

# PEGATRON

和碩聯合科技



# 2024

## Annual General Shareholders' Meeting Agenda

TWSE 4938

June 14th, 2024

Taiwan Stock Exchange Market Observation Post System  
<https://mops.twse.com.tw>

PEGATRON Annual Report is available at  
<https://www.pegatroncorp.com/investorRelation/annualReports>

# Table of Contents

<b>I. Meeting Procedure</b> .....	1
<b>II. Meeting Agenda</b> .....	3
1. Management Presentations .....	5
2. Proposals .....	7
3. Discussion .....	9
4. Questions and Motions .....	13
<b>III. APPENDIX</b>	
APPENDIX I: Business Report .....	15
APPENDIX II: Audit Committee's Review Report .....	20
APPENDIX III: Independent auditors' audit report and 2023 Financial Statements .....	21
APPENDIX IV: Independent auditors' audit report and 2023 Consolidated Financial Statements .....	31
APPENDIX V: Issuance Rules of Employee Restricted Stock Awards for Year 2024 .....	41
APPENDIX VI: Company's Articles of Incorporation .....	46
APPENDIX VII: Rules of Procedure for Shareholder Meetings .....	53
APPENDIX VIII: Current Shareholding of Directors .....	57
APPENDIX IX: Other Explanation Item .....	58

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

## **I. MEETING PROCEDURE**

# **Pegatron Corporation**

## **Procedure for the 2024 Annual General**

### **Shareholders' Meeting Procedure**

- I. Call the Meeting to Order
- II. Seating of the Chairperson
- III. Chairperson Remarks
- IV. Management Presentations
- V. Proposals
- VI. Discussion
- VII. Questions and Motions
- VIII. Adjournment

## **II. MEETING AGENDA**

# **Pegatron Corporation**

## **2024 Annual General Shareholders' Meeting Agenda**

**Time:** 9:30 a.m. on Friday, June 14, 2024

**Place:** Grand Hall of MellowFields Co. Ltd.

(No.127, Sec.7, Jhongshan N.Rd., Taipei City, Taiwan R.O.C.)

**Type:** physical meeting

### **Call the Meeting to Order**

### **Chairperson Remarks**

### **Management Presentations**

1. 2023 Business Report
2. Audit Committee's Review Report on the 2023 Financial Statements
3. 2023 Employees' and Directors' Remuneration Proposal
4. Distribution of 2023 Earnings in Cash Dividends

### **Proposals**

1. Adoption of the 2023 Business Report and Financial Statements
2. Adoption of the Proposal for Distribution of 2023 Earnings

### **Discussion**

1. Adoption of the Issuance of Employee Restricted Stocks Awards

### **Questions and Motions**

### **Adjournment**

# Management Presentations

## Report No. 1

2023 Business Report

### Explanation:

The 2023 Business Report is attached as Appendix I.

## Report No. 2

Audit Committee's Review Report on the 2023 Financial Statements

### Explanation:

The 2023 Audit Committee's Review Report is attached as Appendix II.

## Report No. 3

2023 Employees' and Directors' Remuneration Proposal

### Explanation:

1. Pursuant to Article 26-1 of the company's Articles of Incorporation, 2023 employees' remuneration and directors' remuneration resolved is NT\$1,533,000,000 and NT\$153,000,000, respectively, and the above amount will be paid in cash.
2. There is no difference between the amount approved by the Board of Directors and the amount recognized as expense in 2023.

## Report No. 4

Distribution of 2023 Earnings in Cash Dividends

### Explanation:

1. 2023 net profit after tax is NT\$15,712,958,092. Pursuant to Article 28 of the company's Articles of Incorporation, the cash dividends can be paid after a special resolution of BOD meeting. The distribution of 2023 earnings in cash dividends resolved is NT\$10,656,662,412.
2. If the shareholder's cash dividend is less than NT\$1, the distribution is proposed to be rounded to dollars, and the Chairman is authorized to consult with specific persons for adjustment. It is proposed that the Chairman is authorized to resolve the ex-dividend date and other relevant issues.

3. In the event that, before the distribution record date, the proposed earning distribution is affected by employee stock options, restricted employee shares, or a buyback, conversion and reduction of shares, it is proposed that the Chairman is authorized to adjust the cash to be distributed to each share based on the number of actual shares outstanding on the record date for distribution.

# Proposals

## **Proposal 1: (Proposed by the board of directors)**

Adoption of the 2023 Business Report and Financial Statements

### **Explanation:**

- (1) Pegatron Corporation's Financial Statements were audited by independent auditors, Shih-Chin Chih CPA and Chun-Kuang Chen CPA of KPMG Firm. Business Report and Financial Statements have been reviewed by the Audit Committee of Pegatron Corporation.
- (2) The 2023 Business Report, independent auditors' audit report, and the above-mentioned Financial Statements are attached in the Meeting Agenda as Appendix I, III and IV.

### **Resolution:**

## **Proposal 2: (Proposed by the board of directors)**

Adoption of the proposal for Distribution of 2023 Earnings

### **Explanation:**

2023 net profit after tax is NT\$15,712,958,092. After setting Legal reserve, the earning distribution is proposed in accordance with the Company Act and Articles of Incorporation. Please refer to the 2023 PROFIT DISTRIBUTION TABLE on page 8 of the Meeting Agenda.

**Pegatron Corporation**  
**PROFIT DISTRIBUTION TABLE**  
**Year 2023**

Unit: NT\$

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

**Resolution:**

# Discussion

## Proposal 1: (Proposed by the board of directors)

Adoption of the Issuance of Employee Restricted Stocks Awards

### Explanation:

- (1) To issue Restricted Stocks Awards (hereinafter referred to as the “RSAs”) pursuant to Paragraph 9 and 10, Article 267 of the Company Act and the Regulations Governing the Offering and Issuance of Securities by Securities Issuers (hereinafter referred to as the “Regulations”) promulgated by Financial Supervisory Commission.
- (2) Details of RSAs issuance proposed as follows:
  1. Issuance price: NT\$10 per share.
  2. Total amounts (shares) of issuance: 45,000,000 shares in total. Within two years of receiving the approval notice by the competent authority, the Company, depending on its actual needs, may issue in one or several times, while the actual date of issuance is authorized to the Board of Directors to determine.
  3. Issuance terms and conditions:
    - A. Vesting conditions: the following company performance criteria and employee performance criteria shall both be met.
      - (A) Company performance criteria:
        - a. Earnings per share (“EPS”) : On the date RSAs are scheduled to be vested, the average EPS based on the financial statements of the recent three years is higher than the average EPS or median of average EPS of the peer group.
        - b. The peer group in the preceding sub-paragraph mean HON HAI Precision Industry Co., Ltd., Quanta Computer Inc., Compal Electronics Inc., Wistron Corp., and Inventec Corporation.
        - c. The EPS in the first sub-paragraph means basic EPS disclosed in the consolidated statements of comprehensive income of the consolidated financial statements audited by CPA.
      - (B) Employee performance criteria:
        - a. Employees who, after subscribing for RSAs, have served for one year, achieved level B or above for their biannual performance evaluations and did not have any violations against the law, employment contract, acknowledgement of honesty, integrity and confidentiality, work rules,

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

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

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

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

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

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

(B) In the case of termination for reasons other than inability to perform at their work, if the employee meets the other vesting conditions stipulated under the preceding paragraph in the year of dismissal, the number of shares that meet

the vesting conditions for RSAs shall be calculated by multiplying the proportion of days employed in the current year by the number of shares that meet the predetermined conditions for RSAs under the preceding paragraph in the current year. The remaining shares shall be deemed lost on the day of termination, and the Company shall purchase back all such shares at the issue price.

(C) Disabled or deceased due to occupational accidents:

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

(D) Transferred to an affiliated enterprise:

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

(E) Position retain without pay:

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

4. Eligibility and stocks awarded:

A. Eligibility:

Employees eligible for subscription are limited to full-time employees within the formal organization of the Company who are employed as of the grant date of RSAs. The eligible employees and actual number for subscription will be based on seniority, job grades and levels, work performance, overall contribution, special

achievements, and other conditions needed for management and will be reviewed by the Chairman and submitted to the Board of Directors for approval. For employees who are managerial officers, the eligibility and number for subscription shall be first approved by the Compensation Committee; and for employees who are non-managerial officers, the eligibility and number for subscription shall be first approved by the Audit Committee.

B. Stocks awarded:

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

5. Purpose of issuing RSAs

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

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

A. Potential expense:

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

estimated at NT\$399,814 thousands, NT\$1,380,920 thousands, NT\$613,204 thousands, and NT\$206,298 thousands from 2024 to 2027 respectively.

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

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

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

**Resolution:**

## **Questions and Motions**

## **Adjournment**

### **III. APPENDIX**

## **Business Report**

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

### **Financial Performance**

In 2023, Pegatron Corporation's consolidated operating revenue was NTD 1,256.8 billion, a decrease of NTD 61.6 billion from NTD 1,318.4 billion in 2022, and an annual decline of 4.67%. The gross profit margin was 3.67%. The net income attributable to the owners of the parent company was NTD 15.7 billion, up from NTD 15.1 billion in 2022, and the after-tax earnings per share was NTD 5.9. In 2023, the Group's operating performance exhibited a mixed outcome. While sales of computing segment and consumer electronics segment fell short of expectations due to inventory destocking and subdued end demand, the communication segment experienced a favorable performance. This was attributed to a favorable product mix with higher unit price. Consequently, the revenue contribution from the communication segment has demonstrated steady growth year after year, exerting a positive impact on the overall operational performance of the Group. In 2023, the

communication segment ranked first among the three major product categories in terms of revenue ratio, and there was no significant change in revenue ratio from 2022.

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

### **Technical Capability and Operating Highlights**

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

technology for its products.

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

### **Awards and Social Responsibility**

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

As an integral part of the global supply chain, Pegatron has joined the Responsible Business Alliance (RBA), which requires suppliers to carry out occupational safety and health and labor and human rights management in accordance with international initiatives and customer regulations. Furthermore, Pegatron remains dedicated to engaging in social giving back activities. Since its establishment, it has supported 143 charities, spanning initiatives focused on assisting the disadvantaged, environmental protection, and cultural promotion. Looking ahead, the Group is committed to fulfilling its corporate social responsibility across

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

### **Outlook**

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

maintain stable profitability amidst dynamic market conditions.

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

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

**Pegatron Corporation**  
**Audit Committee's Review Report**

Date: March 14, 2024

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

Pegatron Corporation

Chairman of the Audit Committee: Mr. C. Lin



安侯建業聯合會計師事務所

KPMG

台北市110615信義路5段7號68樓(台北101大樓)  
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,  
Xinyi Road, Taipei City 110615, Taiwan (R.O.C.)

電話 Tel + 886 2 8101 6666  
傳真 Fax + 886 2 8101 6667  
網址 Web kpmg.com/tw

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

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

Balance Sheets (CONT'D)

December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

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

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

Statements of Comprehensive Income

For the years ended December 31, 2023 and 2022

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

		For the years ended December 31			
		2023		2022	
		Amount	%	Amount	%
4000	<b>Operating revenue</b>	\$ 1,181,970,646	100.0	1,232,386,068	100.0
5000	<b>Cost of sales</b>	<u>1,155,952,476</u>	<u>97.8</u>	<u>1,203,048,944</u>	<u>97.6</u>
5900	<b>Gross profit from operations</b>	26,018,170	2.2	29,337,124	2.4
5910	Less: Unrealized profit from sales	299,197	-	387,516	-
5950	<b>Gross profit from operations</b>	<u>25,718,973</u>	<u>2.2</u>	<u>28,949,608</u>	<u>2.4</u>
6000	<b>Operating expenses:</b>				
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	<b>Total operating expenses</b>	<u>13,748,055</u>	<u>1.2</u>	<u>13,714,284</u>	<u>1.2</u>
	<b>Net operating income</b>	<u>11,970,918</u>	<u>1.0</u>	<u>15,235,324</u>	<u>1.2</u>
	<b>Non-operating income and expenses:</b>				
7100	Interest income	1,136,792	0.1	304,242	-
7010	Other income	1,132,861	0.1	873,138	0.1
7020	Other gains and losses	(144,607)	-	(1,166,606)	(0.1)
7050	Finance costs	(1,161,166)	(0.1)	(1,015,034)	(0.1)
7070	Share of profit of subsidiaries, associates and joint ventures accounted for using equity method, net	<u>7,259,834</u>	<u>0.6</u>	<u>3,680,616</u>	<u>0.3</u>
	<b>Total non-operating income and expenses</b>	<u>8,223,714</u>	<u>0.7</u>	<u>2,676,356</u>	<u>0.2</u>
	<b>Profit before tax</b>	20,194,632	1.7	17,911,680	1.4
7950	Less: Income tax expenses	4,481,674	0.4	2,815,500	0.2
	<b>Profit for the year</b>	<u>15,712,958</u>	<u>1.3</u>	<u>15,096,180</u>	<u>1.2</u>
8300	<b>Other comprehensive income:</b>				
8310	<b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>				
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	-	-	-	-
	<b>Total components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>	<u>295,874</u>	<u>-</u>	<u>(339,857)</u>	<u>-</u>
8360	<b>Components of other comprehensive income that will be reclassified to profit or loss</b>				
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	-	-	-	-
	<b>Total components of other comprehensive income that will be reclassified to profit or loss</b>	<u>243,641</u>	<u>-</u>	<u>13,759,997</u>	<u>1.1</u>
8300	<b>Other comprehensive income, net of tax</b>	539,515	-	13,420,140	1.1
8500	<b>Total comprehensive income</b>	<u>\$ 16,252,473</u>	<u>1.3</u>	<u>28,516,320</u>	<u>2.3</u>
	<b>Earnings per share, net of tax</b>				
9750	<b>Basic earnings per share</b>	<u>\$ 5.90</u>		<u>5.66</u>	
9850	<b>Diluted earnings per share</b>	<u>\$ 5.85</u>		<u>5.60</u>	



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

Statements of Cash Flows

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	For the years ended December 31	
	2023	2022
<b>Cash flows from operating activities:</b>		
<b>Profit before tax</b>	\$ 20,194,632	17,911,680
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit:</b>		
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)
<b>Total adjustments to reconcile profit</b>	<u>(5,804,781)</u>	<u>(446,548)</u>
<b>Changes in operating assets and liabilities:</b>		
<b>Changes in operating assets:</b>		
Increase in financial assets at fair value through profit or loss	(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
<b>Total changes in operating assets</b>	<u>160,983,705</u>	<u>(12,616,758)</u>
<b>Changes in operating liabilities:</b>		
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)
<b>Total changes in operating liabilities</b>	<u>(115,324,690)</u>	<u>668,878</u>
<b>Total changes in operating assets and liabilities</b>	<u>45,659,015</u>	<u>(11,947,880)</u>
<b>Total adjustments</b>	<u>39,854,234</u>	<u>(12,394,428)</u>
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)
<b>Net cash flows from operating activities</b>	<u>63,329,106</u>	<u>4,344,156</u>

(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
<b>Cash flows from investing activities:</b>		
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)
<b>Net cash flows used in investing activities</b>	<b>(1,080,142)</b>	<b>(5,520,154)</b>
<b>Cash flows from financing activities:</b>		
(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)
<b>Net cash flows used in financing activities</b>	<b>(31,760,911)</b>	<b>(7,695,188)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>30,488,053</b>	<b>(8,871,186)</b>
<b>Cash and cash equivalents, beginning of the year</b>	<b>13,716,368</b>	<b>22,587,554</b>
<b>Cash and cash equivalents, end of the year</b>	<b>\$ 44,204,421</b>	<b>13,716,368</b>



安侯建業聯合會計師事務所

KPMG

台北市110615信義路5段7號68樓(台北101大樓)  
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,  
Xinyi Road, Taipei City 110615, Taiwan (R.O.C.)

電話 Tel + 886 2 8101 6666  
傳真 Fax + 886 2 8101 6667  
網址 Web kpmg.com/tw

## Independent Auditors' Report

To the Board of Directors of Pegatron Corporation:

### Opinion

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

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

### Basis for Opinion

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

### Key Audit Matters

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



## 1. Revenue recognition

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

### (a) Key audit matters:

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

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

### (b) Auditing procedures performed:

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

## 2. Inventory valuation

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

### (a) Key audit matters:

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

### (b) Auditing procedures performed:

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



## **Other Matter**

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

KPMG

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

#### 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)

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

(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	%
<b>Liabilities and Equity</b>					
<b>Current liabilities:</b>					
2100	Short-term loans	\$ 45,164,344	8.1	79,589,451	12.5
2130	Current contract liabilities	1,672,848	0.3	1,200,270	0.2
2170	Accounts payable	176,615,915	31.7	202,467,364	31.8
2209	Accrued expenses	20,773,387	3.7	24,131,570	3.8
2219	Other payables	5,082,734	1.0	9,203,327	1.6
2230	Current tax liabilities	4,100,315	0.7	5,264,896	0.8
2260	Liabilities related to non-current assets classified as held for sale (disposal groups)	5,064,494	0.9	-	-
2281	Current lease liabilities	529,806	0.1	1,366,074	0.2
2321	Bonds payable, current portion	8,000,000	1.4	4,500,000	0.7
2322	Long-term loans payable, current portion	3,752,009	0.7	2,773,471	0.4
2399	Other current liabilities	11,499,756	2.1	34,939,573	5.5
		<u>282,255,608</u>	<u>50.7</u>	<u>365,435,996</u>	<u>57.5</u>
<b>Non-Current liabilities:</b>					
2527	Non-current contract liabilities	4,098,300	0.7	2,627,942	0.4
2530	Bonds payable	22,384,389	4.0	30,376,992	4.8
2540	Long-term loans	16,785,883	3.0	14,225,427	2.2
2570	Deferred tax liabilities	2,633,166	0.5	1,889,662	0.3
2581	Non-current lease liabilities	1,688,735	0.3	1,522,527	0.2
2650	Credit balance of investments accounted for using equity method	4,529	-	4,314	-
2670	Other non-current liabilities	5,600,820	1.0	5,571,664	0.9
		<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>
<b>Total liabilities</b>					
<b>Equity Attributable to Owners of the Parent Company:</b>					
3110	Share capital	26,642,241	4.8	26,676,337	4.2
<b>Capital surplus:</b>					
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>
<b>Retained earnings:</b>					
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>
<b>Other equity interest:</b>					
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)	-
	<b>Equity attributable to the parent company</b>	<u>188,809,892</u>	<u>33.9</u>	<u>182,488,565</u>	<u>28.7</u>
36xx	<b>Non-controlling interests</b>	<u>32,807,875</u>	<u>5.9</u>	<u>32,079,698</u>	<u>5.0</u>
	<b>Total equity</b>	<u>221,617,767</u>	<u>39.8</u>	<u>214,568,263</u>	<u>33.7</u>
	<b>Total liabilities and equity</b>	<u>\$ 557,069,197</u>	<u>100.0</u>	<u>636,222,787</u>	<u>100.0</u>

(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	<b>Operating revenue</b>	\$1,256,783,394	100.0	1,318,413,722	100.0
5000	<b>Cost of sales</b>	<u>1,210,677,036</u>	<u>96.3</u>	<u>1,261,287,061</u>	<u>95.7</u>
	<b>Gross profit from operations</b>	<u>46,106,358</u>	<u>3.7</u>	<u>57,126,661</u>	<u>4.3</u>
6000	<b>Operating expenses:</b>				
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>
	<b>Total operating expenses</b>	<u>31,353,700</u>	<u>2.5</u>	<u>32,129,135</u>	<u>2.4</u>
	<b>Net operating income</b>	<u>14,752,658</u>	<u>1.2</u>	<u>24,997,526</u>	<u>1.9</u>
	<b>Non-operating income and expenses:</b>				
7100	Interest income	4,918,316	0.4	2,276,429	0.2
7010	Other income	3,348,244	0.3	4,775,259	0.4
7020	Other gains and losses	(105,165)	-	(6,387,456)	(0.5)
7050	Finance costs	(2,953,564)	(0.3)	(1,987,651)	(0.2)
7060	Share of profit of associates and joint ventures accounted for using equity method	<u>4,346,764</u>	<u>0.3</u>	<u>4,281,306</u>	<u>0.3</u>
	<b>Total non-operating income and expenses</b>	<u>9,554,595</u>	<u>0.7</u>	<u>2,957,887</u>	<u>0.2</u>
	<b>Profit before tax</b>	24,307,253	1.9	27,955,413	2.1
7950	Less: Tax expenses	<u>6,894,460</u>	<u>0.5</u>	<u>6,792,454</u>	<u>0.5</u>
	<b>Profit for the year</b>	<u>17,412,793</u>	<u>1.4</u>	<u>21,162,959</u>	<u>1.6</u>
8300	<b>Other comprehensive income:</b>				
8310	<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>				
8311	Gains (losses) on remeasurements of defined benefit plans	(10,261)	-	60,947	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	295,285	-	(364,808)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>(582)</u>	<u>-</u>	<u>3,327</u>	<u>-</u>
	<b>Total components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>	<u>285,606</u>	<u>-</u>	<u>(307,188)</u>	<u>-</u>
8360	<b>Components of other comprehensive income that will be reclassified to profit or loss</b>				
8361	Exchange differences on translation of foreign financial statements	731,640	-	13,698,316	1.1
8370	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	(507,625)	-	403,050	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>4,346</u>	<u>-</u>	<u>10,502</u>	<u>-</u>
	<b>Total components of other comprehensive income that will be reclassified to profit or loss</b>	<u>219,669</u>	<u>-</u>	<u>14,090,864</u>	<u>1.1</u>
8300	<b>Other comprehensive income for the year, net of tax</b>	<u>505,275</u>	<u>-</u>	<u>13,783,676</u>	<u>1.1</u>
8500	<b>Total comprehensive income for the year</b>	<u>\$ 17,918,068</u>	<u>1.4</u>	<u>\$ 34,946,635</u>	<u>2.7</u>
	<b>Profit attributable to:</b>				
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>
	<b>Comprehensive income attributable to:</b>				
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>
	<b>Earnings per share, net of tax</b>				
9750	<b>Basic earnings per share</b>	<u>\$ 5.90</u>		<u>\$ 5.66</u>	
9850	<b>Diluted earnings per share</b>	<u>\$ 5.85</u>		<u>\$ 5.60</u>	

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Consolidated Statements of Changes in Equity**  
**For the years ended December 31, 2023 and 2022**  
**(Expressed in Thousands of New Taiwan Dollars)**

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

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

**PEGATRON CORPORATION AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

**For the years ended December 31, 2023 and 2022**

**(Expressed in Thousands of New Taiwan Dollars)**

	<b>For the years ended December 31</b>	
	<b>2023</b>	<b>2022</b>
<b>Cash flows from operating activities:</b>		
<b>Profit before tax</b>	\$ 24,307,253	27,955,413
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit:</b>		
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)
<b>Total adjustments to reconcile profit</b>	<u>9,170,722</u>	<u>14,952,715</u>
<b>Changes in operating assets and liabilities:</b>		
<b>Changes in operating assets:</b>		
Increase in financial assets at fair value through profit or loss	(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)
<b>Total changes in operating assets</b>	<u>108,109,149</u>	<u>31,266,288</u>
<b>Changes in operating liabilities:</b>		
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
<b>Total changes in operating liabilities</b>	<u>(50,193,505)</u>	<u>(51,219,961)</u>
<b>Total changes in operating assets and liabilities</b>	<u>57,915,644</u>	<u>(19,953,673)</u>
<b>Total adjustments</b>	<u>67,086,366</u>	<u>(5,000,958)</u>
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)
<b>Net cash flows from operating activities</b>	<u>87,378,597</u>	<u>19,091,954</u>

(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)**

	<b>For the years ended December 31</b>	
	<b>2023</b>	<b>2022</b>
<b>Cash flows from investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	(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)
<b>Net cash flows used in investing activities</b>	<b>(20,799,762)</b>	<b>(25,703,921)</b>
<b>Cash flows from financing activities:</b>		
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
<b>Net cash flows used in financing activities</b>	<b>(48,649,193)</b>	<b>(29,952,809)</b>
<b>Effect of exchange rate fluctuations on cash held</b>	<b>65,920</b>	<b>10,118,072</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>17,995,562</b>	<b>(26,446,704)</b>
<b>Cash and cash equivalents, beginning of the year</b>	<b>84,577,382</b>	<b>111,024,086</b>
<b>Cash and cash equivalents, end of the year</b>	<b>\$ 102,572,944</b>	<b>84,577,382</b>
<b>Components of cash and cash equivalents</b>		
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	-
<b>Cash and cash equivalents at end of year</b>	<b>\$ 102,572,944</b>	<b>84,577,382</b>

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

## **Pegatron Corporation**

### Issuance Rules of Employee Restricted Stock Awards for Year 2024

#### I. Purpose of Issuance

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

#### II. Issuance Period

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

#### III. Type of Issued Shares

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

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

#### V. Issue price: NT\$10 per share.

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

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

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

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

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

1. Company performance criteria:

- (1) Earnings per share ("EPS") : On the date RSAs are scheduled to be vested, the average EPS based on the financial statements of the recent three years is higher than the average EPS or median of average EPS of the peer group.
- (2) The peer group in the preceding sub-paragraph mean HON HAI Precision Industry Co., Ltd., Quanta Computer Inc., Compal Electronics Inc., Wistron Corp., and Inventec Corporation.
- (3) The EPS in the first sub-paragraph means basic EPS disclosed in the consolidated statements of comprehensive income of the consolidated financial statements audited by CPA.

2. Employee performance criteria :

- (1) Employees who, after subscribing for RSAs, have served for one year, achieved level B or above for their biannual performance evaluations and did not have any violations against the law, employment contract, acknowledgement of honesty, integrity and confidentiality, work rules, or

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

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

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

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

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

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

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

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

X. Restricted rights subject to vesting conditions after subscription

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

XI. Other important matters agreed upon by the contracting parties

1. Employees shall entrust their subscribed RSAs pursuant to the Rules to a depository before vesting conditions are met. The vested RSAs will be transferred to the employee's personal account from the trust account within one month of the date when vesting conditions are met.
2. Signing and non-disclosure:
  - (1) After the total units of issuance, subscription price, distribution rules and the list of employees eligible for subscription of RSAs are confirmed, the handling department of the Company will notify eligible employees to sign the grant agreement, acknowledgement of honesty, integrity, and confidentiality and its amendments, depository documents, etc. Employees who fail to sign the relevant documents will lose their eligibility for subscription.
  - (2) Employees eligible for subscription shall comply with the Company's non-disclosure provisions and shall not enquire about or disclose the contents and number of RSAs granted. Any violations thereof may be punished by the Company according to the seriousness.
  - (3) Any rights-holder who subscribes for RSAs and their derivative benefits pursuant to the Rules shall comply with the Rules, the grant agreement, and relevant provisions of the trust.
3. Taxes and tax-deferred:

Taxes accrued due to employees' subscription for RSAs shall be handled in accordance with applicable laws and regulations of the Republic of China.
4. The Rules shall be in effect after obtaining the approval by a majority vote of a meeting of the Board of Directors at which two-thirds or more of the directors are present, as well as special approval of the shareholders meeting and approval by the competent authority. The same rules apply for the amendments thereof made before issuance. During the review process, if the authority requires an amendment, the Chairman is authorized to amend the Rules accordingly and then submit the amendments to the Board of Directors for rectification before issuance.
5. Any matters not covered by the Rules, shall be handled in accordance with the relevant laws and regulations.

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

## **Articles of Incorporation of PEGATRON CORPORATION**

### **CHAPTER 1 GENERAL PROVISIONS**

- Article 1: This Company is incorporated under the Company Act, with the name of 和碩聯合科技股份有限公司, and the English name of PEGATRON CORPORATION.
- Article 2: The business scope of the Company is as following:
1. CC01101 Restrained Telecom Radio Frequency Equipments and Materials Manufacturing.
  2. F401021 Restrained Telecom Radio Frequency Equipments and Materials Import.
  3. CF01011 Medical Materials and Equipment Manufacturing.
  4. F108031 Wholesale of Drugs, Medical Goods.
  5. F208031 Retail sale of Medical Equipments.
  6. ZZ99999 All business items that are not prohibited or restricted by laws and regulations, except for those subject to special approval.
- Article 3: The Company has its head office in Taipei City, and the Company may establish branches in and out of this country.
- Article 4: The method of the public announcement of the Company shall be made in accordance with Article 28 of the Company Act.

### **CHAPTER II SHARES**

- Article 5: The authorized capital of the Company is NTD 30,000,000,000, divided into 3,000,000,000 shares, at a par value of NTD 10 per share. The shares may be issued in installments, and the shares which have not been issued would be authorized to board of directors to issue in installments. The registered capital keeps NTD 3,000,000,000 divided into 300,000,000 shares provided for exercise of the option of stock option certificates, preferred shares with warrants and warrants attached to corporate bonds, which may be issued in installments pursuant to the resolution of board of directors. If the Company issues stock option certificates at a price lower than the closing price on the issuance date, such issuance shall be approved by the special resolution of the shareholders' meeting.
- Article 5-1: When the Company buys back its shares in accordance with Subparagraph 1, Paragraph 1, Article 28-2 of the Securities and Exchange Act, and transfer to the employees at a price lower than the average price of the actual bought-back shares, it shall be resolved by two-thirds of the votes at a shareholders'

meeting attended by shareholders representing a majority of the total number of issued shares.

- Article 6: The total amount of the investments of the Company is not subject to the limit of 40% of its paid-in capital as set forth under Article 13 of the Company Act.
- Article 7: Share certificates of the Company shall be in registered form, attached with serial numbers and signed or sealed by the director representing the Company, and issued after the authentication of the bank which is competent to certify in accordance with laws. The issued shares may be exempted from printing any share certificate, and provided that such issuance shall be duly registered or kept with the securities depository and clearing agent.
- Article 8: The shareholders' register shall be closed during 60 days prior to the date of an ordinary shareholders' meeting, 30 days prior to the date of an extraordinary shareholders' meeting, or five days period prior to the record dates for distribution of dividends, bonuses or other benefits of the Company.
- Article 9: The shareholders of the Company shall conduct shares related affairs or exercise other relevant rights in accordance with the Regulations Governing the Administration of Shareholder Services of Public Companies unless the laws, regulations or securities regulation rules provide otherwise.
- Article 10: The shareholders of the Company shall fill in the signature card when opening the account, provide specimen of signature or chop, and deliver to the Company or the shares affairs agent of the Company for record. The same applies to any change to the specimen of signature or chop.

### **CHAPTER III SHAREHOLDER'S MEETING**

- Article 11: The Company's shareholders' meeting shall be of two types, ordinary shareholders' meeting and extraordinary shareholders' meeting. Ordinary shareholders' meeting shall be convened at least once a year, and shall be convened within six months after close of each fiscal year. Extraordinary shareholders' meeting shall be convened when necessary in accordance with the relevant laws and regulations.
- A notice to convene an ordinary meeting of shareholders shall be given to each shareholder no later than 30 days prior to the scheduled meeting date, and a notice to convene an extraordinary meeting of shareholders shall be given to each shareholder no later than 15 days prior to the scheduled meeting date. Such notice shall specify the meeting date, meeting venue, and proposed matters and be sent to the shareholders in writing or by electronic transmission, provided that for the shareholders who hold less than 1,000 shares, such notice may be publicly announced instead.
- Article 11-1: The shareholders who hold 1% or more than 1% shares may submit the written proposal to the Company when convening the ordinary shareholders' meeting, provided that only one proposal may be submitted. If there is more

than one proposal, all the proposals shall not be listed in the agenda. Relevant procedures shall be handled in accordance with the Company Act and relevant regulations.

- Article 12: When the shareholders meeting was convened by the Board of Directors, the shareholders' meeting shall be presided by the Chairman of the Board of Directors. If the Chairman is absent, the Chairman may designate one of the directors to act on his/her behalf. Where the Chairman does not designate a proxy, the directors may elect a person among themselves to act as the chairman of the meeting. When the shareholders meeting was convened by other persons who has the convening right, the shareholders' meeting shall be presided by the convener. When there are two or more conveners, the conveners shall elect among themselves to act as the chairman of the meeting.
- Article 12-1: Resolutions adopted at a shareholders' meeting shall be recorded in the minutes of the meeting, which shall be affixed with the signature or seal of the chairman of the meeting and shall be made and distributed by electronic transmission to all shareholders of the Company within twenty days after the close of the meeting. After public issuance of the Company's shares, the distribution of the minutes of shareholders' meeting may be effected by means of a public notice.
- Article 13: When a shareholder for any reasons cannot attend the shareholders' meeting in person, he/she/it may attend the meeting by proxy by executing a power of attorney printed by the Company stating therein the scope of power authorized to the proxy. The proxy for attending the shareholders' meeting shall be handled in accordance with Article 177 of the Company Act and the Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies promulgated by the competent authority.
- Article 14: Except in the circumstances set forth in the Company Act where there is no voting right for a share, each shareholder of the Company shall have one vote for each share held.
- Article 15: Unless otherwise specified in the Company Act, resolutions at a shareholders' meeting shall be adopted by a majority vote of the shareholders present in person or through proxy, who represent more than one-half of the total number of voting shares.
- Article 16: If the shareholder of the Company is composed of a sole institutional shareholder, functions of the Company's shareholders' meetings shall be carried out by the Company's board of directors. In that case, all provision in connection with shareholders' meetings herein shall not apply.

#### **CHAPTER IV DIRECTORS, AUDIT COMMITTEE AND MANAGERS**

Article 17: The Company shall have five (5) to thirteen (13) directors. The term of their offices shall be three (3) years. The election shall adopt the candidate nomination system which is conformed to the Company Act, and the shareholders shall elect the directors from the list of the nominated candidates and the directors may be re-elected for consecutive terms. During the term of their offices, the Company may purchase liability insurance for the directors to indemnify the potential liabilities, according to the relevant laws, to be borne by the directors when they perform their duties for the Company. After the public issuance of the Company's shares, the Company may have independent directors within the aforementioned number of directors and the number of independent directors shall be no less than one-fifth of the total number of directors and shall not be less than three (3). The election of independent directors shall adopt the candidate nomination system, and the shareholders shall elect the independent directors from the list of the candidates of the independent directors. The professional qualifications, shareholdings, restrictions on concurrent position, nomination, and other compliance matters shall be handled in accordance with relevant regulations of the securities authorities.

Article 17-1: Pursuant to Article 14-4 of the Securities and Exchange Act, the Company shall establish an Audit Committee. The Audit Committee shall be composed of the entire number of Independent Directors.

Article 18: The board of directors is composed of directors. The functions and responsibilities of the board of directors shall be as follows:

1. To determine the business plans,
2. To propose distribution of profit or appropriation of losses,
3. To propose capital increase or decrease,
4. To enact important rules and organizational regulations of the Company,
5. To engage and terminate the manager of the Company,
6. To determine the establishment and winding-up of branches,
7. To produce the budget and the final accounts, and
8. To perform other duties authorized by the Company Act or the resolution of the shareholders' meeting(s).

Article 19: The Chairman will be elected from among directors by a majority vote at a board meeting at which at least two-thirds (2/3) of directors are present, and one Vice Chairman may be elected among directors in view of business need. The Chairman shall be the representative of the Company externally.

Article 20: Board meetings shall be convened by the Chairman unless the Company Act provides otherwise. Unless otherwise provided for in the Company Act, resolutions of the board of directors shall be adopted by a majority of the directors at a meeting attended by a majority of the directors.

Article 21: The Chairman will preside at the board meetings. In the event that the Chairman is on leave or unable to perform his/her duties, the deputy shall be appointed in accordance with Article 208 of the Company Act. The directors

shall personally attend the board meeting, and if the directors cannot attend the board meeting for certain reasons, he/she may appoint another director as his/her proxy each time with a power of attorney stating the scope of authority with reference to the subjects to be discussed at the meeting and powers granted; provided that a director may act as the proxy for only one another director.

The board meeting may be convened via video conference, and the directors who attend the board meeting via video conference shall be deemed to have attended the meeting in person.

Article 21-1: Convening the board meeting shall be handled in accordance with Article 204 of the Company Act and relevant securities laws and regulations. In order to convene the board meeting, notice may be made by written notice, e-mail or fax. If the board meeting needs to be convened due to emergency, it may be convened at any time.

Article 22: The authority of the Audit Committee and the other compliance issues shall be made according to the Securities and Exchange Act and other relevant laws and regulations.

Article 23: The remuneration of directors may be determined by taking into account their participation in the Company's business and their contribution value, and domestic and overseas industry standards and the board meeting is authorized to resolve the amount of the remuneration. Furthermore, if the director of the Company holds any position in the Company, in addition to the remuneration distributed pursuant to Article 26-1 hereof, monthly payment of salary based on the standard of general managers may also be granted.

Article 24: The Company may have various managers. The appointment, discharge and the remuneration of the managers shall be handled in accordance with Article 29 of the Company Act.

## **CHAPTER V ACCOUNTING**

Article 25: The fiscal year of the Company commences from January 1 to December 31. Final accounts shall be handled at the end of each fiscal year.

Article 26: After the end of each fiscal year, the following documents and statements should be approved by audit committee and afterward approved by the board of directors, and then submit the same to the ordinary shareholders' meeting for recognition:

1. Business Report,
2. Financial Statements, and
3. Proposal for distribution of profit or appropriation of losses.

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.

Article 26-2: If any of the following circumstances applies, the 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.

1. Buying back shares of the Company and transferring to employees according to Article 5-1 of Pegatron's Articles of Incorporation, Company Acts and relevant securities laws and regulations.
2. Issuing employees' share subscription warrant according to Article 167-2 of Company Act.
3. The reserved portion for employees' subscription of new shares issuance and issuing restricted stock for employees according to Article 267 of Company Act.

Article 27: The distribution of dividend and profit shall be based on the shareholding of each shareholder. If the Company does not have any earnings, no dividend or profit may be distributed.

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 coordinate with the surplus of that year based on the principle of stabilization. Due to the industry of the Company changes instantly and considering the future financing requirement and the long term business plan, the company takes a balance 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.

Article 29: The distribution of the dividends to shareholders would be limited to the shareholders recorded in the shareholders' register 5 days prior to the record date for distribution of dividends and bonus as determined.

## **ARTICLE VI SUPPLEMENTARY PROVISIONS**

Article 30: The Company may provide guarantee as necessary for the business.

Article 31: The organizational rules and operating rules of the Company shall be enacted separately.

Article 32: If there is any matter not covered herein, the Company Act and the relevant laws and regulations shall govern.

Article 33: This Articles of Incorporation was established on June 21, 2007 by consent of all promoters in the promoters' meeting. The first amendment to the Articles of Incorporation was made on July 2, 2007. The second amendment to the Articles of Incorporation was made on September 7, 2007. The third amendment to the Articles of Incorporation was made on September 29, 2007. The fourth amendment to the Articles of Incorporation was made on October 30, 2007. The fifth amendment to the Articles of Incorporation was made on April 24, 2008. The sixth amendment to the Articles of Incorporation was made on June 30, 2009. The seventh amendment to the Articles of Incorporation was made on March 30, 2010. The eighth amendment to the Articles of Incorporation was made on June 24, 2011. The ninth amendment to the Articles of Incorporation was made on June 27, 2012. The tenth amendment to the Articles of Incorporation was made on June 19, 2013. The eleventh amendment to the Articles of Incorporation was made on April 20, 2016. The twelfth amendment to the Articles of Incorporation was made on June 20, 2017. The thirteenth amendment to the Articles of Incorporation was made on June 21, 2019.

Pegatron Corporation

Chairman: TUNG, TZU-HSIEN

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

## **Pegatron Corporation**

### **Rules of Procedure for Shareholder Meetings**

#### **Article 1**

Unless otherwise required by laws and regulations, the shareholders meeting of the Company shall be held in accordance with these Rules.

#### **Article 2**

When the attending shareholders or proxy attends the shareholders meeting, he/she shall sign on the attendance sheet or deliver an attendance card in place of signing, and conduct the attendance procedures.

The number of shares present shall be calculated based on the attendance sheet or the attendance cards delivered.

#### **Article 3**

The attendance and voting at the shareholders meeting shall be calculated based on the shares.

#### **Article 4**

The place of the shareholders meeting shall be at the office of the Company or at a location convenient to the shareholders and suitable for convening a shareholders meeting. The time of the meeting may not be earlier than 9 a.m or later than 3 p.m.

#### **Article 5**

When the shareholders meeting was convened by the Board of Directors, the shareholders' meeting shall be presided by the Chairman of the Board of Directors. If the Chairman is absent or is unable to exercise the duties for certain reasons, the vice-Chairman shall act on his/her behalf. If the vice-Chairman is absent or is unable to exercise the duties for certain reasons, the Chairman may designate the managing director to act on his/her behalf; if there is no managing director, one of the directors may be designated to act on his/her behalf. Where the Chairman does not designate a proxy, the managing director or directors may elect a person among themselves to act on behalf of the Chairman.

When the shareholders meeting was convened by other persons who have the convening right, the shareholders' meeting shall be presided by the convener.

#### **Article 6**

The Company may designate the attorneys, accountants or relevant personnel engaged to present in the shareholders meeting.

The staffs handling the shareholders meeting shall wear identification cards or arm-band.

#### **Article 7**

The Company shall sound record or video record the whole process of the shareholders meeting and shall preserve it for at least one year.

#### **Article 8**

Upon the starting time of the meeting, the chairman shall order the meeting to begin. However, where the shareholders present represent half or less than half of the total outstanding shares, the chairman may postpone the meeting for a total of two times. The postponed time may not in total exceed one hour. Where after two postponements, the shareholders present still do not meet the quorum but represent one-third or more of the total outstanding shares, a tentative resolution may be passed in accordance with Paragraph 1, Article 175 of the Company Act. If the shares present represent more than half of the total outstanding shares before the end of the meeting, the chairman may propose the tentative resolution to the shareholders meeting for voting in accordance with Article 174 of the Company Act.

#### **Article 9**

If the shareholders meeting is convened by the Board of Directors, its agenda shall be stipulated by the Board of Directors, and the meeting shall be held in accordance with the agenda and may not be changed without the resolution of the shareholders meeting.

When the shareholders meeting was convened by other persons who have the convening right, the above paragraph shall apply *mutatis mutandis*.

Before the closing of the discussions (including provisional motions) stipulated in the agenda under the above two paragraphs, the chairman may not announce the adjournment of the meeting without resolution.

After the adjournment of the meeting, the shareholders may not elect a chairman to continue the meeting at the original address or at another location.

#### **Article 10**

Before a shareholder makes a statement, he/she must complete a statement slip stating the subject of the statement, the shareholder number (or attendance card number) and shareholder name, and the chairman shall determine the order of his/her statement.

Where a shareholder present only completed a statement slip but did not make a statement, he/she will be deemed to not have made a statement. Where the statement made is inconsistent with that stated on the statement slip, the statement made will prevail.

When a shareholder present makes a statement, the other shareholders may not make a statement and interfere, unless consent is obtained from the chairman and the shareholder making the statement. The chairman shall restrain such interfering shareholder.

**Article 11**

For each proposal, a shareholder may not make more than two statements, unless consent is obtained from the chairman. Each statement may not exceed five minutes.

The chairman may restrain the shareholder from making the statement if he/she violates the above provisions or has exceeded the scope of the proposal.

**Article 12**

Where an institution is delegated to attend the shareholders meeting, it may only appoint one representative to attend.

Where the institution appoints two or more representatives to attend the shareholders meeting, only one person may make a statement for each proposal.

**Article 13**

After a shareholder makes a statement, the chairman may respond him/herself or designate a relevant person to respond.

**Article 14**

Where the chairman believes that the proposal discussed may be resolved, he/she may announce the ending of the discussion and propose that votes be made.

**Article 15**

If the Chairman adjourns the Meeting in violation of these Rules and Procedures, the shareholders may designate, by a majority of votes represented by shareholders attending the Meeting, one person as chairman to continue the Meeting.

**Article 16**

The personnel supervising and calculating the votes for the proposals shall be designated by the chairman, but the supervising personnel shall be a shareholder. The result of the votes shall be announced on the spot and recorded.

**Article 17**

During the meeting, the chairman may announce recesses at his/her own discretion.

**Article 18**

Unless otherwise specified in the Company Act and the Articles of Incorporation, resolutions at a shareholders' meeting shall be adopted by a majority vote of the shareholders present.

When making a resolution, if shareholders present have no objections upon the inquiry of the chairman, it will be deemed as adopted and its effect shall be the same as resolution by voting.

**Article 19**

When a proposal has an amendment or a replacement, the chairman may combine it with the original proposal and determine the order of resolution. If one of the proposals is resolved, the other proposals will be deemed as rejected and there is no need to make another resolution.

**Article 20**

The chairman may instruct the security officer to assist in maintaining the order of the meeting. The security officer shall wear an arm-band with the word "Security" when assisting in the maintenance of the order of the meeting.

**Article 21**

These Rules and Procedures shall be effective from the date it is approved by the Shareholders' Meeting. The same applies in case of revision.

**Article 22**

These Rules and Procedures of Shareholders' Meeting were made on March 10, 2010.

**Appendix VIII**

**Pegatron Corporation  
Current Shareholding of Directors**

1. The paid-in capital of the Company is NTDS\$ 26,642,241,030, with a total of 2,664,224,103 outstanding shares.
2. According to Article 26 of the Securities and Exchange Act, the minimum number of shares to be held by the entire directors is 63,941,378 shares.
3. As of the date for suspending the share transfer for this shareholders meeting, the shareholding of each individual and entire directors stipulated in the shareholders roster is as follows:

Book closure date: April 16, 2024

Position	Name	Date elected	Shareholding while elected		Shareholding	
			Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)
Chairman	T.H. Tung	06/15/2022	94,542,309	3.54%	94,792,309	3.56%
Vice Chairman	Jason Cheng	06/15/2022	4,564,773	0.17%	4,672,773	0.18%
Director	Ted Hsu	06/15/2022	56,353,713	2.11%	56,353,713	2.12%
Director	H.T. Tung	06/15/2022	125,000	0.01%	385,000	0.01%
Director	Peter Kuo	06/15/2022	-	-	-	-
Director	T.K. Yang	06/15/2022	-	-	-	-
Director	DAI-HE Investment Co., Ltd. Rep. : S. Chi	06/15/2022	370,000	0.01%	370,000	0.01%
Director	HONG-YE Investment Co., Ltd. Rep. : S.J. Liao	06/15/2022	2,600,000	0.10%	2,600,000	0.10%
Director	E.L. Tung	06/15/2022	3,336,014	0.13%	3,336,014	0.13%
Independent Director	C. Lin	06/15/2022	-	-	-	-
Independent Director	C.P. Hwang	06/15/2022	80,745	0.00%	80,745	0.00%
Independent Director	C.W. Wang	06/15/2022	-	-	-	-
Total			161,972,554	6.07%	162,590,554	6.11%

## **Other Explanation Item**

**The acceptance of the shareholders' proposals for the shareholders meeting this year:**

- (a) According to Article 172-1 of the Company Act, shareholder(s) holding one percent (1%) or more of the total number of outstanding shares of a company may propose to the company a proposal for discussion at a shareholders' general meeting.
- (b) The number of words of a proposal to be submitted by a shareholder shall be limited to not more than three hundred (300) words, and more than one proposal or any proposal containing more than 300 words shall not be included in the agenda of the shareholders' meeting. The shareholder who has submitted a proposal shall attend, in person or by a proxy, the shareholders' general meeting and shall take part in the discussion of such proposal.
- (c) The period for acceptance of shareholders' proposal: From March 22, 2024 to April 1, 2024; the information has been announced on the Market Observation Post System.
- (d) The Company did not receive any shareholders' proposal during the aforesaid period.

*MEMO*

# PEGATRON

5F, No.76, Ligong St., Beitou Dist.,  
Taipei City 112, Taiwan  
+886-2-8143-9001  
[www.pegatroncorp.com](http://www.pegatroncorp.com)