for the interest rate risk and sensitivity analysis.

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PEGATRON CORPORATION
Notes to the Financial Statements

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

	December 31, 2023	December 31, 2022
Current mandatorily measured at fair value through profit or loss:		
Non-derivative financial assets		
Shares of stock of listed companies	\$ 710,995	453,255
Shares of emerging stock of listed companies	-	114,810
Non-current mandatorily measured at fair value through profit or loss:		
Non-derivative financial assets		
Shares of stock of listed companies	209,650	201,250
Beneficiary certificates	995,414	735,767
Total	\$ 1,916,059	1,505,082

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

(ii) Please refer to Note 6(u) 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, 2023	December 31, 2022
Equity instruments at fair value through other comprehensive income:		
Shares of stock of listed companies	\$ 874,772	672,647

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

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

For the years ended December 31, 2023 and 2022, the Company has recognized the dividend income of \$14,911 thousand and \$33,135 thousand, respectively. Dividends are recognized as other income — non-operating income and expenses. Please refer to Note 6(t).

No strategic investments were disposed for the year ended December 31, 2023, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

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

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

(Continued)

PEGATRON CORPORATION
Notes to the Financial Statements

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

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

	December 31, 2023	December 31, 2022
Notes and accounts receivables-measured at amortized cost	\$ 134,789,804	165,927,738
Accounts receivables-related parties	211,023,843	338,114,133
Less: Allowance for impairment	<u>26,570</u>	<u>76,419</u>
	<u>\$ 345,787,077</u>	<u>503,965,452</u>

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

(ii) Credit loss

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

The loss allowance provision was determined as follows:

December 31, 2023			
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 328,014,226	0%~0.001%	(1,346)
Overdue 0 to 30 days	12,155,528	0%~1%	(21,128)
Overdue 31 to 120 days	3,397,242	0%~50%	(810)
Overdue 121 to 365 days	1,848,361	0%~100%	(3,286)
Over 365 days past due	<u>398,290</u>	0%~100%	<u>-</u>
	<u>\$ 345,813,647</u>		<u>(26,570)</u>
December 31, 2022			
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 444,082,327	0%~0.001%	(1,670)
Overdue 0 to 30 days	53,465,857	0%~1%	(26,922)
Overdue 31 to 120 days	6,471,042	0%~50%	(34,054)
Overdue 121 to 365 days	16,954	0%~100%	(13,773)
Over 365 days past due	<u>5,691</u>	0%~100%	<u>-</u>
	<u>\$ 504,041,871</u>		<u>(76,419)</u>

(Continued)

PEGATRON CORPORATION
Notes to the Financial Statements

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

	For the years ended December 31	
	2023	2022
Balance at January 1	\$ 76,419	17,399
Impairment losses (reversed) recognized	(10,989)	59,020
Amounts written off	(38,860)	-
Balance at December 31	<u><u>\$ 26,570</u></u>	<u><u>76,419</u></u>

The aforesaid financial assets were not pledged as collateral.

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

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

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

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

December 31, 2022						
Purchaser	Amount Derecognized	Factoring Line (thousands)	Amount Advanced Paid (thousands)	Collateral	Range of Interest Rate	Significant Factoring Terms
ANZ	\$ 8,293,725	USD 420,000	USD 270,000	None	4.81%~ 4.82%	The accounts receivable factoring is without recourse but the seller still bears the risks except for eligible obligor's insolvency.

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PEGATRON CORPORATION
Notes to the Financial Statements

(e) Inventories

	December 31, 2023	December 31, 2022
Merchandise	\$ 44,688,781	45,917,658
Finished goods	321,723	572,822
Work in process	250,005	393,242
Raw materials	<u>1,390,632</u>	<u>2,786,594</u>
Total	<u>\$ 46,651,141</u>	<u>49,670,316</u>

The components of cost of goods sold were as follows:

	For the years ended December 31 2023	2022
Cost of goods sold	\$ 1,155,903,333	1,202,608,240
(Reversal) provision on inventory market price decline	(129,256)	105,124
Loss on disposal of inventory	<u>178,399</u>	<u>335,580</u>
	<u>\$ 1,155,952,476</u>	<u>1,203,048,944</u>

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

(f) 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, 2023	December 31, 2022
Subsidiary	<u>\$ 202,403,812</u>	<u>199,733,135</u>
Credit balance of investments accounted for using equity method-subsiary	<u>\$ 1,128,273</u>	<u>-</u>

(i) Subsidiaries

Please refer to the consolidated financial statement for the years ended December 31, 2023 and 2022.

(ii) As of December 31, 2023 and 2022, the investments in aforesaid equity-accounted investees were not pledged as collateral.

(iii) On December 28, 2023, the Board of Meeting approved a resolution to increase the cash capital of PEGAGLOBE (KUNSHAN) CO., LTD., which is indirectly held 100% equity by the Company. The Company waived the preemptive right, and all of the new shares were subscribed by the strategic investor LIZHEN PRECISION MANUFACTURING (KUNSHAN) CO., LTD.

Please refer to Note 6(f) of the consolidated financial statements for the year ended December 31, 2023.

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Notes to the Financial Statements

(g) 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, 2023 and 2022 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, 2023	\$ 5,362,414	4,042,501	407,115	493,506	2,267,942	166,596	12,740,074
Additions	509,383	278,351	39,923	132,630	137,036	78,161	1,175,484
Disposals and obsolescence	-	(246,105)	(64,395)	(208,225)	(495,441)	-	(1,014,166)
Reclassifications	-	158,778	-	973	96,407	(168,516)	87,642
Balance at December 31, 2023	<u>\$ 5,871,797</u>	<u>4,233,525</u>	<u>382,643</u>	<u>418,884</u>	<u>2,005,944</u>	<u>76,241</u>	<u>12,989,034</u>
Balance at January 1, 2022	\$ 5,362,414	4,154,145	447,942	538,832	2,416,411	74,256	12,994,000
Additions	-	25,298	3,154	158,706	198,680	104,302	490,140
Disposals and obsolescence	-	(137,035)	(43,981)	(202,012)	(398,474)	-	(781,502)
Reclassifications	-	93	-	(2,020)	51,325	(11,962)	37,436
Balance at December 31, 2022	<u>\$ 5,362,414</u>	<u>4,042,501</u>	<u>407,115</u>	<u>493,506</u>	<u>2,267,942</u>	<u>166,596</u>	<u>12,740,074</u>
Depreciation and impairment loss:							
Balance at January 1, 2023	\$ -	1,433,025	169,831	259,265	1,061,059	-	2,923,180
Depreciation for the year	-	281,903	58,771	147,576	523,098	-	1,011,348
Disposals and obsolescence	-	(246,104)	(30,470)	(197,832)	(380,140)	-	(854,546)
Reclassifications	-	3,601	-	-	(3,601)	-	-
Balance at December 31, 2023	<u>\$ -</u>	<u>1,472,425</u>	<u>198,132</u>	<u>209,009</u>	<u>1,200,416</u>	<u>-</u>	<u>3,079,982</u>
Balance at January 1, 2022	\$ -	1,279,751	128,900	278,144	778,074	-	2,464,869
Depreciation for the year	-	290,309	71,648	167,802	622,276	-	1,152,035
Disposals and obsolescence	-	(137,035)	(30,717)	(186,681)	(338,763)	-	(693,196)
Reclassifications	-	-	-	-	(528)	-	(528)
Balance at December 31, 2022	<u>\$ -</u>	<u>1,433,025</u>	<u>169,831</u>	<u>259,265</u>	<u>1,061,059</u>	<u>-</u>	<u>2,923,180</u>
Carrying value:							
Balance at December 31, 2023	<u>\$ 5,871,797</u>	<u>2,761,100</u>	<u>184,511</u>	<u>209,875</u>	<u>805,528</u>	<u>76,241</u>	<u>9,909,052</u>
Balance at January 1, 2022	<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 December 31, 2022	<u>\$ 5,362,414</u>	<u>2,609,476</u>	<u>237,284</u>	<u>234,241</u>	<u>1,206,883</u>	<u>166,596</u>	<u>9,816,894</u>

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

(ii) As of December 31, 2023 and 2022, the property, plant and equipment were not pledged as collateral.

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PEGATRON CORPORATION
Notes to the Financial Statements

(h) Right-of-use assets

The movements in the cost and depreciation of the right-of-use assets of the Company were as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Cost:			
Balance at January 1, 2023	\$ 51,312	640,530	691,842
Additions	19,979	95,722	115,701
Reductions	<u>(6,619)</u>	<u>(176,625)</u>	<u>(183,244)</u>
Balance at December 31, 2023	<u>\$ 64,672</u>	<u>559,627</u>	<u>624,299</u>
Balance at January 1, 2022	\$ 60,692	503,321	564,013
Additions	16,804	145,567	162,371
Reductions	<u>(26,184)</u>	<u>(8,358)</u>	<u>(34,542)</u>
Balance at December 31, 2022	<u>\$ 51,312</u>	<u>640,530</u>	<u>691,842</u>
Accumulated depreciation:			
Balance at January 1, 2023	\$ 16,505	205,442	221,947
Depreciation for the year	15,910	127,894	143,804
Reductions	<u>(2,491)</u>	<u>(95,038)</u>	<u>(97,529)</u>
Balance at December 31, 2023	<u>\$ 29,924</u>	<u>238,298</u>	<u>268,222</u>
Balance at January 1, 2022	\$ 28,671	106,534	135,205
Depreciation for the year	14,018	107,266	121,284
Reductions	<u>(26,184)</u>	<u>(8,358)</u>	<u>(34,542)</u>
Balance at December 31, 2022	<u>\$ 16,505</u>	<u>205,442</u>	<u>221,947</u>
Carrying value:			
Balance at December 31, 2023	<u>\$ 34,748</u>	<u>321,329</u>	<u>356,077</u>
Balance at January 1, 2022	<u>\$ 32,021</u>	<u>396,787</u>	<u>428,808</u>
Balance at December 31, 2022	<u>\$ 34,807</u>	<u>435,088</u>	<u>469,895</u>

(i) Short-term loans

	December 31, 2023	December 31, 2022
Unsecured bank loans	<u>\$ 34,691,850</u>	<u>51,484,097</u>
Rang of interest rate	<u>1.2%~5.94%</u>	<u>0.38%~5.09%</u>

The Company's assets were not pledged as collateral for the Company's bank loans.

(Continued)

PEGATRON CORPORATION
Notes to the Financial Statements

(j) Long-term loans

(i) The details were as follows:

December 31, 2023				
	Currency	Interest rate	Expiration	Amount
Unsecured bank loans	NTD	0.975%~1.3%	2024~2027	\$ 3,460,170
Less: Current portion				(1,954,583)
Total				<u><u>\$ 1,505,587</u></u>

December 31, 2022				
	Currency	Interest rate	Expiration	Amount
Unsecured bank loans	NTD	0.35%~1.175%	2023~2027	\$ 4,923,397
Less: Current portion				(1,467,983)
Total				<u><u>\$ 3,455,414</u></u>

(ii) Government low-interest loans

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.

(iii) The Company's assets were not pledged as collateral for the Company's bank loans.

(k) Bonds payable

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

	December 31, 2023	December 31, 2022
Ordinary corporate bonds issued	\$ 30,400,000	34,900,000
Unamortized discount on bonds payable	(15,611)	(23,008)
Bonds payable, end of the year	30,384,389	34,876,992
Less: current portion	(8,000,000)	(4,500,000)
	<u><u>\$ 22,384,389</u></u>	<u><u>30,376,992</u></u>

	For the years ended December 31 2023	2022
Interest expense	<u><u>\$ 227,198</u></u>	<u><u>278,960</u></u>

(Continued)

PEGATRON CORPORATION
Notes to the Financial Statements

On May 9, 2017, the Company's Board of Directors approved to issue unsecured ordinary corporate bonds amounting to no more than \$15,000,000 thousand, which were approved and declared effective by the Taipei Exchange (TPEX) on July 4, 2017 and December 29, 2017, respectively. The offering information and main rights and obligations were as follows:

Item	1st unsecured ordinary corporate 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 be no calculation of extra interest.
8.Guarantee	The Bonds are unsecured ordinary corporate bonds.
Item	2nd unsecured ordinary corporate 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.

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PEGATRON CORPORATION
Notes to the Financial Statements

Item	2nd unsecured ordinary corporate bonds issued in 2017
7. Interest payment	Interests are payable annually at coupon rate from the issuance date. The payment of each bond is rounded to the nearest dollar. If the repayment date and interest payment date are bank closing days, principal and interest shall be paid without extra interest on the next business day. If bondholders receive principal and interest past due the repayment date and interest payment date, there will be no calculation of extra interest.
8. Guarantee	The Bonds are unsecured ordinary corporate bonds.

On March 14, 2019, the Company's Board of Directors approved to issue unsecured ordinary corporate bonds, which were approved and declared effective by the Taipei Exchange (TPEX) on June 3, 2019, the offering information and main rights and obligations were as follows:

Item	1st unsecured ordinary corporate 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 be no calculation of extra interest.
8. Guarantee	The Bonds are unsecured ordinary corporate bonds.

On March 26, 2020, the Company's Board of Directors approved to issue unsecured ordinary corporate bonds with the total maximum amount of \$10,000,000 thousand, which have been approved and declared effective by the Taipei Exchange (TPEX) on October 12, 2020 and December 29, 2020, respectively. The offering Information and main rights and obligations were as follows:

Item	1st unsecured ordinary corporate 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%.

(Continued)

PEGATRON CORPORATION
Notes to the Financial Statements

Item	1st unsecured ordinary corporate bonds issued in 2020
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 be no calculation of extra interest.
8.Guarantee	The Bonds are unsecured ordinary corporate bonds.

Item	2nd unsecured ordinary corporate 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 be 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 corporate 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.

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PEGATRON CORPORATION
Notes to the Financial Statements

Item	1st unsecured ordinary corporate 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 be no calculation of extra interest.
8.Guarantee	The Bonds are unsecured ordinary corporate bonds.

(l) Lease liabilities

The Company's lease liabilities were as follows:

	December 31, 2023	December 31, 2022
Current	\$ 128,770	134,186
Non-current	\$ 231,700	339,569

For the maturity analysis, please refer to Note 6(u).

The amounts recognized in profit or loss were as follows:

	For the years ended December 31 2023	2022
Interest on lease liabilities	\$ 5,503	4,738
Expenses relating to short-term leases	\$ 1,470	3,167

The amounts recognized in the statement of cash flows for the Company was as follows:

	For the years ended December 31 2023	2022
Total cash outflow for leases	\$ 149,513	127,847

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.

(Continued)

PEGATRON CORPORATION
Notes to the Financial Statements

The Company leases partial offices and parking lots that are short-term leases. The Company has chosen to apply the exemption and not to recognize right-of-use assets and lease liabilities for these leases.

(m) Employee benefits

(i) Defined benefit plans

The Company's defined benefit obligations and fair value of plan assets were as follows:

	December 31, 2023	December 31, 2022
Present value of defined benefit obligations	\$ 44,587	43,480
Fair value of plan assets	(16,133)	(15,160)
Net defined benefit liabilities	<u><u>\$ 28,454</u></u>	<u><u>28,320</u></u>

The Company's employee benefit liabilities were as follows:

	December 31, 2023	December 31, 2022
Short-term employee benefits liabilities	\$ 278,716	262,846
Cash-settled share-based payment liabilities	65,730	207,035
Total employee benefit liabilities	<u><u>\$ 344,446</u></u>	<u><u>469,881</u></u>

The Company makes defined benefit plans contributions to the pension fund account with Bank of Taiwan that provide pension benefits for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for six months prior to retirement.

1) Composition of plan assets

The Company sets aside pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. Under these regulations, the minimum earnings from these pension funds shall not be less than the earnings from two-year time deposits with the interest rates offered by local banks.

As of December 31, 2023, the Company's contributions to the pension funds which amounted to \$16,133 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.

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PEGATRON CORPORATION
Notes to the 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, 2023 and 2022 were as follows:

	For the years ended December 31	
	2023	2022
Defined benefit obligation, January 1	\$ 43,480	41,235
Current service costs and interest	4,489	2,317
Re-measurement of the net defined benefit liability		
— Actuarial loss arising from changes in demographic assumptions	(155)	3,273
— Actuarial gain arising from changes in financial assumptions	(274)	(5,682)
— Experience adjustments	(2,953)	2,337
Defined benefit obligation, December 31	<u><u>\$ 44,587</u></u>	<u><u>43,480</u></u>

3) Movements in the fair value of plan assets

The movements in the fair value of the defined benefit plan assets for the years ended December 31, 2023 and 2022 were as follows:

	For the years ended December 31	
	2023	2022
Fair value of plan assets, January 1	\$ 15,160	13,486
Interests revenue	218	109
Re-measurement of the net defined benefit liability		
— Experience adjustment	34	981
Contributions made	721	584
Fair value of plan assets, December 31	<u><u>\$ 16,133</u></u>	<u><u>15,160</u></u>

4) Expenses recognized in profit or loss

The Company's pension expenses recognized in profit or loss for the years ended December 31, 2023 and 2022 were as follows:

	For the years ended December 31	
	2023	2022
Current service cost	\$ 3,864	1,983
Net interest on net defined benefit liability	408	225
	<u><u>\$ 4,272</u></u>	<u><u>2,208</u></u>
Operating expense	<u><u>\$ 4,272</u></u>	<u><u>2,208</u></u>

(Continued)

PEGATRON CORPORATION
Notes to the 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, 2023 and 2022 were as follows:

	For the years ended December 31	
	2023	2022
Cumulative amount, January 1	\$ 13,523	12,470
Recognized during the year	3,416	1,053
Cumulative amount, December 31	<u><u>\$ 16,939</u></u>	<u><u>13,523</u></u>

- 6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	December 31, 2023	December 31, 2022
Discount rate	1.47 %	1.44 %
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 \$721 thousand.

The weighted average lifetime of the defined benefit plans is 20 years.

- 7) Sensitivity Analysis

As of December 31, 2023 and 2022, the changes in the principal actuarial assumptions will impact on the present value of defined benefit obligation as follows:

	Impact on the present value of defined benefit obligation	
	Increase by 0.50%	Decrease by 0.50%
December 31, 2023		
Discount rate	(4,261)	4,819
Future salary increase rate	4,718	(4,221)
December 31, 2022		
Discount rate	(4,254)	4,806
Future salary increase rate	4,704	(4,212)

(Continued)

PEGATRON CORPORATION
Notes to the 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, 2023 and 2022 amounted to \$386,146 thousand and \$368,924 thousand, respectively.

(n) Income tax

(i) The components of income tax expense for the years ended December 31, 2023 and 2022 were as follows:

	For the years ended December 31	
	2023	2022
Current income tax expense		
Current period incurred	\$ 2,995,159	2,535,643
Prior years income tax adjustment	50,591	(29,276)
Tax on undistributed surplus earnings	819,359	11,433
Deferred tax expense		
The origination and reversal of temporary differences	616,565	297,700
Income tax expense	<u>\$ 4,481,674</u>	<u>2,815,500</u>

(ii) Reconciliation of income tax and profit before tax for the years ended December 31, 2023 and 2022 were as follows:

	For the years ended December 31	
	2023	2022
Profit before tax	\$ 20,194,632	17,911,680
Income tax expense at the statutory rate	4,038,926	3,582,336
Permanent differences	(992,062)	(938,394)
Changes in unrecognized temporary differences	564,860	189,401
Prior years income tax adjustment	50,591	(29,276)
Tax on undistributed surplus earnings	819,359	11,433
Income tax expense	<u>\$ 4,481,674</u>	<u>2,815,500</u>

(Continued)

PEGATRON CORPORATION
Notes to the Financial Statements

(iii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

As of December 31, 2023 and 2022, the temporary differences associated with investments in subsidiaries were not recognized as deferred income tax liabilities as the Company has the ability to control the reversal of these temporary differences which are not expected to reverse in the foreseeable future. The related amounts were as follows:

	December 31, 2023	December 31, 2022
The aggregate temporary differences associated with investments in subsidiaries	\$ 76,589,131	79,413,429
Unrecognized deferred tax liabilities	\$ 15,317,826	15,882,686

2) Recognized deferred tax assets and liabilities

The movements in deferred tax assets and liabilities for the years ended December 31, 2023 and 2022 were as follows:

	Unrealized exchange gain or loss	Gain on foreign investments	Others	Total
Deferred tax liabilities:				
Balance at January 1, 2023	\$ -	290,000	-	290,000
Recognized in loss (profit)	<u>100,312</u>	<u>316,088</u>	<u>-</u>	<u>416,400</u>
Balance at December 31, 2023	\$ 100,312	606,088	-	706,400
Balance at January 1, 2022	\$ -	-	-	-
Recognized in loss (profit)	<u>-</u>	<u>290,000</u>	<u>-</u>	<u>290,000</u>
Balance at December 31, 2022	\$ -	290,000	-	290,000
		Gain or loss on valuation of inventory	Others	Total
Deferred tax assets:				
Balance at January 1, 2023		\$ 245,556	614,938	860,494
Recognized in profit (loss)		<u>(25,852)</u>	<u>(174,313)</u>	<u>(200,165)</u>
Balance at December 31, 2023		\$ 219,704	440,625	660,329
Balance at January 1, 2022		\$ 224,531	643,663	868,194
Recognized in profit (loss)		<u>21,025</u>	<u>(28,725)</u>	<u>(7,700)</u>
Balance at December 31, 2022		\$ 245,556	614,938	860,494

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PEGATRON CORPORATION
Notes to the Financial Statements

(iv) Status of approval of income tax

The Company's income tax returns through 2020 have been assessed and approved by the Tax Authority.

(o) Capital and other equity

(i) Ordinary shares

Reconciliation of shares outstanding for 2023 and 2022 was as follows:

	Ordinary Shares (In thousand of shares)	
	2023	2022
Beginning balance at January 1	2,666,924	2,668,878
Expiration of restricted shares of stock	(2,700)	(1,954)
Ending balance at December 31	2,664,224	2,666,924

For the years ended December 31, 2023 and 2022, the Company had retired 3,288 thousand and 1,498 thousand shares, respectively, of restricted stock to employees. The authorized 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 2,664,346 thousand and 2,667,634 thousand common shares of stock, as of December 31, 2023 and 2022, respectively. All share proceeds from outstanding capital have been collected.

As of December 31, 2023 and 2022, the restricted Company shares of stock issued to employees have expired, of which 122 thousand and 710 thousand shares, respectively, have not been retired.

(ii) Global depositary receipts

ASUSTEK GDRs holders who surrendered their ASUSTEK GDRs on or after the Effective Date of Spin-off and Merger in Taiwan will receive new ASUSTEK GDRs and the Company's entitlement. The Company's entitlement represents the rights to receive 60,819,026 of the Company's common shares in Taiwan.

The Company may issue new GDRs with no more than 60,819,020 of the Company's common shares and deliver them to ASUSTEK GDR holders pursuant to the "Guidelines for Offering and Issuing by Issuer of Overseas Securities". As of December 31, 2023 and 2022, the Company has listed, in total, 225 thousand and 225 thousand units of GDRs, respectively, on the Euro MTF market of the Luxembourg Stock Exchange. As each unit of these GDRs represents 5 common shares of the Company, the Company has listed Company shares totaling 1,126 thousand and 1,126 thousand shares of stock, respectively. 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.

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Notes to the Financial Statements

2) Dividend Distributions, Pre-emptive Rights, and Other Rights

Holders of GDRs have same rights on dividend distribution and share distribution as the Company's existing common shareholders.

(iii) Capital surplus

The components of the capital surplus were as follows:

	December 31, 2023	December 31, 2022
Premium from issuance of share capital	\$ 68,106,944	67,629,957
Premium from conversion of convertible bonds	11,073,663	11,073,663
Treasury stock transactions	47,865	47,865
Difference between consideration and carrying amount of subsidiaries acquired or disposed	2,273,401	2,273,401
Changes in equity of associates accounted for using the equity method	372,610	170,826
Changes in ownership interest in subsidiaries	1,524,450	1,353,306
Employee stock options	6,094	6,094
Restricted stock to employees	380,702	386,975
Other	<u>409,917</u>	<u>409,917</u>
	<u>\$ 84,195,646</u>	<u>83,352,004</u>

According to the R.O.C. Company Act, realized capital surplus can only be reclassified as share capital or distributed as cash dividends after offsetting against deficit. The aforementioned realized capital surplus includes share premiums and donation gains. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the amount of capital surplus that can be reclassified under share capital shall not exceed 10% of the total common stock outstanding.

(iv) Retained earnings

The Company's Articles of Incorporation require that after tax earnings shall first be offset against any deficit, and 10% of the balance shall be set aside as legal reserve. The appropriation for legal reserve is discontinued when the balance of the legal reserve equals the total authorized capital. Aside from the aforesaid legal reserve, the Company may, under its Articles of Incorporation or as required by the government, appropriate for special reserve. The remaining balance of the earnings, if any, may be appropriated by the solution of the Board of Meeting and present for approval in the shareholder's meeting.

According to the R.O.C. Company Act, the Company should distribute dividends and 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.

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PEGATRON CORPORATION

Notes to the Financial Statements

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 distribution of cash dividend is not lower than 10% of total distribution of dividend.

1) Legal reserve

The company may distribute legal reserve by paying cash by the resolution of the Board of Directors, and present for approval in the shareholder's meeting.

2) Special reserve

In accordance with the rules issued by the FSC, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (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

On June 15, 2023, and June 15, 2022, the Company's shareholders' meeting resolved to appropriate the 2022 and 2021 earnings, respectively, as follows:

	For the years ended December 31	
	2022	2021
Common stock dividends per share (dollars)		
— Cash	\$ 4.00	5.00

(Continued)

PEGATRON CORPORATION
Notes to the 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	Other equity - unearned compensation	Total
Balance at January 1, 2023	\$ (7,603,630)	79,970	(68,877)	(7,592,537)
Exchange differences on subsidiaries, associates and joint ventures accounted for using equity method	243,641	-	-	243,641
Unrealized gains from financial assets measured at fair value through other comprehensive income	-	202,125	-	202,125
Unrealized gains from financial assets measured at fair value through other comprehensive income of subsidiaries accounted for using equity method	-	93,160	-	93,160
Unearned compensation	-	-	(56,394)	(56,394)
Balance at December 31, 2023	<u>\$ (7,359,989)</u>	<u>375,255</u>	<u>(125,271)</u>	<u>(7,110,005)</u>
Balance at January 1, 2022	\$ (21,363,627)	444,778	(712,701)	(21,631,550)
Exchange differences on subsidiaries, associates and joint ventures accounted for using equity method	13,759,997	-	-	13,759,997
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	(342,950)	-	(342,950)
Unrealized losses from financial assets measured at fair value through other comprehensive income of subsidiaries accounted for using equity method	-	(21,858)	-	(21,858)
Unearned compensation	-	-	643,824	643,824
Balance at December 31, 2022	<u>\$ (7,603,630)</u>	<u>79,970</u>	<u>(68,877)</u>	<u>(7,592,537)</u>

(p) Share-based payment

Information on share-based payment transactions as of December 31, 2023 and 2022 were as follows:

	Equity-settled share-based payment Restricted stock to employee Issued in 2020
Thousand units granted	60,000
Contractual life	4 years
Vesting period	Note A
Actual turnover rate of employees	4.71% and 3.56%
Estimated future turnover rate of employees	6.50%~12.53%

Note A : Employees are entitled to receive 25%, 25%, 25%, and 25% of the restricted stock in the first, second, third and fourth year, respectively, of their service.

(Continued)

PEGATRON CORPORATION

Notes to the Financial Statements

The provisions of the “Measures for the Issuance of New Shares of Employee Restricted stocks options for 2020” were amended by a resolution of the Board of Directors on April 18, 2023 and approved by the shareholders’ meeting on June 15, 2023.

A resolution was passed during the shareholder’s meeting on June 19, 2020, for a capital increase, wherein the Company issued 60,000 thousand new restricted shares of stock to those full-time employees who meet certain requirement of the Company. The restricted stock has been declared effective by the Securities and Futures Bureau of the Financial Supervisory Commission, R.O.C. On September 22, 2020, the Board of Directors approved to issue 53,103 thousand shares of restricted shares of stock with fair value of \$63.2 each at grant date. The record date for the capital increase through issuance of restricted shares of stock was December 8, 2020. The actual issuance number for the capital increase was 52,411 thousand shares. On January 4, 2021, the registration procedures were completed. On May 11, 2021, Board of Directors of the Company approved to issue secondary new restricted shares of stock totaling 7,589 thousand shares with fair value of \$69.3 each at grant date. The record date for the capital increase through issuance of restricted shares of stock was June 11, 2021. The actual issuance number for the capital increase was 7,574 thousand shares. On July 12, 2021, the registration procedures were completed.

Employees with restricted stock awards are entitled to purchase the Company’s shares at the price of NT\$10 per share provided that these employees continue to work for the Company. 25%, 25%, 25% and 25% of the restricted shares of stock is vested in year 1, 2, 3 and 4, respectively. The restricted stock is kept by a trust, which is appointed by the Company, before it is vested. These shares of stock shall not be sold, pledged, transferred, gifted or by any other means of disposal to third parties during the custody period. These shares of stock are entitled to the right as the holders of common shares once issued, except for those shares kept by a trust or shares that do not meet the vesting condition. If the shares remain unvested after the vesting period, the Company will repurchase all the unvested shares at the issue price and cancel the shares thereafter.

(i) Determining the fair value of equity instruments granted

The Company adopted the Black-Scholes model to measure the fair value of the stock option at grant date, and the assumptions adopted in this valuation model were as follows:

	Equity-settled share-based payment	
	Restricted stock to employee	
	Issued in 2020-2	Issued in 2020-1
Grant date	05/11/2021	09/22/2020
Stock price at grant date (dollars)	\$ 69.30	63.20
Exercise price (dollars)	10.00	10.00
Expected duration	4 years	4 years
Current market price of the underlying stock (dollars)	69.30	63.20
Expected volatility	25.25%~28.65%	27.76%~31.92%
Expected dividend yield	-%	-%
Risk-free interest rate	(Note A)	(Note B)

(Continued)

PEGATRON CORPORATION
Notes to the Financial Statements

Note A : The risk-free interest rate is 0.1006% for the 1st year, 0.1486% for the 2nd year, 0.1865% for the 3rd year and 0.2244% for the 4th year.

Note B : The risk-free interest rate is 0.1202% for the 1st year, 0.1690% for the 2nd year, 0.2123% for the 3rd year and 0.2556% for the 4th year.

(ii) Restricted stock to employee

For the years ended December 31, 2023 and 2022, 2,699 thousand and 1,952 thousand shares of the restricted shares of stock issued to employees have expired, respectively.

As of December 31, 2023 and 2022, there are \$125,271 thousand and \$68,877 thousand in the balance of unearned compensation, respectively.

(iii) Expenses recognized in profit or loss

The Company incurred expenses of share-based arrangements for the years ended December 31, 2023 and 2022 as follows:

	For the years ended December 31	
	2023	2022
Expenses resulting from the issuance of restricted stock to employees	\$ <u><u>249,232</u></u>	<u><u>614,728</u></u>

(q) Earnings per share

The basic earnings per share and diluted earnings per shares were calculated as follows:

	For the years ended December 31	
	2023	2022
Basic earnings per share		
Profit attributable to ordinary shareholders	\$ <u><u>15,712,958</u></u>	<u><u>15,096,180</u></u>
Weighted-average number of ordinary shares	<u><u>2,665,262</u></u>	<u><u>2,667,906</u></u>
	\$ <u><u>5.90</u></u>	<u><u>5.66</u></u>
Diluted earnings per share		
Profit attributable to ordinary shareholders (diluted)	\$ <u><u>15,712,958</u></u>	<u><u>15,096,180</u></u>
Weighted-average number of ordinary shares	<u><u>2,665,262</u></u>	<u><u>2,667,906</u></u>
Effect of potentially dilutive ordinary shares		
Employee stock bonus	<u><u>21,494</u></u>	<u><u>25,900</u></u>
Weighted-average number of ordinary shares (diluted)	<u><u>2,686,756</u></u>	<u><u>2,693,806</u></u>
	\$ <u><u>5.85</u></u>	<u><u>5.60</u></u>

(Continued)

PEGATRON CORPORATION
Notes to the Financial Statements

(r) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the years ended December 31	
	2023	2022
Primary geographical markets		
Europe	\$ 557,045,123	574,123,320
U.S.A.	468,926,765	469,053,074
Taiwan	75,836,960	91,600,593
China	21,562,147	24,372,502
Japan	11,854,329	12,968,428
Other countries	46,745,322	60,268,151
	\$ 1,181,970,646	1,232,386,068

(ii) Contract balances

	December 31, 2023	December 31, 2022	January 1, 2022
Accounts receivable	\$ 134,789,804	165,927,738	231,805,932
Less: Allowance for impairment	26,570	76,419	17,399
Total	\$ 134,763,234	165,851,319	231,788,533
Contract liabilities	\$ 377,726	725,074	733,952

Please refer to Note 6(d) for the details on accounts receivable and allowance for impairment.

The major change in the balance of contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received. There were no other significant changes for the years ended December 31, 2023 and 2022.

(s) Remunerations to employees and directors

In accordance with the Articles of Incorporation the Company should contribute no less than 7% of the profit as employee compensation and less than 0.7% as directors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

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PEGATRON CORPORATION
Notes to the Financial Statements

For the years ended December 31, 2023 and 2022, the Company estimated its employee remuneration amounting to \$1,533,000 thousand and \$1,365,000 thousand, and directors' remuneration amounting to \$153,000 thousand and \$135,000 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees and directors of each period, multiplied by the percentage of remuneration to employees and directors as specified in the Company's articles. Such amounts were recognized as operating costs or operating expenses during 2023 and 2022. 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 2023 and 2022 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. There was no difference between the amounts approved in Board of Directors meeting and recognized in the parent company only financial reports for the years ended December 31, 2023 and 2022.

(t) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	For the years ended December 31	
	2023	2022
Interest income	\$ <u><u>1,136,792</u></u>	<u><u>304,242</u></u>

(ii) Other income

The details of other income were as follows:

	For the years ended December 31	
	2023	2022
Rental income	\$ 117,543	128,963
Technical service income	609,901	448,784
Government grants income	133,048	83,773
Dividend income	53,034	66,075
Other income	<u>219,335</u>	<u>145,543</u>
	\$ <u><u>1,132,861</u></u>	<u><u>873,138</u></u>

(Continued)

PEGATRON CORPORATION
Notes to the Financial Statements

(iii) Other gains and losses

The details of other gains and losses were as follows:

	For the years ended December 31	
	2023	2022
Gains on disposals of property, plant and equipment	\$ 8,460	6,213
Foreign exchange losses	(332,628)	(947,730)
Net gains (losses) profits on financial assets measured at fair value through profit or loss	225,181	(220,707)
Provisions and others	(45,620)	(4,382)
	<u>\$ (144,607)</u>	<u>(1,166,606)</u>

(iv) Finance costs

The details of finance costs were as follows:

	For the years ended December 31	
	2023	2022
Interest expenses	\$ 1,135,155	1,002,488
Finance expense—bank fees and factoring fees, etc.	26,011	12,546
	<u>\$ 1,161,166</u>	<u>1,015,034</u>

(u) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the Company's maximum credit exposure.

2) Concentration of credit risk

As of December 31, 2023 and 2022, the accounts receivable from the Company's top three customers were amounted to \$196,536,165 thousand and \$315,169,807 thousand, representing 57% and 63% of accounts receivable, respectively, which exposes the Company to credit risk.

For credit risk exposure of notes and accounts receivables, please refer to Note 6(d).

(Continued)

PEGATRON CORPORATION
Notes to the Financial Statements

(ii) Liquidity risk

The followings were 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, 2023					
Non-derivative financial liabilities					
Unsecured bank loans	\$ 38,152,020	38,172,406	36,658,517	763,889	750,000
Unsecured ordinary corporate bonds	30,384,389	30,400,000	8,000,000	7,500,000	14,900,000
Non-interest bearing liabilities	380,109,236	380,109,236	380,056,898	52,338	-
Lease liabilities	360,470	360,470	128,770	122,836	108,864
	<u>\$ 449,006,115</u>	<u>449,042,112</u>	<u>424,844,185</u>	<u>8,439,063</u>	<u>15,758,864</u>
December 31, 2022					
Non-derivative financial liabilities					
Unsecured bank loans	\$ 56,407,494	56,432,636	52,952,080	1,966,667	1,513,889
Unsecured ordinary corporate bonds	34,876,992	34,900,000	4,500,000	8,000,000	22,400,000
Non-interest bearing liabilities	470,796,137	470,796,137	470,732,909	63,228	-
Lease liabilities	473,755	473,755	134,186	123,815	215,754
	<u>\$ 562,554,378</u>	<u>562,602,528</u>	<u>528,319,175</u>	<u>10,153,710</u>	<u>24,129,643</u>

The liquidity of the aforesaid bank loans, bonds payable, and lease liabilities, does not include the interest expense on cash outflow. The Company is not expecting that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Exposure to currency risk

The Company's significant exposures to foreign currency risk of financial assets and liabilities were as follows:

(Unit: Foreign currency / NTD in Thousands)

	<u>December 31, 2023</u>			<u>December 31, 2022</u>		
	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>NTD</u>	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>NTD</u>
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 12,655,360	30.7250	388,835,936	16,681,944	30.7175	512,427,615
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	12,745,506	30.7250	391,605,672	16,486,916	30.7175	506,436,842

(Continued)

PEGATRON CORPORATION
Notes to the Financial Statements

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. Assuming other variables remain the same, 1% of appreciation or depreciation of TWD against foreign currency for the years ended December 31, 2023 and 2022 would have increased or decreased the net profit after tax by \$27,697 thousand and \$59,908 thousand, respectively. The analysis is performed on the same basis for both periods.

3) Foreign exchange gains or losses on monetary items

Since the Company has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years ended December 31, 2023 and 2022, the foreign exchange gain (loss), including both realized and unrealized, amounted to (\$332,628) thousand and (\$947,730) thousand, respectively.

4) Interest rate analysis

The interest risk exposure from financial assets and liabilities has been disclosed in the note of liquidity risk management.

The following sensitivity analysis is based on the risk exposure to interest rate on derivative and non-derivative financial instruments on the reporting date. For variable rate instruments, the sensitivity analysis assumed the variable rate liabilities are outstanding for the whole year on the reporting date.

If the interest rate increases/decreases by 1%, the Company's net profit after tax will decrease/increase by \$27,681 thousand and \$39,387 thousand for the years ended December 31, 2023 and 2022, respectively, assuming all other variable factors remain constantly. This is mainly due to the Company's borrowings in floating variable rate.

5) Other market price risk

If the equity price changes, and if it is based on the same basis for both years and assumes that all variables remain the same, the impact to comprehensive income will be as follows:

	For the years ended December 31			
	2023		2022	
	Other comprehensive income (Loss) (before tax)	Profit (Loss) (before tax)	Other comprehensive income (Loss) (before tax)	Profit (Loss) (before tax)
Equity price on reporting date				
Increase by 3%	\$ 26,243	27,619	20,179	23,079
Decrease by 3%	\$ (26,243)	(27,619)	(20,179)	(23,079)

(Continued)

PEGATRON CORPORATION
Notes to the Financial Statements

(iv) 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, 2023			
		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	\$ 1,916,059	920,645	-	995,414	1,916,059
Financial assets at fair value through other comprehensive income					
Stock of listed companies	\$ 874,772	874,772	-	-	874,772
Financial assets at amortized cost					
Cash and cash equivalents	\$ 44,204,421	-	-	-	-
Notes and accounts receivable	345,787,077	-	-	-	-
Other receivables	63,985	-	-	-	-
Other financial assets	157,356	-	-	-	-
Subtotal	390,212,839	-	-	-	-
Financial liabilities at amortized cost					
Bank loans	\$ 38,152,020	-	-	-	-
Non-interest bearing liabilities	380,109,236	-	-	-	-
Lease liabilities	360,470	-	-	-	-
Unsecured ordinary corporate bonds	30,384,389	-	-	-	-
Subtotal	449,006,115	-	-	-	-

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Notes to the Financial Statements

	December 31, 2022				
	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	\$ 1,505,082	654,505	-	850,577	1,505,082
Financial assets at fair value through other comprehensive income					
Stock of listed companies	\$ 672,647	672,647	-	-	672,647
Financial assets at amortized cost					
Cash and cash equivalents	\$ 13,716,368	-	-	-	-
Notes and accounts receivable	503,965,452	-	-	-	-
Other receivables	77,252	-	-	-	-
Other financial assets	154,494	-	-	-	-
Subtotal	517,913,566	-	-	-	-
Financial liabilities at amortized cost					
Bank loans	\$ 56,407,494	-	-	-	-
Non-interest bearing liabilities	470,796,137	-	-	-	-
Lease liabilities	473,755	-	-	-	-
Unsecured ordinary corporate bonds	34,876,992	-	-	-	-
Subtotal	562,554,378	-	-	-	-

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.

3) Valuation techniques for financial instruments measured at fair value:

a) Non-derivative financial instruments

Financial instruments trade in active markets are based on quoted market prices.

Financial instruments without an active market are unquoted equity instruments whose fair values are estimated using the net asset value method. Primarily assumes that value is measured based on the net value of the investee's equity.

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PEGATRON CORPORATION
Notes to the Financial Statements

b) Derivative financial instruments

Measurement of the fair value of derivative instruments is based on the valuation techniques generally accepted by market participants such as the discounted cash flow or option pricing models. Fair value of foreign exchange forward contract is usually determined by the current forward exchange rate.

4) Transfers between levels of the fair value hierarchy

The Company held an investment in equity of AIROHA Technology Corp. , which is classified as financial assets at fair value through profit or loss. The fair values were \$124,055 thousand and \$114,810 thousand as of December 31, 2023 and 2022, respectively.

The fair value hierarchy of the investment was categorized as level 3 for the year ended December 31, 2022 since there was no obvious quoted market price in active market, and the Company applied significant unobservable inputs to measure the fair value. However, their shares are listed on the exchange market in October 2023 with quoted market price in active market, so the fair value hierarchy transfers from level 3 to level 1 in 2023.

There have been no transfers from each level for the year ended December 31, 2022.

5) Reconciliation of Level 3 fair values

	Non-derivative mandatorily measured at fair value through profit or loss
Opening balance, January 1, 2023	\$ 850,577
Total gains or losses recognized:	
In profit or loss	32,401
Acquired during the year	227,246
Transferred out from level 3	(114,810)
Ending Balance, December 31, 2023	<u><u>\$ 995,414</u></u>
Opening balance, January 1, 2022	\$ 471,075
Total gains or losses recognized:	
In profit or loss	(5,952)
Acquired during the year	385,454
Ending Balance, December 31, 2022	<u><u>\$ 850,577</u></u>

(Continued)

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Notes to the Financial Statements

For the years ended December 31, 2023 and 2022, total gains or losses that were accounted as “other gains and losses” were as follows:

	For the years ended December 31	
	2023	2022
Total gains or losses recognized:		
In profit or loss accounted as “other gains and losses”	\$ 32,401	(5,952)

- 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 fair value measurements categorized within level 3 use the single and significant unobservable input. Equity investments without an active market contain multiple significant unobservable input. The significant unobservable inputs of the equity investments are independent from each other, as a result, there is no relevance between them.

Quantified information of significant unobservable inputs was as follows:

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

- (v) 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, 2023						
Financial assets that are offset which have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial assets	Gross amounts of financial liabilities offset in the balance sheet	Net amount of financial assets presented in the balance sheet	Amounts not offset in the balance sheet (d)		Net amounts (e)=(c)-(d)
	(a)	(b)	(c)=(a)-(b)	Financial Instruments (Note)	Cash collateral instruments	
Accounts Receivable and Payable	\$ 10,747,449	8,120,157	2,627,292	-	-	2,627,292

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Notes to the Financial Statements

December 31, 2023						
Financial liabilities that are offset which have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial liabilities (a)	Gross amounts of financial assets offset in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)		Net amounts (e)=(c)-(d)
				Financial Instruments (Note)	Cash collateral instruments	
Accounts Receivable and Payable	\$ 8,120,157	8,120,157	-	-	-	-

December 31, 2022						
Financial assets that are offset which have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial assets (a)	Gross amounts of financial liabilities offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)		Net amounts (e)=(c)-(d)
				Financial Instruments (Note)	Cash collateral instruments	
Accounts Receivable and Payable	\$ 73,147,743	48,289,408	24,858,335	-	-	24,858,335

December 31, 2022						
Financial liabilities that are offset which have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial liabilities (a)	Gross amounts of financial assets offset in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)		Net amounts (e)=(c)-(d)
				Financial Instruments (Note)	Cash collateral instruments	
Accounts Receivable and Payable	\$ 48,289,408	48,289,408	-	-	-	-

(v) Financial risk management

(i) Overview

The Company is exposed 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 parent company only financial statements.

(ii) Structure of risk management

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management team, which report to the Board of Directors, is responsible for the development and control of the Company's risk management policies.

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PEGATRON CORPORATION
Notes to the Financial Statements

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 Board of Directors.

(iii) Credit risk

Credit risk is the risk if a counterparty fails to meet its contractual obligations, and arises principally from cash, accounts receivables and equity securities. Also, the Company deposits cash in different financial institutions to manage the credit risk of financial institution and believes that there is no significant concentration of credit risk on cash and equity securities.

The 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.

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 information and communication industries. 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.

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PEGATRON CORPORATION
Notes to the Financial Statements

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, 2023, 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 has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company has sufficient working capital to meet its commitment for operation obligation and 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 that 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 foreign currency such as 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 from foreign currency assets to the risk of market exchange rate fluctuations. The company follows the principle of natural hedging, the currency held by the company is consistent with the actual foreign currency demand of the company's import and export transactions. The foreign currency positions of the Company are operated by self-leveling principle and spot foreign exchange tools are used to avoid exchange rates risk.

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PEGATRON CORPORATION

Notes to the Financial Statements

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.

(w) Capital management

The Board's policy is to maintain a strong capital base as well as to control the level of common stock dividends 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 other interests of the Company.

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, 2023	December 31, 2022
Total liabilities	\$ 464,521,790	598,525,263
Less: cash and cash equivalents	<u>(44,204,421)</u>	<u>(13,716,368)</u>
Net debt	420,317,369	584,808,895
Total equity	<u>188,809,892</u>	<u>182,488,565</u>
Total capital (Note)	<u>\$ 609,127,261</u>	<u>767,297,460</u>
Debt to equity ratio	<u>69.00%</u>	<u>76.22%</u>

Note : Total capital includes share capital, capital surplus, retained earnings, other equity and net debt.

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PEGATRON CORPORATION
Notes to the Financial Statements

Management believes that there were no significant changes in the Company's approach to capital management for the years ended December 31, 2023 and 2022.

(x) Financing activities not affecting current cash flow

The Company's financing activities which did not affect the current cash flow in the years ended December 31, 2023 and 2022, were as follows:

Reconciliation of liabilities arising from financing activities was as follows:

	January 1, 2023	Cash flows	Non-cash changes		December 31, 2023
			Foreign exchange movement	Other	
Short-term loans	\$ 51,484,097	(16,792,247)	-	-	34,691,850
Other payables-related parties	8,908,075	1,851,820	-	-	10,759,895
Other payables-restricted employee stock	207,035	(27,185)	-	(114,120)	65,730
Bonds payable	34,876,992	(4,500,000)	-	7,397	30,384,389
Long-term loans	4,923,397	(1,483,333)	-	20,106	3,460,170
Lease liabilities	473,755	(142,540)	-	29,255	360,470
Total liabilities from financing activities	<u>\$100,873,351</u>	<u>(21,093,485)</u>	<u>-</u>	<u>(57,362)</u>	<u>79,722,504</u>

	January 1, 2022	Cash flows	Non-cash changes		December 31, 2022
			Foreign exchange movement	Other	
Short-term loans	\$ 48,168,420	3,315,677	-	-	51,484,097
Other payables-related parties	6,200,992	2,707,083	-	-	8,908,075
Other payables-restricted employee stock	158,988	(18,592)	-	66,639	207,035
Bonds payable	36,869,595	(2,000,000)	-	7,397	34,876,992
Long-term loans	3,159,260	1,763,889	-	248	4,923,397
Lease liabilities	431,326	(119,942)	-	162,371	473,755
Total liabilities from financing activities	<u>\$ 94,988,581</u>	<u>5,648,115</u>	<u>-</u>	<u>236,655</u>	<u>100,873,351</u>

(7) Related-party transactions

(a) Names and relationship with related parties

The followings are entities including subsidiaries and other related parties that have had transaction with the Company during the period covered in the parent company only financial statements.

Name of related party	Relationship with the Company	Notes
CASETEK COMPUTER (SUZHOU) CO., LTD.	The Company's subsidiary	
KAEDAR ELECTRONICS (KUNSHAN) CO., LTD.	The Company's subsidiary	
KAICHUAN ELECTRONICS (CHONGQING) CO., LTD.	The Company's subsidiary	
AZUREWAVE TECHNOLOGIES, INC.	The Company's subsidiary	
AZUREWAVE TECHNOLOGIES (SHANGHAI) INC.	The Company's subsidiary	

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PEGATRON CORPORATION
Notes to the Financial Statements

Name of related party	Relationship with the Company	Notes
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	
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	
PEGATRON VENTURE CAPITAL 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	
KINSUS INTERCONNECT TECHNOLOGY CORP.	The Company's subsidiary	
PEGAVISION CORPORATION	The Company's subsidiary	
FUYANG TECHNOLOGY CORPORATION	The Company's subsidiary	
BEAUTYTECH PLATFORM CORPORATION	The Company's subsidiary	
STARLINK ELECTRONICS CORPORATION	The Company's subsidiary	
RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	The Company's subsidiary	
RI SHAN COMPUTER ACCESSORY (JIASHAN) CO., LTD.	The Company's associate	
RI DA INTELLIGENT MANUFACTURING TECHNOLOGY CO., LTD.	The Company's associate	
RI-KUAN METAL CORPORATION	The Company's subsidiary	
AS FLY TRAVEL SERVICE LIMITED	The Company's subsidiary	
PEGA INTERNATIONAL LIMITED	The Company's subsidiary	
LUMENS DIGITAL OPTICS INC.	The Company's subsidiary	
ASIAROCK TECHNOLOGY LIMITED	The Company's subsidiary	
ASUSPOWER CORPORATION	The Company's subsidiary	
CASETEK HOLDINGS LIMITED	The Company's subsidiary	
CASETEK HOLDINGS LIMITED (CAYMAN)	The Company's subsidiary	
PEGATRON HOLDING LTD.	The Company's subsidiary	
UNIHAN HOLDING LTD.	The Company's subsidiary	
PEGATRON CZECH S.R.O.	The Company's subsidiary	
PEGATRON JAPAN 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	

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PEGATRON CORPORATION
Notes to the Financial Statements

<u>Name of related party</u>	<u>Relationship with the Company</u>	<u>Notes</u>
PEGATRON TECHNOLOGY HAI PHONG COMPANY LIMITED	The Company's subsidiary	
PEGATRON TECHNOLOGY INDIA PRIVATE LIMITED	The Company's subsidiary	
PEGATRON TECHNOLOGY SERVICE INC.	The Company's subsidiary	
PEGATRON USA, INC.	The Company's subsidiary	
PEGATRON VIETNAM COMPANY LIMITED	The Company's subsidiary	
PEGATRON TECHNOLOGY TEXAS INC.	The Company's subsidiary	
PEGATRON ELECTRONICS INC.	The Company's subsidiary	
PT. PEGAUNIHAN TECHNOLOGY INDONESIA	The Company's subsidiary	
ADVANTECH CO., LTD.	Other related party	
ADVANTECH TECHNOLOGY (CHINA) CO., LTD.	Other related party	
CASETEK SINGAPORE PTE. LTD.	The Company's associate	
LUXCASE PRECISION TECHNOLOGY (KUNSHAN) CO., LTD.	The Company's associate	

(b) Significant transactions with related parties

(i) Operating revenue

The amounts of significant sales transactions and outstanding balances between the Company and related parties were as follows:

	<u>Sales</u>	
	<u>For the years ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Subsidiaries	\$ 39,800,591	38,661,640
Associates	649,878	-
Other related parties	22,694	50,532
	<u>\$ 40,473,163</u>	<u>38,712,172</u>
	<u>Receivables from related parties</u>	
	<u>December 31,</u>	<u>December 31,</u>
	<u>2023</u>	<u>2022</u>
Subsidiaries, PROTEK (SHANGHAI) LTD.	\$ 37,035,840	143,872,147
Subsidiaries, PEGAGLOBE (KUNSHAN) CO., LTD.	83,758,057	88,285,361
Subsidiaries, MAINTEK COMPUTER (SUZHOU) CO., LTD.	18,844,313	-
Subsidiaries, DIGITEK (CHONGQING) LTD.	19,329,470	28,181,168
Subsidiaries, Other and Other related parties	52,056,163	77,775,457
	<u>\$ 211,023,843</u>	<u>338,114,133</u>

The terms and the selling price for related parties were not significantly different with other customers.

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PEGATRON CORPORATION
Notes to the Financial Statements

(ii) Purchases 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	
		2023	2022
Subsidiaries	\$	119,136,515	55,100,013
Associates		384,669	456,221
	\$	119,521,184	55,556,234
		Payables to Related Parties	
		December 31, 2023	December 31, 2022
Subsidiaries, PEGAGLOBE (KUNSHAN) CO., LTD.	\$	72,295,686	118,727,109
Subsidiaries, PROTEK (SHANGHAI) LTD.		50,167,974	93,962,599
Subsidiaries, MAINTEK COMPUTER (SUZHOU) CO., LTD.		21,093,763	-
Subsidiaries, DIGITEK (CHONGQING) LTD.		19,942,781	26,282,280
Subsidiaries, Other and Associates		30,517,712	28,506,334
	\$	194,017,916	267,478,322

The terms and pricing of purchase transactions with related parties were not significantly different from other vendors.

(iii) Other income and losses from related parties

		For the years ended December 31	
		2023	2022
Subsidiaries	\$	191,403	14,131

(iv) Rental revenue

For the years ended December 31, 2023 and 2022, the Company incurred subsidiaries transactions of \$102,025 thousand and \$102,148 thousand, respectively, which were accounted for as rental revenue. Lease terms with related parties were not significantly different from those with non-related parties.

(v) Other related party transactions recorded as expenses

For the years ended December 31, 2023 and 2022, the Company incurred subsidiaries transactions recorded as expenses such as processing fee, storage expense, after-sales service fee and professional service fee, etc., aggregating to \$120,802 thousand and \$293,156 thousand, respectively.

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PEGATRON CORPORATION
Notes to the Financial Statements

(vi) Transaction of property, plant and equipment and other assets

For the years ended December 31, 2023 and 2022, molds and equipment purchased from subsidiaries are amounted to \$20,536 thousand and \$1,026 thousand, respectively.

The Board of Directors approved a resolution to dispose lands and buildings to the subsidiary in September 2023, and the total transaction price was \$3,040,000 thousand. As of December 31, 2023, \$600,000 thousand had been received and accounted for under other current liabilities.

(vii) Borrowings from related parties

	December 31, 2023	December 31, 2022
Subsidiaries	<u>\$ 10,759,895</u>	<u>8,908,075</u>
Interest rate	<u>0%</u>	<u>0%</u>

(viii) As of December 31, 2023, please refer to Note 13 for endorsements and guarantees for related party.

(c) Key management personnel compensation

	<u>For the years ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 219,418	205,296
Post-employment benefits	2,592	2,499
Share-based payments	<u>54,230</u>	<u>102,183</u>
	<u>\$ 276,240</u>	<u>309,978</u>

Please refer to Note 6(p) for further information related to share-based payment transactions.

(8) Pledged assets

The carrying amounts of pledged assets were as follows:

<u>Asset</u>	<u>Purpose of pledge</u>	December 31, 2023	December 31, 2022
Other financial asset-restricted deposits	Deposits for customs duties	\$ 117,132	117,121
Other financial asset-refundable deposits	Deposits for performance guarantee	<u>40,224</u>	<u>37,373</u>
		<u>\$ 157,356</u>	<u>154,494</u>

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PEGATRON CORPORATION
Notes to the Financial Statements

(9) Commitments and contingencies

(a) Significant commitments and contingencies

(i) Promissory notes and certificates of deposit obtained for business purpose were as follows:

	December 31, 2023	December 31, 2022
NTD	\$ 3,930	14,190

(10) Losses due to major disasters: None

(11) Subsequent events: None

(12) Other

The nature of employee benefits, depreciation and amortization expenses categorized by function were as follows:

By function By item	For the years ended December 31					
	2023			2022		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit						
Salary	\$ 2,181,597	9,023,862	11,205,459	2,519,252	8,663,019	11,182,271
Labor and health insurance	221,438	565,667	787,105	245,246	541,076	786,322
Pension	71,379	319,039	390,418	73,276	297,856	371,132
Remuneration of directors	-	153,000	153,000	-	135,000	135,000
Others	322,907	536,236	859,143	364,670	533,146	897,816
Depreciation	660,981	494,171	1,155,152	786,742	486,577	1,273,319
Amortization	41,817	15,265	57,082	37,848	14,648	52,496

For the years ended December 31, 2023 and 2022, the information on the number of employees and employee benefit expense of the Company is as follows:

	2023	2022
Number of employees	8,381	8,853
Number of directors (non-employee)	8	8
Average employee benefit expense	\$ 1,582	1,497
Average employee salary expense	\$ 1,338	1,264
Percentage of average employee salary expense	5.85 %	
Remuneration for supervisors	\$ -	-

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PEGATRON CORPORATION

Notes to the Financial Statements

The remuneration policy (including directors, managers and employees) of the Company is as follows:

In accordance with the Company's Articles of Incorporation, the remuneration to directors should not exceed 0.7% of the profit before tax, while taking the operating performance of the Company and the participation of each director into consideration. There will be regular evaluations concerning the reasonability of compensation policies. Furthermore, the remunerations to managers and employees will be appropriated at the rate stated in the Company's Articles of Incorporation, while taking into consideration the operating performance of the Company, economic indicators and industry level.

(13) Other disclosures

(a) Information on significant transactions

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Company:

No.	Item	Table
1	Loans to other parties	Table 1
2	Guarantees and endorsements for other parties	Table 2
3	Securities held as of December 31, 2023 (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, 2023.

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PEGATRON CORPORATION
Notes to the Financial Statements

(c) Information on investment in Mainland China: Please refer to Table 10.

(d) Major shareholders

Shareholder's Name	Shareholding	Shares	Percentage
ASUSTEK COMPUTER INCORPORATION		448,506,484	16.83 %

(14) Segment information

Please refer to the consolidated financial statements for the year ended December 31, 2023.

PEGATRON CORPORATION
Notes to the Financial Statements

Table 1: Loans to other parties
(December 31, 2023)

Expressed in thousands of NTD

No.	Creditor	Borrower	General ledger account	Related party	Maximum outstanding balance	Ending balance	Actual amount drawn down	Interest rate	Nature of loan (Note)	Amount of transactions with the borrower	Reasons for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party(Note 2)	Ceiling on total loans granted (Note 2)
													Item	Value		
1	MAINTeK	COTEK SUZHOU PEGATRON	Other Receivables	Y	1,536,250	1,536,250	1,536,250	0.59%	2	-	Financing necessities	-	-	-	32,792,754	32,792,754
2	ASUSPOWER	ASUS INVESTMENT	Other Receivables	Y	5,963,723	5,656,473	5,656,473	0.00%	2	-	Business operation	-	-	-	6,628,461	6,628,461
2	ASUSPOWER	ASUSPOWER	Other Receivables	Y	629,863	-	-	0.00%	2	-	Business operation	-	-	-	1,988,538	3,977,077
2	ASUSPOWER	PVN INVESTMENT	Other Receivables	Y	522,325	307,250	307,250	0.00%	2	-	Business operation	-	-	-	1,988,538	3,977,077
2	ASUSPOWER	Other	Other Receivables	Y	1,536,250	-	-	0.00%	2	-	Business operation	-	-	-	6,628,461	6,628,461
3	PEGA HOLDING	PEGATRON	Other Receivables	Y	660,588	660,588	660,588	0.00%	2	-	Business operation	-	-	-	96,460,112	96,460,112
4	UNIHAN	PEGATRON	Other Receivables	Y	1,843,500	1,843,500	1,843,500	0.00%	2	-	Business operation	-	-	-	6,619,523	6,619,523
5	CASETEK	PEGATRON	Other Receivables	Y	141,335	141,335	141,335	0.00%	2	-	Business operation	-	-	-	4,745,681	4,745,681
6	KTL	Other	Other Receivables	Y	476,238	-	-	0.00%	2	-	Business operation	-	-	-	509,088	509,088
6	KTL	PEL	Other Receivables	Y	460,875	460,875	460,875	5.12%	2	-	Business operation	-	-	-	509,088	509,088
7	DIGITEK CHONGQING	KAL-CHUAN	Other Receivables	Y	307,250	184,350	184,350	0.83%	2	-	Financing necessities	-	-	-	7,518,310	7,518,310
8	Pegapower Investment	ASUSPOWER INVESTMENT	Other Receivables	Y	390,000	-	-	0.85%	2	-	Business operation	-	-	-	399,044	399,044
9	Pegatron Investment	ASUSPOWER INVESTMENT	Other Receivables	Y	200,000	-	-	0.85%	2	-	Business operation	-	-	-	399,402	399,402
9	Pegatron Investment	ASUS INVESTMENT	Other Receivables	Y	190,000	-	-	0.85%	2	-	Business operation	-	-	-	399,402	399,402
10	CASETEK SUZHOU	PROTEK SHANGHAI	Other Receivables	Y	1,301,409	1,301,409	1,301,409	2.10%	2	-	Financing necessities	-	-	-	3,121,270	3,121,270
11	RI- TENG	RI-PRO	Long-Term Accounts	Y	130,141	130,141	130,141	1.00%	2	-	Business operation	-	-	-	5,950,563	5,950,563
11	RI- TENG	PROTEK SHANGHAI	Long-Term Accounts	Y	4,338,030	4,338,030	4,338,030	2.10%	2	-	Business operation	-	-	-	5,950,563	5,950,563
11	RI- TENG	PEGAGLOBE KUNSHAN	Long-Term Accounts	Y	1,735,212	-	-	2.10%	2	-	Business operation	-	-	-	5,950,563	5,950,563
12	CASETEK CAYMAN	PEGATRON	Receivables Short-Term Accounts	Y	7,066,750	2,458,000	2,458,000	0.00%	2	-	Business operation	-	-	-	46,662,870	46,662,870
13	Azwave	AIGALE	Receivables Other Receivables	Y	30,725	30,725	-	0.00%	2	-	Business operation	-	-	-	948,918	948,918

Note 1: Reference for the Nature of loan column

(1) the borrower has business contact with the creditor

(2) the borrower has short-term financing necessities

Note 2: Calculation for the ceiling on total loans granted

Ceiling on total loans granted

According to MAINTEK's policy for loans granted, the ceiling on total loans granted to all parties is 100% of net worth of MAINTEK.

While granting loans to Taiwan subsidiaries which are directly or indirectly not wholly-owned by the Company are as follows: ceiling on total loans granted to which is 40% of net worth of MAINTEK.

While granting loans to the Company and foreign subsidiaries which are directly or indirectly wholly-owned by the Company are as follows: ceiling on total loans granted to which is 100% of net worth of MAINTEK.

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PEGATRON CORPORATION
Notes to the Financial Statements

Table 2: Guarantees and endorsements for other parties
(December 31, 2023)

Expressed in thousands of NTD

No.	Endorser/ Guarantor	Party being endorsed / guaranteed	Relationship (Note 1)	Limit on endorsements/ guarantees provided for a single party (Note2)	Maximum outstanding balance for the period	Outstanding balance for the period (Note3 and Note4)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorser/ amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 2)	Endorsements/ guarantees by parent company to subsidiary	Endorsements/ guarantees by subsidiary company	Endorsements/ guarantees to the party in Mainland China
1	PEL	PMX	(4)	308,509	33,242	33,242	-	2.15 %	771,272	N	N	N
2	ASROCK	ASIAROCK	(2)	5,686,032	2,593,960	2,458,000	1,861,935	30.26 %	5,686,032	Y	N	N

Note 1: Relationship with the endorser / guarantor:

- (1) Having business relationship.
- (2) The endorser / guarantor parent company directly and indirectly holds more than 50% of voting shares of the endorsed / guaranteed subsidiary.
- (3) The endorser / guarantor subsidiary which directly and indirectly be held more than 50% voting shares by the endorsed / guaranteed parent company.
- (4) The endorser / guarantor company and the endorsed / guaranteed party both be held more than 90% by the parent company.
- (5) Company that is mutually protected under contractual requirements based on the needs of the contractor.
- (6) Company that is endorsed by its shareholders in accordance with its shareholding ratio because of the joint investment relationship.
- (7) Performance guarantees for pre-sale contracts under the Consumer Protection Act.

Note 2: Ceiling on total endorsements / guarantees

According to PEL's policy of endorsements and guarantees, the ceiling on total endorsements and guarantees to all parties is 50% of net worth of PEL.

According to ASROCK's policy of endorsements and guarantees, the ceiling on total endorsements and guarantees to all parties is 70% of net worth of ASROCK.

Ceiling on endorsements/ guarantees to single party

According to PEL's policy of endorsements and guarantees, the total ceiling on total endorsements and guarantees to single party is 20% of net worth of PEL.

According to ASROCK's policy of endorsements and guarantees, the total ceiling on total endorsements and guarantees to single party is 70% of net worth of ASROCK.

Note 3: If the amounts were based on foreign currencies, please refer to the spot exchange rate on the financial statement date.

Note 4: The amount is approved by the Board of Directors.

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PEGATRON CORPORATION
Notes to the Financial Statements

Table 3: Securities held as of December 31, 2023 (excluding investment in subsidiaries, associates and joint ventures)
(December 31, 2023)

Securities held by	Marketable securities			Relationship	General ledger account	As of December 31, 2023				NOTE
	Category	Item	Number of shares			Book value	Percentage of ownership	Fair value		
PEGATRON	Stock	ABILITY ENTERPRISE CO.,LTD.	-	Non-current financial assets at fair value through other comprehensive income		33,135,300	874,772	11.52%	874,772	
	Stock	Airoha Technology Corp.	-	Current financial assets at fair value through profit or loss		215,000	124,055	0.13%	124,055	
	Stock	Fubon Financial Holding Co., Ltd. Preferred Shares B	-	Non-current financial assets at fair value through profit or loss		3,500,000	209,650	0.53%	209,650	
	Fund	China Renewable Energy Fund, LP (CREF)	-	Non-current financial assets at fair value through profit or loss		-	995,414	N/A	995,414	
	Stock	TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED	-	Current financial assets at fair value through profit or loss		400,000	237,200	0.00%	237,200	
ASUSPOWER INVESTMENT	Stock	DELTA ELECTRONICS, INC.	-	Current financial assets at fair value through profit or loss		290,000	90,915	0.01%	90,915	
	Stock	MEDIA TEK INC.	-	Current financial assets at fair value through profit or loss		255,000	258,825	0.02%	258,825	
	Stock	SPORTON INTERNATIONAL INC.	-	Current financial assets at fair value through profit or loss		700	169	0.00%	169	
	Stock	WIN SEMICONDUCTORS CORP.	-	Current financial assets at fair value through profit or loss		691,000	109,869	0.16%	109,869	
	Stock	ABILITY ENTERPRISE CO.,LTD.	-	Non-current financial assets at fair value through other comprehensive income		6,495	171	0.00%	171	
	Stock	ZOWIE Technology Corporation	-	Non-current financial assets at fair value through other comprehensive income		90,973	-	0.31%	-	
	Stock	Syntromix CO., LTD.	-	Non-current financial assets at fair value through other comprehensive income		6,778	-	0.02%	-	
	Stock	Cognito Health International Inc.	-	Non-current financial assets at fair value through other comprehensive income		1,136,363	20,949	1.20%	20,949	
	Fund	AMED	-	Non-current financial assets at fair value through profit or loss		-	261,358	N/A	261,358	
	Stock	Valens Semiconductor Ltd.	-	Non-current financial assets at fair value through profit or loss		3,092,412	232,785	2.94%	232,785	
	Stock	BATOM CO., LTD.	-	Non-current financial assets at fair value through profit or loss		4,130,000	198,240	11.09%	198,240	
ASUS INVESTMENT	Stock	SPEED TECH CORPORATION	-	Current financial assets at fair value through profit or loss		8,000,000	466,400	4.67%	466,400	
	Stock	TAIWAN UNION TECHNOLOGY CORPORATION	-	Current financial assets at fair value through profit or loss		277,000	34,902	0.10%	34,902	
	Stock	TONG HSING ELECTRONIC INDUSTRIES, LTD.	-	Current financial assets at fair value through profit or loss		52,650	8,293	0.03%	8,293	
	Stock	Lightel Technologies Inc.	-	Non-current financial assets at fair value through other comprehensive income		2,000,000	64,578	9.40%	64,578	
	Stock	PT Sat Nusapersada Tbk	-	Non-current financial assets at fair value through other comprehensive income		531,434,100	258,759	10.00%	258,759	
	Stock	LIONS Taiwan Technology Inc.	-	Non-current financial assets at fair value through other comprehensive income		5,000,000	200,000	18.22%	200,000	
ASUS INVESTMENT	Fund	New Economy Ventures LP	-	Non-current financial assets at fair value through profit or loss		-	60,136	N/A	60,136	
	Fund	AMED	-	Non-current financial assets at fair value through profit or loss		-	228,688	N/A	228,688	
	Stock	Neuroblade	-	Non-current financial assets at fair value through profit or loss		332,680	5,435	0.80%	5,435	
	Stock	Reed Semiconductor	-	Non-current financial assets at fair value through profit or loss		1,194,616	146,818	2.14%	146,818	

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PEGATRON CORPORATION
Notes to the Financial Statements

Securities held by	Marketable securities		Relationship	General ledger account	As of December 31, 2023				NOTE
	Category	Item			Number of shares	Book value	Percentage of ownership	Fair value	
ASUSTEK INVESTMENT	Stock	BATOM CO., LTD.	-	Non-current financial assets at fair value through profit or loss	3,076,520	147,673	8.26%	147,673	
PROTEK SHANGHAI	Stock	Cognito Health International Inc.	-	Non-current financial assets at fair value through profit or loss	3,333,333	61,450	3.52%	61,450	
	Stock	LUXSHARE ICT CO., LTD.	-	Current financial assets at fair value through profit or loss	39,845,105	5,840,136	0.56%	5,840,136	
Pegatron Venture	Bond	LUXSHARE ICT CO., LTD.(Convertible Bond)	-	Current financial assets at fair value through profit or loss	170,816	81,022	N/A	81,022	
	Stock	Contemporary Amperex Technology Co. Limited	-	Current financial assets at fair value through profit or loss	5,400	3,861	0.00%	3,861	
Pegatron Venture	Stock	Ark Semiconductor Corp. Ltd.	-	Non-current financial assets at fair value through profit or loss	-	10,598	5.42%	10,598	
	Stock	KG Invest TW Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	2,500,000	1,484	3.22%	1,484	
	Stock	Pannmedia Co., Ltd	-	Non-current financial assets at fair value through other comprehensive income	2,600,010	38,058	9.89%	38,058	
	Stock	TXOne Networks Inc.	-	Current financial assets at fair value through profit or loss	236,363	41,098	0.42%	41,098	
	Stock	BSOS Holdings INC.	-	Non-current financial assets at fair value through other comprehensive income	5,639,098	22,533	7.06%	22,533	
	Stock	Fansi Me Inc.	-	Non-current financial assets at fair value through other comprehensive income	394,909	6,000	5.22%	6,000	
	Stock	All Win Fintech Company Limited	-	Non-current financial assets at fair value through other comprehensive income	2,000,000	24,000	2.00%	24,000	
	Stock	Humane Inc.	-	Current financial assets at fair value through profit or loss	64,065	46,708	0.17%	46,708	
	Stock	YunTan Technology Inc.	-	Non-current financial assets at fair value through other comprehensive income	107,984	10,714	5.00%	10,714	
	Stock	Bestmade Inc.	-	Non-current financial assets at fair value through other comprehensive income	8,434,900	8,000	7.29%	8,000	
	Stock	Wavenet Holding CO., Ltd	-	Current financial assets at fair value through profit or loss	2,379,182	50,979	2.13%	50,979	
	Stock	POMO Network INC.	-	Non-current financial assets at fair value through other comprehensive income	157,894	9,000	2.03%	9,000	
	Stock	Modernity Financial Holdings, Ltd(Cayman)	-	Non-current financial assets at fair value through other comprehensive income	143,147	15,628	0.32%	15,628	
ASUSPOWER	Stock	Tesla, Inc.	-	Current financial assets at fair value through profit or loss	300	8,812	0.00%	8,812	
	Stock	TXOne Networks Inc.	-	Current financial assets at fair value through profit or loss	1,454,545	245,800	2.61%	245,800	
RI-KUAN	Stock	Humane Inc.	-	Current financial assets at fair value through profit or loss	149,486	107,537	0.39%	107,537	
	Stock	Ethos Original Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	5,000,000	50,000	7.49%	50,000	
HUA-YUAN Lumens	Stock	Ethos Original Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	5,000,000	52,028	7.49%	52,028	
	Fund	Fuh Hwa Money Market	-	Current financial assets at fair value through profit or loss	82,955,929	1,226,785	N/A	1,226,785	
KINSUS	Fund	Mega Diamond Money Market Fund	-	Current financial assets at fair value through profit or loss	21,355,432	275,475	N/A	275,475	
	Fund	Jih Sun Money Market	-	Current financial assets at fair value through profit or loss	17,776,549	271,172	N/A	271,172	
KINSUS INVESTMENT	Fund	Taishin Ta-Chong Money Market Fund	-	Current financial assets at fair value through profit or loss	829,070	12,112	N/A	12,112	
PEGAVISION	Stock	Ethos Original Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	5,000,000	50,000	7.49%	50,000	
	Stock	Li Chang Finery Inc.	-	Non-current financial assets at fair value through other comprehensive income	32,653	1,000	1.01%	1,000	
	Fund	Yuantai Wan-Tai Money Market Fund	-	Current financial assets at fair value through profit or loss	6,400,626	99,550	N/A	99,550	
	Fund	Yuantai De-Li Money Market Fund	-	Current financial assets at fair value through profit or loss	6,475,107	108,558	N/A	108,558	
	Fund	Mega Diamond Money Market Fund	-	Current financial assets at fair value through profit or loss	88,870,417	1,146,384	N/A	1,146,384	

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PEGATRON CORPORATION
Notes to the Financial Statements

Securities held by	Marketable securities			Relationship	General ledger account	As of December 31, 2023			
	Category	Item				Number of shares	Book value	Percentage of ownership	NOTE
Mayin	Fund	FSITC Taiwan Money Market Fund	-	-	Current financial assets at fair value through profit or loss	67,078,751	1,055,719	N/A	1,055,719
	Fund	Mega Diamond Money Market Fund	-	-	Current financial assets at fair value through profit or loss	392,329	5,061	N/A	5,061
FacialBeau	Fund	FSITC Taiwan Money Market Fund	-	-	Current financial assets at fair value through profit or loss	1,653,209	26,019	N/A	26,019
	Fund	Mega Diamond Money Market Fund	-	-	Current financial assets at fair value through profit or loss	673,797	10,605	N/A	10,605
BeautyTech	Fund	Yuanta De-Li Money Market Fund	-	-	Current financial assets at fair value through profit or loss	502,952	8,432	N/A	8,432
	Fund	Yuanta Wan-Tai Money Market Fund	-	-	Current financial assets at fair value through profit or loss	2,221,592	34,553	N/A	34,553
AZUREWAVE	Fund	FSITC Taiwan Money Market Fund	-	-	Current financial assets at fair value through profit or loss	8,932,500	140,584	N/A	140,584
	Stock	Ulimems, Inc.	-	-	Non-current financial assets at fair value through other comprehensive income	230	9,687	0.57%	9,687

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PEGATRON CORPORATION
Notes to the Financial Statements

Table 4: Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock
(For the year ended December 31, 2023)

Marketable securities				Beginning balance		Addition		Disposal		Ending balance					
Investor	Category	Item	General ledger account	Counterparty	Relationship with the investor	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Book Value	Gain (loss) on disposal	Number of shares	Amount (Note 1)
CASETEK CAYMAN	Stock	PMX	Investments accounted for using the equity method	-	-	-	1,527,436	-	1,556,347	-	-	-	-	-	3,390,253
CASETEK CAYMAN	Stock	PVN	Investments accounted for using the equity method	-	-	-	-	-	3,113,094	-	-	-	-	-	2,978,511
PEGAVISION	Fund	Yuanta Wan-Tai Money Market Fund	Current financial assets at fair value through profit or loss	-	-	17,190,427	264,208	40,450,950	623,500	51,240,751	790,500	787,914	2,464	6,400,626	99,550
PEGAVISION	Fund	Yuanta De-Li Money Market Fund	Current financial assets at fair value through profit or loss	-	-	18,482,095	306,237	30,343,170	504,500	42,350,158	704,500	702,041	2,390	6,475,107	108,558
PEGAVISION	Fund	Mega Diamond Money Market Fund	Current financial assets at fair value through profit or loss	-	-	-	-	192,441,379	2,475,000	103,570,962	1,332,197	1,331,384	2,197	88,870,417	1,146,384
PEGAVISION	Fund	FSITC Taiwan Money Market Fund	Current financial assets at fair value through profit or loss	-	-	-	-	273,100,204	4,280,224	206,021,453	3,230,800	3,226,829	5,133	67,078,751	1,055,719
KINSUS	Stock	PEGAVISION	Investments accounted for using the equity method	-	-	-	-	1,820,034	564,210	-	-	-	-	1,820,034	564,210
KAEDAR	Stock	KAILEXING	Investments accounted for using the equity method	-	-	-	-	-	N/A (Note 2)	-	706,445	N/A (Note 2)	N/A (Note 2)	-	-
Lumens	Fund	Fuh Hwa Money Market	Current financial assets at fair value through profit or loss	-	-	74,510,785	1,089,892	105,152,824	1,552,652	96,707,680	1,420,252	1,415,791	32	82,955,929	1,226,785
Azwave	Stock	AZURE YANQZHOU	Investments accounted for using the equity method	-	-	-	198,102	-	-	-	308,170	193,584 (Note 3)	-	-	-
Azwave	Stock	Azurewave Shanghai	Investments accounted for using the equity method	-	-	-	763,330	-	193,584 (Note 3)	-	-	-	-	-	1,281,375

PEGATRON CORPORATION
Notes to the Financial Statements

Table 5: Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock
(For the year ended December 31, 2023)

Name of company	Type of property	Transaction date	Transaction amount	Payment term	Counter-party	Relationship	If the counter-party is a related party, disclose the previous transfer information				Expressed in thousands of NT\$		
							Owner	Relationship	Date of transfer	Amount	References for determining price	Purpose of acquisition and condition	Other
PEGATRON	Land and buildings	112.05.22	755,000	On the basis of the contract	TRIOCEAN INDUSTRIAL CORPORATION CO., LTD.	Non-related-party	None	None	None	None	After bargaining, the price will be approved by the chairman of the Board of Directors to determine.	For business use	None
PEL	Machinery equipments	112.01.19	307,658	On the basis of the contract	COTEK SUZHOU	Related-party	None	Group resource integration	None	None	After bargaining, the price will be approved by the chairman of the Board of Directors to determine.	For production and business use	None
PEL	Machinery equipments	112.05.08	308,224	On the basis of the contract	COTEK SUZHOU	Related-party	None	Group resource integration	None	None	After bargaining, the price will be approved by the chairman of the Board of Directors to determine.	For production use	None
PMX	Right-of-use assets- buildings	112.03.06	329,427	On the basis of the contract	American Industries	Non-related-party	None	None	None	None	After bargaining, the price will be approved by the chairman of the Board of Directors to determine.	For production and business use	None
PMX	Plant (electrical engineering)	112.03.10	612,825	N/A	TRANSDIEN MEXICO S.A. DE C.V	Non-related-party	None	None	None	None	N/A	For production and business use	None
PEGAVISION	Land and buildings	112.09.21	3,040,000	On the basis of the contract	PEGATRON	The ultimate parent of the Company	ASUSTek Computer Inc.	None	97.01	1,415,191	The transaction amount refer to professional appraisal institutions.	For business growth	None
KAILEXING	Land and buildings	112.09.08	354,774	On the basis of the contract	KAEDAR	Parent company	None	None	90.04	17,135	The transaction amount refer to professional appraisal institutions.	Group resource integration	None
PTI	Right-of-use assets- buildings	112.10.27	316,826	On the basis of the contract	M/s Chengalpattu Warehousing Parks Private Limited	Non-related-party	None	None	None	None	Appraisal report and negotiation results.	For business use	None
PVN	Plant (engineering)	112.12.28	1,188,551	N/A	Jianxing Vietnam Construction and Development Co., Ltd.	Non-related-party	None	None	None	None	N/A	For production and business use	None
PVN	Dormitory (engineering)	112.12.28	824,559	N/A	Zhongyifeng Vietnam Construction and Development Co., Ltd.	Non-related-party	None	None	None	None	N/A	For business use	None

Note :If the amounts were based on foreign currencies, please refer to the spot exchange rate on the financial statement date.

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PEGATRON CORPORATION
Notes to the Financial Statements

Table 6: Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock
(For the year ended December 31, 2023)

Name of company	Type of property	Transaction date	Acquisition date	Book value	Transaction amount	Payment term	Gain from disposal	Counter-party	Relationship	References for determining price	Expressed in thousands of NTD	
											Purpose of acquisition and condition	Other
PEGATRON	Land and buildings	112.09.21	97.01	1,078,146	3,040,000	On the basis of the contract	N/A	PEG/AVISION	Related-party	The transaction amount refer to professional appraisal institutions.	Group resource integration	None
KAEDAR	Land and buildings	112.09.08	90.04	25,106	354,774	On the basis of the contract	308,310	KAILE XING	Related-party	The transaction amount refer to professional appraisal institutions.	Group resource integration	None

Note :If the amounts were based on foreign currencies, please refer to the spot exchange rate on the financial statement date.

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Notes to the Financial Statements

Table 7: Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock (For the year ended December 31, 2023)

Expressed in thousands of NTD										
Transaction					Differences in transaction terms compared to third party transactions			Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship	Purchases (sales)	Percentage of total		Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Note
				Amount	90 days on delivery					
PEGA TRON	PTSI	Subsidiary	Sale	(117,649)	(0.01)%	-	-	63,716	0.02 %	
PEGA TRON	COTEK SUZHOU	Subsidiary	Sale	(2,271,832)	(0.19)%	-	Open Account 90 Days	761,803	0.22 %	
PEGA TRON	MAINTeK	Subsidiary	Sale	(15,223,665)	(1.29)%	-	Open Account 90 Days	18,844,313	5.45 %	
PEGA TRON	PTI	Subsidiary	Sale	(13,930,030)	(1.18)%	-	Open Account 60 Days	18,593,889	5.38 %	
PEGA TRON	PTX	Subsidiary	Sale	(7,939,106)	(0.67)%	-	Open Account 90 Days	3,126,504	0.90 %	
PEGA TRON	CSG	Associate	Sale	(614,630)	(0.05)%	-	30 days on delivery	-	-	%
PEGA TRON	PROTEK SHANGHAI	Subsidiary	Purchase	1,673,858	0.15 %	-	Open Account 60 Days	(50,167,974)	(14.01)%	
PEGA TRON	CASETEK SUZHOU	Subsidiary	Purchase	195,108	0.02 %	-	Open Account 60 Days	(22,626)	(0.01)%	
PEGA TRON	DIGITEK CHONGQING	Subsidiary	Purchase	4,322,588	0.38 %	-	Open Account 60 Days	(19,942,781)	(5.57)%	
PEGA TRON	COTEK SUZHOU	Subsidiary	Purchase	1,694,311	0.15 %	-	Open Account 60 Days	(69,071)	(0.02)%	
PEGA TRON	AZUREWAVE	Subsidiary	Purchase	111,525	0.01 %	-	Open Account 60 Days	(27,899)	(0.01)%	
PEGA TRON	PVN	Subsidiary	Purchase	105,811	0.01 %	-	Open Account 60 Days	(8,751,206)	(2.44)%	
PEGA TRON	PEGAGLOBE KUNSHAN	Subsidiary	Purchase	60,450,107	5.26 %	-	Open Account 60 Days	(72,295,686)	(20.19)%	
PEGA TRON	MAINTeK	Subsidiary	Purchase	34,527,302	3.01 %	-	Open Account 60 Days	(21,093,763)	(5.89)%	
PEGA TRON	ASRock Rack	Subsidiary	Purchase	133,041	0.01 %	-	Open Account 60 Days	(24,177)	(0.01)%	
PEGA TRON	PTB	Subsidiary	Purchase	7,654,658	0.67 %	-	Open Account 60 Days	(13,874,201)	(3.87)%	
PEGA TRON	RI Da	Associate	Purchase	346,039	0.03 %	-	Open Account 60 Days	(108,520)	(0.03)%	
PEGA TRON	PTI	Subsidiary	Purchase	7,626,424	0.66 %	-	Open Account 60 Days	(6,239,563)	(1.74)%	
PEGA TRON	PHP	Subsidiary	Purchase	608,279	0.05 %	-	Open Account 60 Days	(710,164)	(0.20)%	
PEGA TRON	PEGA TRON	Parent company	Purchase	15,223,665	98.93 %	-	Open Account 90 Days	(18,844,313)	(96.05)%	
MAINTeK	PEGA TRON	Parent company	Sale	(34,527,302)	(92.39)%	-	Open Account 60 Days	21,093,763	75.76 %	
MAINTeK	COTEK SUZHOU	Associate	Purchase	353,573	0.18 %	-	Open Account 60 Days	(67,278)	(0.34)%	
MAINTeK	COTEK SUZHOU	Associate	Sale	(17,800,752)	(7.61)%	-	Open Account 90 Days	6,519,049	23.41 %	
MAINTeK	CASETEK SUZHOU	Associate	Purchase	1,808,728	0.91 %	-	Open Account 60 Days	(131,098)	(0.67)%	
PEGA TRON	PEGA TRON	Parent company	Sale	(60,450,107)	(98.84)%	-	Open Account 60 Days	72,295,686	99.04 %	
PEGA TRON	PROTEK SHANGHAI	Associate	Sale	(293,489)	(0.07)%	-	Open Account 60 Days	40,056	0.05 %	
PEGA TRON	PROTEK SHANGHAI	Associate	Purchase	45,962,591	12.15 %	-	Open Account 60 Days	(5,608,740)	(6.15)%	
DIGITEK CHONGQING	PEGA TRON	Parent company	Sale	(4,322,588)	(99.97)%	-	Open Account 60 Days	19,942,781	99.95 %	
DIGITEK CHONGQING	KAI-CHUAN	Associate	Purchase	254,761	0.39 %	-	Open Account 60 Days	(22,082)	(0.11)%	
PROTEK SHANGHAI	PEGA TRON	Parent company	Sale	(1,673,858)	(85.75)%	-	Open Account 60 Days	50,167,974	89.67 %	
PROTEK SHANGHAI	PEGAGLOBE KUNSHAN	Associate	Purchase	293,489	0.10 %	-	Open Account 60 Days	(40,056)	(0.11)%	
COTEK SUZHOU	PEGA TRON	Parent company	Sale	(45,962,591)	(13.90)%	-	Open Account 60 Days	5,608,740	10.03 %	
COTEK SUZHOU	PEGA TRON	Parent company	Purchase	2,271,832	13.63 %	-	Open Account 90 Days	(761,803)	(10.06)%	
COTEK SUZHOU	PEGA TRON	Parent company	Sale	(1,694,311)	(10.00)%	-	Open Account 60 Days	69,071	0.75 %	
COTEK SUZHOU	MAINTeK	Associate	Sale	(353,573)	(1.52)%	-	Open Account 60 Days	67,278	0.73 %	
COTEK SUZHOU	MAINTeK	Associate	Purchase	17,800,752	83.37 %	-	Open Account 90 Days	(6,519,049)	(86.09)%	
POWTEK SHANGHAI	COTEK SUZHOU	Associate	Sale	(19,809,740)	(84.92)%	-	Open Account 60 Days	8,654,238	94.38 %	
POWTEK SHANGHAI	COTEK SUZHOU	Associate	Purchase	19,809,740	99.97 %	-	Open Account 60 Days	(8,654,238)	(99.93)%	
DIGITEK CHONGQING	PEGA TRON	Associate	Sale	(254,761)	(62.81)%	-	Open Account 60 Days	22,082	55.84 %	
CASETEK SUZHOU	PEGA TRON	Parent company	Sale	(195,108)	(7.61)%	-	Open Account 60 Days	22,626	8.83 %	
CASETEK SUZHOU	PEGA TRON	Associate	Sale	(1,808,728)	(70.59)%	-	Open Account 60 Days	131,098	51.14 %	

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Notes to the Financial Statements

Expressed in thousands of NTD

Transaction				Differences in transaction terms compared to third party transactions			Notes/accounts receivable (payable)					
Purchaser/seller	Counterparty	Relationship	Purchases (sales)	Amount	Percentage of total	Credit term	Unit price	Credit term	Balance	Percentage of	Note	
				(153,445)	(100.00)%					total notes/accounts receivable (payable)		%
CORE-TEK	PROTEK SHANGHAI	Associate	Sale			Open Account 60 Days	-	-	-	-		
	PEGATRON	Parent company	Sale	(608,279)	(99.89)%	Open Account 60 Days	-	-	710,164	100.00 %		
	PEGATRON	Parent company	Sale	(7,654,658)	(99.96)%	Open Account 60 Days	-	-	13,874,201	100.00 %		
	PEGATRON	Parent company	Purchase	13,930,030	96.11 %	Open Account 60 Days	-	-	(18,593,889)	(100.00)%		
	PEGATRON	Parent company	Sale	(7,626,424)	(79.81)%	Open Account 60 Days	-	-	6,239,563	79.67 %		
	PEGATRON	Parent company	Purchase	117,649	8.02 %	90 days on delivery	-	-	(63,716)	(31.93)%		
	PEGATRON	Parent company	Purchase	7,939,106	98.35 %	Open Account 90 Days	-	-	(3,126,504)	(91.00)%		
	PEGATRON	Parent company	Sale	(105,811)	(100.00)%	Open Account 60 Days	-	-	8,751,206	99.98 %		
	PEGATRON	Associate	Purchase	614,630	- %	30 days on delivery	-	-	-	-	%	
	PEGATRON	Associate	Sale	(346,039)	- %	Open Account 60 Days	-	-	108,520	-	%	
	KINSUS	KINSUS SUZHOU	Subsidiary	Purchase	1,614,862	21.60 %	Open Account 60 Days	Incomparable due to different product specification	No comparable non-related party.	(306,633)	(10.38)%	
	KINSUS SUZHOU	KINSUS	Parent company	Sale	(1,614,862)	(68.87)%	Open Account 60 Days	Incomparable due to different product specification	No comparable non-related party.	306,633	71.10 %	
	PEGAVISION	PEGAVISION JAPAN	Subsidiary	Sale	(2,961,338)	(49.55)%	Open Account 90 Days	Same as other clients.	Telex transfer-Open Accounts 90 Days	584,894	54.70 %	
	PEGAVISION	BeautyTech	Subsidiary	Sale	(296,073)	(4.95)%	Open Account 120 Days	Same as other clients.	Telex transfer-Open Accounts 90 Days	114,430	10.70 %	
	PEGAVISION	Genvision Zhejiang	Subsidiary	Sale	(274,483)	(4.59)%	Open Account 180 Days	Same as other clients.	Telex transfer-Open Accounts 90 Days	59,203	5.54 %	
	PEGAVISION JAPAN	PEGAVISION	Parent company	Purchase	2,961,338	100.00 %	Open Account 90 Days	No other comparable vendors.	No other comparable vendors.	(584,894)	(100.00)%	
BeautyTech	PEGAVISION	Parent company	Purchase	296,073	77.17 %	Open Account 120 Days	No other comparable vendors.	No other comparable vendors.	(114,430)	(94.37)%		
Genvision Zhejiang	PEGAVISION	Parent company	Purchase	274,483	95.74 %	Open Account 180 Days	No other comparable vendors.	No other comparable vendors.	(59,203)	(97.39)%		
ASROCK	ASROCK EUROPE	Subsidiary	Sale	(4,174,702)	(29.10)%	Open Account 45 Days	Same as other clients.	Same as other clients.	258,626	10.24 %		
ASROCK	ASRock America	Subsidiary	Sale	(4,174,621)	(29.10)%	Open Account 90 Days	Same as other clients.	Same as other clients.	1,681,803	66.58 %		
ASROCK	ASIAROCK	Subsidiary	Purchase	12,336,665	96.54 %	Open Account 90 Days	No other comparable vendors.	No other comparable vendors.	(2,956,639)	(97.40)%		
ASRock Rack	PEGATRON	Parent company	Sale	(133,041)	(5.05)%	Open Account 60 Days	Same as other clients.	Same as other clients.	24,177	6.12 %		
ASRock Rack	ASRock America	Associate	Sale	(300,497)	(10.98)%	Open Account 90 Days	Same as other clients.	Same as other clients.	109,501	27.73 %		
ASRock Rack	ASROCK EUROPE	Associate	Sale	(138,239)	(5.05)%	Open Account 60 Days	Same as other clients.	Same as other clients.	12,119	3.07 %		
ASRock Rack	ASIAROCK	Associate	Purchase	971,746	55.06 %	Open Account 60 Days	No other comparable vendors.	No other comparable vendors.	(232,107)	(35.23)%		
ASRock Industrial	ASROCK EUROPE	Associate	Sale	(241,413)	(17.24)%	Open Account 60 Days	Same as other clients.	Same as other clients.	-	-	%	
ASRock Industrial	ASROCK	Associate	Purchase	395,886	62.04 %	Open Account 60 Days	No other comparable vendors.	No other comparable vendors.	(134,098)	(48.72)%		
ASRock Industrial	ASRock America	Associate	Sale	(137,432)	(9.82)%	Open Account 60 Days	Same as other clients.	Same as other clients.	8,350	6.89 %		
ASIAROCK	ASROCK	Parent company	Sale	(12,336,665)	(87.51)%	Open Account 90 Days	Same as other clients.	Same as other clients.	2,956,639	85.93 %		
ASIAROCK	ASRock Rack	Associate	Sale	(971,746)	(6.89)%	Open Account 60 Days	Same as other clients.	Same as other clients.	232,107	6.75 %		
ASIAROCK	ASROCK Industrial	Associate	Sale	(395,886)	(2.81)%	Open Account 60 Days	Same as other clients.	Same as other clients.	134,098	3.90 %		
ASRock America	ASROCK	Parent company	Purchase	4,174,621	90.51 %	Open Account 90 Days	No other comparable vendors.	No other comparable vendors.	(1,681,803)	(93.45)%		
ASRock America	ASRock Rack	Associate	Purchase	300,497	6.51 %	Open Account 90 Days	No other comparable vendors.	No other comparable vendors.	(109,501)	(6.08)%		
ASRock America	ASRock Industrial	Associate	Purchase	137,432	2.98 %	Open Account 60 Days	No other comparable vendors.	No other comparable vendors.	(8,350)	(0.46)%		
ASROCK EUROPE	ASROCK	Parent company	Purchase	4,174,702	91.66 %	Open Account 45 Days	No other comparable vendors.	No other comparable vendors.	(258,626)	(95.52)%		
ASROCK EUROPE	ASRock Rack	Associate	Purchase	138,239	3.04 %	Open Account 60 Days	No other comparable vendors.	No other comparable vendors.	(12,119)	(4.48)%		
ASROCK EUROPE	ASRock Industrial	Associate	Purchase	241,413	5.30 %	Open Account 60 Days	No other comparable vendors.	No other comparable vendors.	-	-	%	
AZUREWAVE	PEGATRON	Parent company	Sale	(111,525)	(1.00)%	Open Account 60 Days	Same as non-related party	Same as non-related party	27,899	2.00 %		
AZUREWAVE	Azurewave Shanghai	Subsidiary	Purchase and processing fee	1,663,793	28.00 %	Open Account 30-60 Days	Same as non-related party	shorter than non-related party.	(1,167,971)	(44.00)%		
Azurewave Shanghai	AZUREWAVE	Parent company	Sale	(1,663,793)	(52.00)%	Open Account 30-60 Days	Same as non-related party	shorter than non-related party.	1,172,194	81.00 %		

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Table 8: Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock (December 31, 2023)

Creditor	Counterparty	Relationship	Balance of receivables	Turnover rate	Overdue Receivables		Expressed in thousands of NTD	
					Amount	Action taken	Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
PEGATRON	COTEK SUZHOU	Subsidiary	761,803	1.43 Times	-	-	-	-
PEGATRON	MAINTEK	Subsidiary	18,844,313	9.62 Times	-	-	-	-
PEGATRON	PTI	Subsidiary	18,593,889	3.04 Times	-	-	-	-
PEGATRON	PTX	Subsidiary	3,126,504	2.67 Times	-	-	-	-
PEGATRON	PROTEK SHANGHAI	Subsidiary	37,035,840	3.12 Times	-	-	-	-
PEGATRON	DIGITEK CHONGQING	Subsidiary	19,329,470	2.72 Times	-	-	-	-
PEGATRON	PEGAGLOBE KUNSHAN	Subsidiary	83,758,057	3.86 Times	-	-	32,262	-
PEGATRON	PTB	Subsidiary	17,384,760	3.04 Times	-	-	-	-
PEGATRON	PHP	Subsidiary	946,889	2.71 Times	-	-	-	-
PEGATRON	PVN	Subsidiary	11,035,783	2.39 Times	-	-	-	-
PEGA HOLDING	PEGATRON	Parent company	660,588	N/A (Notes 1)	-	-	-	-
UNIHAN	PEGATRON	Parent company	1,843,500	N/A (Notes 1)	-	-	-	-
CASETEK	PEGATRON	Parent company	141,335	N/A (Notes 1)	-	-	-	-
CTL	PEL	Associate	460,875	N/A (Notes 1)	-	-	-	-
PEGAGLOBE KUNSHAN	PEGATRON	Parent company	72,295,686	4.11 Times	-	-	44,451	-
MAINTEK	PEGATRON	Parent company	21,093,763	7.15 Times	-	-	-	-
MAINTEK	COTEK SUZHOU	Associate	6,519,049	2.60 Times	-	-	-	-
MAINTEK	COTEK SUZHOU	Associate	1,536,250	N/A (Notes 1)	-	-	-	-
DIGITEK CHONGQING	PEGATRON	Parent company	19,942,781	2.98 Times	-	-	-	-
DIGITEK CHONGQING	KAI-CHUAN	Associate	184,350	N/A (Notes 1)	-	-	-	-
PROTEK SHANGHAI	PEGATRON	Parent company	50,167,974	3.93 Times	-	-	-	-
PROTEK SHANGHAI	PEGAGLOBE KUNSHAN	Associate	5,608,740	2.50 Times	-	-	-	-
COTEK SUZHOU	POWTEK SHANGHAI	Associate	8,654,238	2.24 Times	-	-	-	-
COTEK SUZHOU	PEL	Associate	163,078	5.02 Times	112,178	Dunning	-	-
COTEK SUZHOU	KINSUS	Associate	152,384	0.70 Times	94,815	Dunning	-	-
CASITEK SUZHOU	PROTEK SHANGHAI	Associate	1,301,409	N/A (Notes 1)	-	-	-	-
CASITEK SUZHOU	MAINTEK	Associate	131,098	7.49 Times	3	Dunning	-	-
ASUSPOWER	PEGATRON	Parent company	5,656,473	N/A (Notes 1)	-	-	-	-
ASUSPOWER	ASUSPOWER INVESTMENT	Parent company	307,250	N/A (Notes 1)	-	-	-	-
PHP	PEGATRON	Parent company	710,164	5.45 Times	-	-	233	-
PTB	PEGATRON	Parent company	13,874,201	4.88 Times	-	-	-	-
PTI	PEGATRON	Parent company	6,239,563	6.45 Times	-	-	-	-
PVN	PEGATRON	Parent company	8,751,206	3.62 Times	-	-	3,242	-

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PEGATRON CORPORATION
Notes to the Financial Statements

Creditor	Counterparty	Relationship	Balance of receivables	Turnover rate	Overdue Receivables		Expressed in thousands of NT\$	
					Amount	Action taken	Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
RI Da	PEGATRON	Associate	108,520	3.78 Times	-	-	33	-
RI-TENG	RI-PRO	Associate	130,141	N/A (Notes 1)	-	-	-	-
RI-TENG	PROTEK SHANGHAI	Associate	4,338,030	N/A (Notes 1)	-	-	-	-
CASETEK CAYMAN	PEGATRON	Parent company	2,458,000	N/A (Notes 1)	-	-	-	-
KINSUS SUZHOU	KINSUS	Parent company	306,633	5.65 Times	-	-	-	-
PEGAVISION	PEGAVISION JAPAN	Subsidiary	584,894	6.44 Times	-	-	99,456	-
PEGAVISION	BeautyTech	Subsidiary	114,430	2.77 Times	-	-	300	-
ASROCK	ASROCK EUROPE	Subsidiary	258,626	26.54 Times	-	-	60,263	-
ASROCK	ASRock America	Subsidiary	1,681,803	2.26 Times	-	-	225,397	-
ASIAROCK	ASROCK	Parent company	2,956,639	6.19 Times	-	-	-	-
ASIAROCK	ASRock Rack	Associate	232,107	3.11 Times	-	-	-	-
ASIAROCK	ASRock Industrial	Associate	134,098	2.08 Times	-	-	9,979	-
ASRock Rack	ASRock America	Associate	109,501	2.80 Times	-	-	-	-
Azurewave Shanghai	AZUREWAVE	Parent company	1,172,194	2.35 Times	-	-	1,172,194	-

Note 1: Since the receivables are not caused by selling and purchasing transactions, the turnover rate is not applicable.

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Notes to the Financial Statements

Table 9: Information on investees
(December 31, 2023)

Investor	Investee	Location	Main business activities	Initial investment amount		Ending balance		Book value	Net profit (loss) of the investee	Investment income (loss)	Note
				Ending balance	Beginning balance	Number of shares	Percentage of ownership				
PEGATRON	ASUSPOWER INVESTMENT	Taipei	Investing activities	13,033,429	13,033,429	932,844,700	100.00 %	12,149,660	352,560	352,560	Expressed in thousands of NTD
	ASUS INVESTMENT	Taipei	Investing activities	16,184,982	16,184,982	979,254,600	100.00 %	14,058,552	596,671	596,671	
	ASUSTEK INVESTMENT	Taipei	Investing activities	14,593,543	14,593,543	951,278,300	100.00 %	9,402,127	206,621	206,621	
	PEGA HOLDING	Cayman Islands	Investing activities	34,318,691	34,318,691	991,906,463	100.00 %	96,801,153	3,397,202	3,739,325	
	PUSA	CA, USA	Sales and repair service center in North America	16,085	16,085	50,000	100.00 %	20,214	1,517	1,517	
	PHH	Wijchen, NETHERLANDS	Investing activities	1,278,287	1,278,287	-	100.00 %	3,292,393	115,410	115,410	
	AMA	Taipei	Designing and developing computer parts	408,394	408,394	33,500,000	100.00 %	443,521	5,170	5,170	
	AZUREWAVE	New Taipei City	Wireless network development and computer and business equipment, wholesale and retail sales of telecommunications equipment and information software, provision of computer peripheral hardware and mobile e-commerce services	525,750	525,750	35,750,000	23.42 %	681,420	333,439	78,054	
	UNIHAN	Cayman Islands	Investing activities	5,823,962	5,823,962	170,110,010	100.00 %	6,619,826	162,186	161,407	
	CASETEK CAYMAN	Cayman Islands	Investing activities	14,717,122	14,717,122	1	100.00 %	46,662,870	3,831,902	3,831,902	
	PAU	Australia	Sales and repair service center in Australia	139,088	139,088	6,000,000	100.00 %	296,586	46,360	46,360	
	PTB	Indonesia	Data storage and processing equipment, manufacturing wired and wireless communication equipment, installing and selling of computer equipment and electronic components	1,249,369	1,249,369	39,999	99.99 %	2,417,147	661,961	555,790	
	PVN	Vietnam	Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts	4,314,741	4,314,741	-	60.00 %	4,467,839	22,620	(42,864)	
	PHP	Vietnam	Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts	429,459	429,459	-	100.00 %	356,129	127,504	128,468	
	PTI	India	Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts	4,287,623	4,287,623	1,099,890,000	99.99 %	1,192,428	(1,148,393)	(1,065,944)	
	PTX	TX, USA	Sales center in North America	144,033	144,033	500	100.00 %	(1,128,273)	(1,431,500)	(1,431,500)	
	PEL	TX, USA	Sales center in North America	1,498,950	1,498,950	5,000	100.00 %	1,542,543	(9,465)	(9,465)	
	Pegapower Investment	Taipei	Investing activities	1,000,000	1,000,000	100,000,000	100.00 %	997,611	(5,061)	(5,061)	
	Pegatron Investment	Taipei	Investing activities	1,000,000	1,000,000	100,000,000	100.00 %	998,505	(4,174)	(4,174)	
	PELI	India	Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts	3,856	-	999,900	99.99 %	3,288	(413)	(413)	
ASUSPOWER INVESTMENT	STARLINK	New Taipei City	Manufacturing electronic parts and plastic products, and manufacturing and wholesaling electronic components	135,144	135,144	15,000,000	50.00 %	249,734	4,754	Not required to disclose	
	KINSUS	Taoyuan	Manufacturing electronic parts, whole selling and retailing of electronic components, as well as providing business management consultant service	727,473	727,473	55,556,221	12.23 %	3,858,560	47,516	Not required to disclose	
ASUSPOWER INVESTMENT	ASROCK	Taipei	Selling motherboards, related product development and design	82,626	82,626	2,791,000	2.29 %	186,437	919,041	Not required to disclose	

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PEGATRON CORPORATION
Notes to the Financial Statements

		Expressed in thousands of NTD				
Investor	Investee	Location	Main business activities	Initial investment amount		
				Ending balance	Ending balance of ownership	Book value
				Beginning balance	Number of shares	Percentage of ownership
AZUREWAVE		New Taipei City	Wireless network development and computer and business equipment, wholesale and retail sales of telecommunications equipment and information software, provision of computer peripheral hardware and mobile e-commerce services	154,000	7,000,000	4.59 %
	Lumens	Hsinchu	Developing, manufacturing and selling computer data projectors and related peripherals	508,932	10,043,490	49.38 %
	PEGAVISION	Taoyuan	Medical equipment manufacturers, optical instruments, precision instruments	347,450	6,372,796	8.17 %
	ASUSPOWER	Virgin Islands	Manufacturers and sales of the preceding products	3,752,682	109,000,000	31.23 %
	PTSI	Kentucky, USA	Investing and trading activities	94,475	2,800	100.00 %
	WISE INVESTMENT	Taipei	Sales and repair service center in North America	48,780	-	48.78 %
	PEGA INTERNATIONAL	Taipei	Investing activities	31,885	-	100.00 %
	PJ	Japan	Design service and sales	27,287	1,632	100.00 %
	PMX	Chihuahua, Mexico	Sales and repair service center in Japan	738,554	-	15.51 %
	PSG	Singapore	Manufacture of electronic products, the whole-sale and retail-sale of electronic materials.	23,990	1,000,000	100.00 %
	PTB	Indonesia	Sales and repair service center in Singapore	31	1	- %
	PTI	India	Data storage and processing equipment, manufacturing wired and wireless communication equipment, installing and selling of computer equipment and electronic components	429	110,000	0.01 %
	PELI	India	Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts	-	100	0.01 %
ASUS INVESTMENT	STARLINK	New Taipei City	Manufacturing electronic parts and plastic products, and manufacturing and wholesaling electronic components	90,000	9,000,000	30.00 %
	KINSUS	Taoyuan	Manufacturing electronic parts, whole selling and retailing of electronic components, as well as providing business management consultant service	938,098	60,128,417	13.23 %
	ASROCK	Taipei	Selling motherboards, related product development and design	155,718	57,217,754	47.04 %
	Lumens	Hsinchu	Developing, manufacturing and selling computer data projectors and related peripherals	7,338	587,079	2.89 %
	ASUSPOWER	Virgin Islands	Investing and trading activities	3,488,741	103,000,000	29.51 %
ASUS INVESTMENT	AS FLY	Taipei	Travel agency	6,000	-	100.00 %
	HUA-YUAN	Taipei	Investing activities	500,000	-	100.00 %

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Investor		Investee	Location	Main business activities	Initial investment amount		Ending balance		Book value	Net profit (loss) of the investee	Investment income (loss)	Note
					Ending balance	Beginning balance	Number of shares	Percentage of ownership				
ASUSTEK INVESTMENT	PMX		Chihuahua, Mexico	Manufacture of electronic products, the whole-sale and retail-sale of electronic materials.	1,114,671	1,114,671	-	22.77 %	1,251,053	(31,850)	Not required to disclose	
	FUYANG		Hsinchu	Manufacturing and wholesaling of wires, cables, and electronic components	464,711	464,711	32,088,436	17.83 %	196,019	(34,736)	Not required to disclose	
	STARLINK		New Taipei City	Manufacturing electronic parts and plastic products, and manufacturing and wholesaling electronic components	60,000	60,000	6,000,000	20.00 %	99,894	4,754	Not required to disclose	
	KINSUS		Taoyuan	Manufacturing electronic parts, whole selling and retailing of electronic components, as well as providing business management consultant service	794,252	794,252	58,233,091	12.81 %	4,044,455	47,516	Not required to disclose	
	ASROCK		Taipei	Selling motherboards, related product development and design	223,939	223,939	7,453,405	6.13 %	497,869	919,041	Not required to disclose	
	AZUREWAVE		New Taipei City	Wireless network development and computer and business equipment, wholesale and retail sales of telecommunications equipment and information software, provision of computer peripheral hardware and mobile e-commerce services	98,487	98,487	6,696,930	4.39 %	127,647	333,439	Not required to disclose	
	Lumens		Hsinchu	Developing, manufacturing and selling computer data projectors and related peripherals	5,117	5,117	409,427	2.01 %	44,491	104,369	Not required to disclose	
	PEGAVISION		Taoyuan	Medical equipment manufacturers, optical instruments, precision instruments manufacturers and sales of the preceding products	64,292	64,292	4,934,434	6.33 %	623,129	1,655,902	Not required to disclose	
	ASUSPOWER		Virgin Islands	Investing and trading activities	4,652,885	4,652,885	137,000,000	39.26 %	2,602,334	49,789	Not required to disclose	
	FUYANG		Hsinchu	Manufacturing and wholesaling of wires, cables, and electronic components	929,422	929,422	64,176,872	35.65 %	391,928	(34,736)	Not required to disclose	
PEGA HOLDING	Dynaflex		Cayman Islands	Investing activities	254,574	228,635	5,714	11.43 %	260,735	41,764	Not required to disclose	
	MAGNIFICENT		Virgin Islands	Investing and trading activities	8,000,202	8,000,202	177,961,090	100.00 %	32,654,128	718,723	Not required to disclose	
	PROTEK		Virgin Islands	Investing and trading activities	9,199,020	9,199,020	308,100,000	100.00 %	32,646,732	1,075,306	Not required to disclose	
	ASLINK		Cayman Islands	Investing and trading activities	6,919,477	6,919,477	229,711,968	100.00 %	18,675,809	1,107,665	Not required to disclose	
	DIGITEK		Virgin Islands	Investing and trading activities	1,507,016	1,507,016	49,050,000	100.00 %	7,525,851	381,280	Not required to disclose	
	COTEK		Virgin Islands	Investing and trading activities	2,120,486	2,120,486	81,275,000	100.00 %	2,352,527	64,764	Not required to disclose	
	POWTEK		Virgin Islands	Investing and trading activities	403,896	403,896	8,050,000	100.00 %	1,580,913	106,090	Not required to disclose	

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Notes to the Financial Statements

					Expressed in thousands of NTD				
	Investor	Investee	Location	Main business activities	Initial investment amount		Ending balance		Note
					Ending balance	Beginning balance	Number of shares	Percentage of ownership	
PEGA HOLDING		POTEK CAYMAN	Cayman Islands	Investing activities	2,835,103	2,835,103	92,000,000	49.00 %	348,122
		GUT	Samoa	Investing and trading activities	40,749	40,749	5,000,000	100.00 %	5,028
UNIHAN		CASETEK	Virgin Islands	Investing and trading activities	5,045,342	5,045,342	115,375,668	100.00 %	4,745,681
PHH		PCZ	Czech	Installing, repairing and selling electronic products	994,783	994,783	-	100.00 %	2,853,654
CASETEK		SLITEK	Samoa	Investing and trading activities	37,177	37,177	1,210,000	100.00 %	(3,258)
		KHL	HongKong	Investing and trading activities	768,125	768,125	25,000,000	100.00 %	628,037
		KTL	Samoa	Investing and trading activities	153,625	153,625	5,000,000	100.00 %	509,088
CASETEK CAYMAN		RIH LI	Samoa	Investing activities	23,551,821	23,551,821	581,331,000	100.00 %	36,165,606
		RI-KUAN	Taipei	Selling iron and aluminum products	309,758	309,758	30,000,000	100.00 %	623,611
		MEGA	Samoa	Trading activities	30,725	30,725	1,000,000	100.00 %	61,087
		PMX	Chihuahua, Mexico	Manufacture of electronic products, the whole-sale and retail-sale of electronic materials,	3,072,500	1,536,250	-	61.72 %	3,390,253
		PVN	Vietnam	Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts	3,072,500	-	-	40.00 %	2,978,511
RI-KUAN		RITENG	CA, USA	Market survey	7,067	7,067	230,000	100.00 %	7,386
PSG		PKR	Korea	Sales and repair service center in Korea	46,088	46,088	360,000	100.00 %	126,658
PTSI		PCBR	Brasil	Maintenance service	19,971	19,971	-	100.00 %	5,345
ASUSPOWER		Dynaflex	Cayman Islands	Investing activities	283,433	248,889	6,429	12.86 %	283,433
Pegapower Investment		Pegatron Venture	Taipei	Investing activities	500,000	500,000	50,000,000	50.00 %	494,328
		Zhuhe	Taipei	Investing activities	60,000	-	6,000,000	35.29 %	59,443
Pegatron Investment		Pegatron Venture	Taipei	Investing activities	500,000	500,000	50,000,000	50.00 %	494,328
Lumens		Lumens	CA, USA	Developing, manufacturing and selling computer data projectors and related peripherals	37,208	37,208	1,222,000	100.00 %	18,251
		Lumens SAMOA	Samoa	Investing activities	7,681	7,681	250,000	100.00 %	38,254

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Notes to the Financial Statements

				Expressed in thousands of NTD			
Investor	Investee	Location	Main business activities	Initial investment amount		Ending balance	
				Ending balance	Beginning balance	Number of shares	Percentage of ownership
KINSUS	KINSUS USA	CA, USA	Designing subcontracts, formulating marketing strategy analysis, developing new customers, researching and development new product technology	15,363	15,363	500,000	100.00 %
	KINSUS SAMOA	Samoa	Investing activities	5,048	5,048	164,308,720	100.00 %
	KINSUS INVESTMENT	Taoyuan	Investing activities	1,600,000	1,600,000	160,000,000	100.00 %
	PEGAVISION	Taoyuan	Medical equipment manufacturers, optical instruments, precision instruments manufacturers and sales of the preceding products	564,210	-	1,820,034	2.33 %
	PEGAVISION	Taoyuan	Medical equipment manufacturers, optical instruments, precision instruments manufacturers and sales of the preceding products	252,455	252,455	21,233,736	27.22 %
	FUYANG	Hsinchu	Manufacturing and wholesaling of wires, cables, and electronic components	929,422	929,422	64,176,872	35.65 %
	Zhuhe	Taipei	Investing activities	30,000	-	3,000,000	17.65 %
KINSUS SAMOA	KINSUS CAYMAN	Cayman Islands	Investing activities	2,150,750	2,150,750	70,000,000	100.00 %
	PIOTEK CAYMAN	Cayman Islands	Investing activities	2,897,644	2,897,644	95,755,000	51.00 %
PIOTEK CAYMAN	PIOTEK	Virgin Islands	Investing activities	4,296,615	4,296,615	139,840,790	100.00 %
PIOTEK	PIOTEK(H.K.)	HongKong	Trading activities	799	799	200,000	100.00 %
PEGAVISION	PEGAVISION JAPAN	Japan	Selling medical appliances	2,151	2,151	198	100.00 %
	Mayin	Taoyuan	Investing activities	246,003	246,003	21,000,000	100.00 %
	Zhuhe	Taipei	Investing activities	20,000	-	2,000,000	11.76 %
	PEGAVISION VIETNAM	Vietnam	Manufacturing and selling medical appliances	170,830	-	-	100.00 %
Mayin	BeautyTech	Taoyuan	Selling medical appliances and cosmetics	107,500	107,500	8,500,000	85.00 %
	FacialBeau	Taoyuan	Selling medical appliances and cosmetics	27,500	27,500	2,750,000	55.00 %
BeautyTech	BEAUTYTECH SG	Singapore	Selling medical appliances and cosmetics	6,145	6,145	200,000	100.00 %
FacialBeau	Aquamax	CA, USA	Selling medical appliances and cosmetics	33,798	33,798	11,000,000	100.00 %
	RODNA	Korea	Selling medical appliances and cosmetics	2,370	2,370	-	100.00 %
	IKIDO	Japan	Selling medical appliances and cosmetics	2,151	-	198	100.00 %

(Continued)

PEGATRON CORPORATION
Notes to the Financial Statements

Expressed in thousands of NTD

Initial investment amount											Ending balance		Note
Investor	Investee	Location	Main business activities	Ending balance	Beginning balance	Number of shares	Percentage of ownership	Book value	Net profit (loss) of the investee	Investment income (loss)			
ASROCK	ASRock Rack	Taipei	Manufacturing and selling computer and related peripherals	390,240	390,240	34,595,984	57.27 %	479,373	7,907	Not required to disclose			
	ASIAROCK	Virgin Islands	Investing and holding activities	1,320,886	1,320,886	40,000,000	100.00 %	3,802,566	16,790	Not required to disclose			
	Lender	Virgin Islands	Investing and holding activities	71,559	71,559	2,100,000	100.00 %	191,130	133,187	Not required to disclose			
	ASRock Industrial	Taipei	Manufacturing and selling computer and related peripherals	239,683	239,683	37,281,196	60.10 %	567,221	169,166	Not required to disclose			
ASJade	ASJade	Taipei	Information software service	216,563	216,563	17,325,000	82.50 %	122,430	(66,301)	Not required to disclose			
	Soaring	HongKong	Trading activities	592	592	150,000	100.00 %	595	4	Not required to disclose			
	Zhuhe	Taipei	Investing activities	20,000	-	2,000,000	11.76 %	20,000	(1,557)	Not required to disclose			
	ASJade Japan	Japan	Trading of charging piles	1,087	-	500	100.00 %	1,084	(3)	Not required to disclose			
ASIAROCK	ASROCK EUROPE	Wijchen, NETHERLANDS	Data storage and sale of electronic material and international trade	5,820	5,820	200,000	100.00 %	764,138	26,021	Not required to disclose			
	CalRock	CA, USA	Office building leasing	60,000	60,000	2,000,000	100.00 %	64,140	(865)	Not required to disclose			
	Orbweb	Virgin Islands	Installation of computer equipment and sale of computer related product	29,900	29,900	4,000,000	27.59 %	-	(2,241)	Not required to disclose			
	Firstplace	Virgin Islands	Investing and holding activities	61,500	61,500	2,050,000	100.00 %	191,081	133,187	Not required to disclose			
AZUREWAVE	ASRock America	CA, USA	Selling database service and trading electronic components	60,000	60,000	2,000,000	100.00 %	190,033	133,173	Not required to disclose			
	Azwave	Samoa	Investing activities	2,173,438	2,173,438	70,177,161	100.00 %	2,372,294	335,454	Not required to disclose			
	EZWAVE	New Taipei City	Information products service	5,015	5,015	500,000	100.00 %	(24,538)	(714)	Not required to disclose			
	AZURE	New Taipei City	Selling electronic parts	25,000	25,000	2,000,000	100.00 %	31,553	(777)	Not required to disclose			
AZUREWAVE	Azurewave USA	CA, USA	Market development activities	19,820	19,820	650,000	100.00 %	857	(194)	Not required to disclose			
	Azurewave(VN)	Vietnam	Development, design and sale of communication equipment	191,313	-	-	100.00 %	164,977	(19,628)	Not required to disclose			
	Zhuhe	Taipei	Investing activities	10,000	-	1,000,000	5.88 %	9,909	(1,557)	Not required to disclose			

Note 1: Income and expenses for each statement of comprehensive income are translated at average exchange rates of 2023, the others are translated at the spot exchange rate on the financial statement date.

(Continued)

PEGATRON CORPORATION
Notes to the Financial Statements

Table 10: Information on investment in Mainland China
(December 31, 2023)

Expressed in thousands of NTD /in dollars of foreign currency

(i) The names of investees in Mainland China, the main businesses and products, and other information:

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan at beginning of the period (Note 1)	Amount remitted from Taiwan to Mainland China / Amount remitted back to Taiwan		Accumulated amount of remittance from Taiwan at the end of the period	Net income of investee	Ownership held by the Company (direct or indirect)	Investment income (loss) [Note2, (2)]	Book value of investments in Mainland China	Accumulated amount of investment income remitted back to Taiwan
					Remitted to Mainland China	Remitted back to Taiwan						
MAINTEK (Note 5)	Main business activities Manufacture, develop and research and sale of power supplier, new electronic component, computer case, and computer system. Repair of laptop, motherboard and related product	7,023,428 USD 228,590,000	(2)	5,432,180 USD 176,800,000	-	-	5,432,180 USD 176,800,000	718,784 USD 23,089,069	100%	718,784 USD 23,089,069	32,792,754 USD 1,067,298,740	-
PROTEK SHANGHAI	Develop and research, manufacture, assemble, repair, sale and design of satellite communication equipment, satellite navigation receive equipment and essential component. Sale of cellphone, medium and large sized computer, portable computer, printing machine and electrical component, and providing after-sales service	9,463,300 USD 308,000,000	(2)	9,463,300 USD 308,000,000	-	-	9,463,300 USD 308,000,000	1,069,587 USD 34,357,685	100%	1,069,587 USD 34,357,685	32,781,224 USD 1,066,923,487	3,923,738 USD 126,039,829
PHOTEK SUZHOU (Note 7)	Researching, developing, producing and selling electronic components, PCBs and related products and providing after-sale services	6,166,508 USD 200,700,000	(2)	1,396,337 USD 45,446,280	-	-	1,396,337 USD 45,446,280	(120,883) (USD 3,883,060)	68.52%	(82,828) (USD 2,660,627)	529,996 USD 17,249,669	-
COTEK SUZHOU	Developing, manufacturing and selling new electronic components, circuit boards and relevant products, and providing after-sales service	2,488,725 USD 81,000,000	(2)	2,120,025 USD 69,000,001	-	-	2,120,025 USD 69,000,001	60,554 USD 1,945,128	100%	60,554 USD 1,945,128	2,274,937 USD 74,041,880	-
RUNTOP (Note 8)	Manufacturing and selling computer parts and peripherals of digital automatic data processors, multimedia computer system accessories, power supply units, network switches, and modems.	215,075 USD 7,000,000	(2)	323,979 USD 10,544,482	-	-	323,979 USD 10,544,482	-	-	-	-	-
POWTEK SHANGHAI	Selling main boards, computer peripherals, notebooks, servers and software, and providing after-sales service	245,800 USD 8,000,000	(2)	403,896 USD 13,145,510	-	-	403,896 USD 13,145,510	106,196 USD 3,411,266	100%	106,196 USD 3,411,266	1,580,761 USD 51,448,698	-
DIGITEK CHONGQING	Research and development, manufacture, sale of satellite communication equipment, satellite navigation receive equipment, cellphone, internet related equipment, computer, video decoding equipment, car-used electrical equipment and component. The company also provides export, proxy, repair services	1,505,525 USD 49,000,000	(2)	1,505,525 USD 49,000,000	-	-	1,505,525 USD 49,000,000	381,298 USD 12,248,213	100%	381,298 USD 12,248,213	7,518,310 USD 244,696,839	-
ZHANSUO (Note 14)	Sale of computer software and hardware, computer parts, electronic products, electric appliance, industrial communication device.	130,141 CNY 30,000,000	(3)	-	-	-	-	2,456 USD 78,877	100%	2,456 USD 78,877	143,782 USD 4,679,658	-
PEGAGLOBE KUNSHAN	Manufacturing satellite navigation and positioning receiving equipment and key components, mobile phones, third generation and subsequent mobile communication mobile phones, base stations, core equipment and network test 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	5,960,650 USD 194,000,000	(2)	5,960,650 USD 194,000,000	-	-	5,960,650 USD 194,000,000	1,078,733 USD 34,651,470	100%	1,078,733 USD 34,651,470	18,204,685 USD 592,504,001	-
PEGAGLOBE JIANGSU	Investing activities with own funds- equity investment	921,750 USD 30,000,000	(2)	921,750 USD 30,000,000	-	-	921,750 USD 30,000,000	29,058 USD 933,421	100%	29,058 USD 933,421	514,056 USD 16,730,854	-

(Continued)

PEGATRON CORPORATION
Notes to the Financial Statements

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan at beginning of the period	Amount remitted from Taiwan to Mainland China / Amount remitted back to Taiwan		Accumulated amount of remittance from Taiwan at the end of the period	Net income of investee	Ownership held by the Company (direct or indirect)	Investment income (loss) (Note 2, (2))	Book value of investments in Mainland China	Accumulated amount of investment income remitted back to Taiwan
					Remitted to Mainland China	Remitted back to Taiwan						
CASETEK SUZHOU	Manufacturing, developing and selling computers, computer parts, application systems, and providing after-sales service	1,720,600 USD 56,000,000	(2)	1,720,600 USD 56,000,000	-	-	1,720,600 USD 56,000,000	217,453 USD 6,985,123	100%	217,453 USD 6,985,123	3,121,270 USD 101,587,312	1,880,496 USD 64,756,881
KAEDAR	Tooling molds of stainless-steel computer cases	537,688 USD 17,500,000	(2)	752,980 USD 24,507,092	-	-	752,980 USD 24,507,092	4,620 USD 148,392	100%	4,620 USD 148,392	612,300 USD 19,928,410	475,076 USD 16,968,508
KALEXING (Note 14)	Manufacture of electric and electronic components; wholesale and retail of electronic components; manufacture and sale of molds; manufacture and sale of equipment for processing plastics; manufacture of transportation equipment and counting scales for production.	434 CNY 100,000	(3)	-	-	-	-	(3) (USD 101)	100%	(3) (USD 101)	431 USD 14,018	-
CORE-TEK	Researching and producing spare parts for notebook computers, designing nonmetal tooling, electronic specific equipment and related products, repairing and producing precision equipment and providing after-sales service	368,700 USD 12,000,000	(2)	368,700 USD 12,000,000	-	-	368,700 USD 12,000,000	4,873 USD 156,533	100%	4,873 USD 156,533	214,486 USD 6,980,817	-
KAI-CHUAN	Manufacturing, developing and inspecting computers and application systems, designing and manufacturing nonmetal and metal tooling, developing plastic and electronic component, selling self-manufactured products	307,250 USD 10,000,000	(2)	307,250 USD 10,000,000	-	-	307,250 USD 10,000,000	(105,659) (USD 3,394,021)	100%	(105,659) (USD 3,394,021)	129,845 USD 4,226,026	-
Zhangjiagang East High-tech	Process, sale and transportation of steel.	184,350 USD 6,000,000	(2)	36,870 USD 1,200,000	-	-	36,870 USD 1,200,000	(1,454) (USD 46,695)	20%	(291) (USD 9,339)	(4,529) (USD 147,406)	-
FUYANG SUZHOU (Note 9)	Researching, producing, inspecting, repairing and selling flexible multilayer model, computer digital signal process system and card; selling own produced products and providing related technical consulting service.	1,351,900 USD 44,000,000	(2)	1,351,900 USD 44,000,000	-	178,932 USD 5,823,656	1,172,968 USD 38,176,344	-	-	-	-	-
HONGJIE SHANGHAI (Note 8)	Manufacture of all kinds of paper boxes, paper materials, paper plastics, cushioning material, tray, etc.	153,625 USD 5,000,000	(2)	28,659 USD 932,769	-	-	28,659 USD 932,769	-	-	-	-	-
HONGJIE SUZHOU (Note 8)	Manufacture of all kinds of paper boxes, paper materials, paper plastics, cushioning material, tray, etc.	408,949 USD 13,309,984	(2)	185,142 USD 6,025,762	-	-	185,142 USD 6,025,762	-	-	-	-	-
Suzhou Esilite (Note 8)	Production and processing of plant fiber products such as mold processing, paper pulp production and processing, paper trays, and cushion packaging materials.	156,698 USD 5,100,000	(2)	35,547 USD 1,156,954	-	-	35,547 USD 1,156,954	-	-	-	-	-
HONGJIE CHONGQING (Note 8)	Manufacture of all kinds of paper boxes, paper materials, paper plastics, cushioning material, tray, etc.	15,363 USD 500,000	(2)	2,350 USD 76,500	-	-	2,350 USD 76,500	-	-	-	-	-
Hongruiheng (Note 6)	Manufacture of all kinds of paper boxes, paper materials, paper plastics, cushioning material, tray, etc.	80,192 USD 2,610,000	(2)	19,449 USD 633,000	-	-	19,449 USD 633,000	-	-	-	-	-
Heilongjiang Hongjie (Note 8)	Manufacture of all kinds of paper boxes, paper materials, paper plastics, cushioning material, tray, etc.	75,584 USD 2,460,000	(2)	13,605 USD 442,800	-	-	13,605 USD 442,800	-	-	-	-	-
Suzhou Lianshuo (Note 6)	Manufacture of plugs.	214,597 USD 6,984,441	(2)	235,237 USD 7,656,224	-	-	235,237 USD 7,656,224	-	-	-	-	-

(Continued)

PEGATRON CORPORATION
Notes to the Financial Statements

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan at beginning of the period	Amount remitted from Taiwan to Mainland China / Amount remitted back to Taiwan		Accumulated amount of remittance from Taiwan at the end of the period	Net income of investee	Ownership held by the Company (direct or indirect)	Investment income (loss) [Note2, (2)]	Book value of investments in Mainland China	Accumulated amount of investment income remitted back to Taiwan
					Remitted to Mainland China	Remitted back to Taiwan						
Shanghai Yiding (Note 8)	Research and develop, manufacture and sale of portable micro computer, laptop and related products.	952,475 USD 31,000,000	(2)	602,210 USD 19,600,000	-	-	602,210 USD 19,600,000	-	-	-	-	-
Jinhong (Note 8)	Design, process, sale and manufacture of non-metal molds, Manufacture and sale of precision molds, standard molds, plastic and hardware.	27,653 USD 900,000	(2)	52,693 USD 1,715,000	-	-	52,693 USD 1,715,000	-	-	-	-	-
Honghua (Note 6)	Manufacture, research and develop, process non- metal molds, precision molds, standard molds, hardware components, new version of photoelectric trigger, disk driver and their components. Manufacture of number camera, essential components and providing after sale service.	196,640 USD 6,400,000	(2)	96,354 USD 3,136,000	-	-	96,354 USD 3,136,000	-	-	-	-	-
KAI HE (Note 6)	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling and surface processing for the aforementioned product	1,659,150 USD 54,000,000	(2)	520,035 USD 16,925,453	-	-	520,035 USD 16,925,453	7,046 USD 226,348	100%	7,046 USD 226,348	-	-
RI-TENG (Note 12)	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling	4,762,344 USD 154,999,000	(2)	9,483,979 USD 308,673,038	-	-	9,483,979 USD 308,673,038	(2,879) USD 92,466	100%	(2,879) USD 92,466	5,950,563 USD 193,671,685	1,461,505 USD 46,947,040
RI-PRO (Note 12)	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling	92,175 USD 3,000,000	(2)	19,378 USD 630,695	-	-	19,378 USD 630,695	(12,615) USD 405,227	100%	(12,615) USD 405,227	(23,388) (USD 761,196)	-
Luxcase (Yangcheng) (Note 12)	Designing, manufacturing and selling electronic components and providing after-sales services, idle equipments leasing, commission agency, trading services and their relevant corresponding services.	28,720,795 USD 934,769,575	(2)	19,733,782 USD 642,271,181	-	-	19,733,782 USD 642,271,181	8,861,111 USD 284,639,999	48.17%	4,257,999 USD 136,777,081	31,059,361 USD 1,010,882,382	-

PEGATRON CORPORATION
Notes to the Financial Statements

(ii) Limitation on investment in Mainland China:

Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023 (Note 11 and 12)	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) (Note 10, 12 and 13)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 4)
62,151,305 USD 2,022,825,215.92	67,561,432 USD 2,198,907,459.35	132,970,661

Note 1: Investment methods are classified into the following three categories:

- (1) The Company directly invests in the investee in Mainland China.
- (2) Indirect investment in Mainland China through an investee company in a third region.
- (3) Other methods.

Note 2: Recognition of investment gain or loss during current period is pursuant to the following:

- (1) If the corporation is in set-up phase with no income or loss recognized, notes are required.
- (2) Recognition of investment gain or loss can be classified to three categories:

1. Financial statements of the investee company were audited and certified by an international firm in cooperation with an R.O.C. accounting firm.
2. Financial statements of the investee company were audited and certified by the external accounting firm of parent company.
3. Others: Financial statements of the significant subsidiaries were audited and certified by the accounting firm or those of non-significant subsidiaries were not.

Note 3: The chart is expressed in NTD. Investment profit or loss is converted based on average exchange rate. Book value of the investment is converted based on year-end exchange rate.

Note 4: Ceiling on investments is the higher of its net asset or 60% of the consolidated net assets.

Note 5: MAINTeK's paid-in capital includes capital increased by retained earnings of USD51,790,000.

Note 6: The liquidation process has been completed. As of December 31, 2023, the funds have not been remitted.

Note 7: POTEK SUZHOU's paid-in capital includes capital increased by retained earnings of USD27,000,000. The ownership percentage includes shares held by other subsidiaries.

Note 8: The investment has been disposed. As of December 31, 2023, the funds have not been remitted.

Note 9: The accumulated investment amount includes FUYANG transferred out USD26,000,000. The liquidation process of FUYANG SUZHOU has been completed. As of December 31, 2023, the funds have not been remitted.

Note 10: Due to the reinvestment of the Group's investee, China Renewable Energy Fund, LP (CREF), in Mainland China, the line of credit for the Group has been increased with the approval from the Investment Commission of MOEA.

Note 11: The difference from accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023 was the China Renewable Energy Fund, LP (CREF), an investee of the Group held the investment in Mainland China as well as the investment on Ark Semiconductor Corp., Ltd.

Note 12: The merger of CASETEK CAYMAN has been approved and completed by the Investment Commission of MOEA, and is included in the investment amount and quota in Mainland China after its accounting and distribution.

Note 13: The Group has increased investment amount authorized by Investment Commission MOEA due to China Renewable Energy Fund, LP (CREF) and Ark Semiconductor Corp., Ltd., the investees of the Group.

Note 14: The investee company was wholly-owned through the investment from own funds.

(iii) Significant transactions: Direct or indirect significant transactions between the Group and the investee company in Mainland China (already offset when preparing the consolidated financial report).

(Continued)

PEGATRON CORPORATION

Statement of Cash and Cash Equivalents

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Cash on hand		\$ <u>150</u>
Cash in banks		
Foreign currency deposits	USD905,111 thousand (rate 30.725)	27,809,543
	EUR44 thousand (rate 34.0003)	1,491
	CNY2,141 thousand (rate 4.3380)	9,288
	GBP3 thousand (rate 39.1625)	112
	JPY212,045 thousand (rate 0.2173)	46,071
	HKD8 thousand (rate 3.9326)	32
	SGD69 thousand (rate 23.3021)	1,614
	AUD22 thousand (rate 20.9944)	460
Demand deposits		<u>634,035</u>
		<u>28,502,646</u>
Time deposits	USD400,000 thousand (rate 30.725)	<u>12,290,000</u>
Repurchase bonds	Including NTD800,000 thousand and USD85,000 thousand (rate 30.725)	<u>3,411,625</u>
		<u><u>\$ 44,204,421</u></u>

PEGATRON CORPORATION

Statement of Accounts Receivable

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

<u>Name of client</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Related party			
PEGAGLOBE (KUNSHAN) CO., LTD.	Payment	\$ 83,758,057	
PROTEK (SHANGHAI) LTD.	"	37,035,840	
DIGITEK (CHONGQING) LTD.	"	19,329,470	
MAINTEK COMPUTER (SUZHOU) CO., LTD.	"	18,844,313	
PEGATRON TECHNOLOGY INDIA PRIVATE LIMITED	"	18,593,889	
PT. PEGAUNIHAN TECHNOLOGY INDONESIA	"	17,384,760	
Others (Note)	"	<u>16,077,514</u>	
Subtotal		<u>211,023,843</u>	
Non-related party			
A	"	75,742,268	
B	"	23,379,728	
Others (Note)	"	<u>35,641,238</u>	
Subtotal		<u>134,763,234</u>	
Total		<u><u>\$ 345,787,077</u></u>	

Note: The year-end balance of each client doesn't exceed 5% of the account balance.

PEGATRON CORPORATION

Statement of Inventory

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Item	Amount		Note
	Cost	Net realizable value	
Merchandise	\$ 45,199,865	44,439,555	
Finished goods	376,185	434,939	
Work in process	264,897	319,782	
Raw materials	1,908,715	1,880,138	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	47,749,662	<u>47,074,414</u>	
Less: Allowance for inventory market decline and obsolescence	<u>(1,098,521)</u>		
Net total	<u>\$ 46,651,141</u>		

PEGATRON CORPORATION

Statement of Changes in Investments Accounted for Using the Equity Method

For the year ended December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Name of investee	Beginning Balance		Addition		Decrease		Investment income or loss	Other adjustment (Note)	Shares (in thousand)	Ending Balance		Market Value or Net Assets Value	
	Shares (in thousand)	Amount	Shares (in thousand)	Amount	Shares (in thousand)	Amount				Shares (in thousand)	Percentage of ownership	Unit price	Total amount
ASUSPOWER INVESTMENT CO., LTD.	932,845	\$ 11,804,906	-	-	-	-	352,560	(7,806)	932,845	100.00%	12,149,660	13.02	12,149,660
ASUS INVESTMENT CO., LTD.	979,255	13,234,344	-	-	-	-	596,671	227,537	979,255	100.00%	14,058,552	14.36	14,058,552
ASUSTEK INVESTMENT CO., LTD.	951,278	9,047,435	-	-	-	-	206,621	148,071	951,278	100.00%	9,402,127	9.88	9,402,127
PEGAPOWER INVESTMENT CO., LTD.	100,000	996,108	-	-	-	-	(5,061)	6,564	100,000	100.00%	997,611	9.98	997,611
PEGATRON INVESTMENT CO., LTD.	100,000	996,108	-	-	-	-	(4,174)	6,571	100,000	100.00%	998,505	9.99	998,505
UNIHAN HOLDING LTD.	170,110	6,525,799	-	-	-	-	161,407	(67,380)	170,110	100.00%	6,619,826	38.91	6,619,523
AMA PRECISION INC.	33,500	438,351	-	-	-	-	5,170	-	33,500	100.00%	443,521	13.24	443,521
AZUREWAVE TECHNOLOGIES, INC.	35,750	607,163	-	-	-	-	78,054	(3,797)	35,750	23.42%	681,420	48.10	1,719,575
PEGATRON HOLDING LTD.	991,906	97,413,112	-	-	-	-	3,739,325	(4,351,284)	991,906	100.00%	96,801,153	97.25	96,460,112
PEGATRON USA, INC.	50	18,712	-	-	-	-	1,517	(15)	50	100.00%	20,214	404.28	20,214
PEGATRON HOLLAND HOLDING B.V.	-	3,339,680	-	-	-	-	115,410	(162,697)	-	100.00%	3,292,393	-	3,292,393
CASETEK HOLDINGS LIMITED (CAYMAN)	-	44,532,173	-	-	-	-	3,831,902	(1,701,205)	-	100.00%	46,662,870	-	46,662,870
PEGATRON SERVICE AUSTRALIA PTY. LTD.	6,000	247,475	-	-	-	-	46,360	2,751	6,000	100.00%	296,586	49.43	296,586
PT. PEGAUNIHAN TECHNOLOGY INDONESIA	40	1,869,730	-	-	-	-	555,790	(8,373)	40	99.99%	2,417,147	61,892.35	2,475,694
PEGATRON TECHNOLOGY HAI PHONG COMPANY LIMITED	-	229,267	-	-	-	-	128,468	(1,606)	-	100.00%	356,129	-	356,093
PEGATRON VIETNAM COMPANY LIMITED	-	4,350,384	-	-	-	-	(42,864)	160,319	-	60.00%	4,467,839	-	4,467,766
PEGATRON TECHNOLOGY INDIA PRIVATE LIMITED	1,099,890	2,246,390	-	-	-	-	(1,065,944)	11,982	1,099,890	99.99%	1,192,428	1.59	1,749,369
PEGATRON ELECTRONICS INDIA PRIVATE LIMITED	-	-	1,000	3,856	-	-	(413)	(155)	1,000	99.99%	3,288	3.29	3,288
PEGATRON TECHNOLOGY TEXAS INC.	-	284,492	-	-	-	-	(1,431,500)	18,735	-	100.00%	(1,128,273)	-	(1,128,273)
PEGATRON ELECTRONICS INC.	5	1,551,506	-	-	-	-	(9,465)	502	5	100.00%	1,542,543	308,508.60	1,542,543
Subtotal		199,733,135		3,856		-	7,259,834	(5,721,286)			201,275,539		
Add: Credit balance of investments accounted for using equity method		-		-		-	-	-			1,128,273		
Total		\$ 199,733,135		3,856		-	7,259,834	(5,721,286)			202,403,812		

Note: Including capital surplus, cumulative translation adjustments, unrealized gross profit, etc.

PEGATRON CORPORATION

Statement of Short-term Loan

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

<u>Type</u>	<u>Ending Balance</u>	<u>Contract Period</u>	<u>Interest Rate</u>	<u>Collateral</u>	<u>Note</u>
Unsecured bank loans	\$ <u><u>34,691,850</u></u>	2022.07.26~2024.01.29	1.2%~5.94%	None	

Statement of Accounts Payable

<u>Name of vendor</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Related party			
PEGAGLOBE (KUNSHAN) CO., LTD.	Payment	\$ 72,295,686	
PROTEK (SHANGHAI) LTD.	"	50,167,974	
MAINTEK COMPUTER (SUZHOU) CO., LTD.	"	21,093,763	
DIGITEK (CHONGQING) LTD.	"	19,942,781	
Others (Note)	"	<u>30,517,712</u>	
Subtotal		<u>194,017,916</u>	
Non-related party			
A	"	80,229,168	
Others (Note)	"	<u>83,891,482</u>	
Subtotal		<u>164,120,650</u>	
Total		<u><u>\$ 358,138,566</u></u>	

Note: The year-end balance of each vendor doesn't exceed 5% of the account balance.

PEGATRON CORPORATION

Statement of Operating Revenue

For the year ended December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Item	Quantity	Amount	Note
Sales revenue:			
3C electronic products	123,021 thousand units	\$ 1,094,805,239	Note 1
Others		<u>87,165,407</u>	Note 2
		<u>\$ 1,181,970,646</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, 2023

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>	
	<u>Subtotal</u>	<u>Total</u>
Cost of sales from manufacturing		
Raw materials, January 1		\$ 3,286,863
Add: Purchase (Note1)		20,916,147
Transferred-in		904,043
Less: Transferred-out (including amount transferred to each expense and loss) (Note1)		(921,995)
Raw materials, December 31		(1,908,715)
Direct labor		944,844
Manufacturing expenses		<u>3,171,081</u>
Cost of manufacturing		26,392,268
Add: Work in process, January 1		419,163
Less: Transferred-out (including amount transferred to each expense and loss) (Note1)		(91,453)
Work in process, December 31		<u>(264,897)</u>
Cost of finished goods		26,455,081
Add: Finished goods, January 1		607,574
Less: Transferred-out (including amount transferred to each expense and loss) (Note1)		(238,155)
Finished goods, December 31		<u>(376,185)</u>
Cost of self-manufactured products		26,448,315
Merchandise, January 1	46,584,493	
Add: Purchase (Note1)	2,116,427,896	
Less: Transferred-out (including amount transferred to each expense and loss)(Note1)	(989,597,998)	
Merchandise, December 31	<u>(45,199,865)</u>	<u>1,128,214,526</u>
Cost of goods sold		1,154,662,841
Other business costs		1,240,492
Allowance for inventory obsolescence		(129,256)
Loss on disposal of inventory		<u>178,399</u>
Operating costs		<u><u>\$ 1,155,952,476</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, 2023

(Expressed in thousands of New Taiwan Dollars)

Item	Sales	Administration	Research and Development	Total
Salary and wages expense	\$ 1,056,785	1,638,060	6,329,017	9,023,862
Freight expense	194,922	9,476	3,809	208,207
Insurance expense	68,560	90,498	406,609	565,667
Expected credit loss (reversal gain)	(11,432)	-	443	(10,989)
Depreciation expense	37,252	181,610	275,309	494,171
Amortization expense	2,832	3,738	8,695	15,265
Pension expense	37,695	51,489	229,855	319,039
Supplies	108,106	2,031	68,509	178,646
Storage expense	132,277	5,504	-	137,781
Other personnel expense	65,595	84,497	386,144	536,236
Directors' remuneration	-	153,000	-	153,000
Others (Note)	<u>443,810</u>	<u>730,931</u>	<u>952,429</u>	<u>2,127,170</u>
	<u>\$ 2,136,402</u>	<u>2,950,834</u>	<u>8,660,819</u>	<u>13,748,055</u>

Note: The year-end balance of each item doesn't exceed 5% of the account balance.

Pegatron Corporation



T.H. Tung, Chairman



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