

**PEGATRON CORPORATION AND SUBSIDIARIES****Consolidated Financial Statements****With Independent Auditors' Review Report  
For the Nine Months Ended September 30, 2021 and 2020**

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The independent auditors' review 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' review report and consolidated financial statements, the Chinese version shall prevail.

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## Independent Auditors' Review Report

To the Board of Directors of Pegatron Corporation:

### Introduction

We have reviewed the accompanying consolidated balance sheets of Pegatron Corporation and its subsidiaries as of September 30, 2021 and 2020, and the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2021 and 2020, and changes in equity and cash flows for the nine months ended September 30, 2021 and 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with Statement of Auditing Standards 65, "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Basis for Qualified Conclusion

As stated in Note 4(c), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect total assets amounting to \$49,076,333 thousand and \$32,789,423 thousand, constituting 8.47% and 5.14% of consolidated total assets as of September 30, 2021 and 2020, respectively, total liabilities amounting to \$16,021,168 thousand and \$10,772,417 thousand, constituting 4.06% and 2.43% of consolidated total liabilities as of September 30, 2021 and 2020, respectively, and total comprehensive gain (loss) amounting to \$(142,043) thousand, \$408,718 thousand, \$70,810 thousand and \$(147,132) thousand, constituting (3.78)%, 6.19%, 0.57% and (1.10)% of consolidated total comprehensive income (loss) for the three months and nine months ended September 30, 2021 and 2020, respectively.

Furthermore, as stated in Note 6(h), the other equity accounted investments of Pegatron Corporation and its subsidiaries in its investee companies of \$20,588,908 thousand and \$368,656 thousand as of September 30, 2021 and 2020, respectively, and its equity in net earnings (loss) on these investee companies of \$299,631 thousand, \$(21,234) thousand, \$606,691 thousand and \$124,872 thousand for the three months and nine months ended September 30, 2021 and 2020, respectively, were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.

### **Qualified Conclusion**

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews and the review reports of other auditors (please refer to Other Matter paragraph), nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Pegatron Corporation and its subsidiaries as of September 30, 2021 and 2020, and of its consolidated financial performance for the three months and nine months ended September 30, 2021 and 2020, and its consolidated cash flows for the nine months ended September 30, 2021 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Other Matter**

We did not review the financial statements of certain consolidated subsidiaries, with total assets of \$72,803,700 thousand and \$59,774,037 thousand, representing 12.56% and 9.36% of the related consolidated total assets as of September 30, 2021 and 2020, and net sales of \$16,739,615 thousand, \$14,758,502 thousand, \$47,915,772 thousand and \$39,482,722 thousand, representing 5.19%, 4.40%, 5.90% and 4.19% of the related consolidated total net sales for the three months and nine months ended September 30, 2021 and 2020, respectively. Those financial statements were reviewed by other auditors whose reports have been furnished to us, and our review, insofar as it relates to the amounts included for certain consolidated subsidiaries, are based solely on the reports of the other auditors.

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

KPMG

Taipei, Taiwan (Republic of China)  
November 11, 2021

### **Notes to Readers**

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

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(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE GENERALLY ACCEPTED AUDITING STANDARDS**  
**AS OF SEPTEMBER 30, 2021 AND 2020**

**PEGATRON CORPORATION AND SUBSIDIARIES**

**Consolidated Balance Sheets**

**September 30, 2021, December 31, 2020, and September 30, 2020**

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

Assets		September 30, 2021		December 31, 2020		September 30, 2020	
		Amount	%	Amount	%	Amount	%
<b>Current assets:</b>							
1100	Cash and cash equivalents (Notes 6(a) and 6(i))	\$ 143,517,648	25	125,996,714	19	150,229,930	24
1110	Current financial assets at fair value through profit or loss (Note 6(b))	9,171,572	1	13,945,314	2	13,775,146	2
1170	Notes and accounts receivable, net (Notes 6(d), 6(i), 6(aa), 7 and 8)	133,521,275	23	223,963,691	33	200,991,045	31
1200	Other receivables, net (Notes 6(e), 6(i) and 7)	11,973,361	2	2,015,489	-	1,960,515	-
130X	Inventories (Notes 6(f) and 6(i))	159,527,450	28	165,142,393	24	145,715,046	23
1460	Non-current assets classified as held for sale, net (Note 6(g))	42,955	-	-	-	-	-
1476	Other current financial assets (Notes 6(p) and 8)	10,295,874	2	40,943,545	6	19,646,141	3
1479	Other current assets (Note 6(i) and 6(p))	4,945,277	1	10,123,718	1	9,568,771	2
		<u>472,995,412</u>	<u>82</u>	<u>582,130,864</u>	<u>85</u>	<u>541,886,594</u>	<u>85</u>
<b>Non-current assets:</b>							
1510	Non-current financial assets at fair value through profit or loss (Note 6(b))	1,448,218	-	611,284	-	528,780	-
1517	Non-current financial assets at fair value through other comprehensive income (Notes 6(c) and 6(i))	1,013,768	-	1,002,211	-	912,529	-
1550	Investments accounted for using the equity method (Note 6(h))	21,044,263	4	351,450	-	376,473	-
1600	Property, plant and equipment (Notes 6(i), 6(l) and 8)	68,850,477	12	83,385,274	12	80,774,137	13
1755	Right-of-use assets (Notes 6(i) and 6(m))	4,744,045	1	6,581,805	1	6,238,801	1
1760	Investment property, net (Note 6(n))	34,365	-	39,416	-	41,032	-
1780	Intangible assets (Notes 6(i) and 6(o))	206,608	-	386,975	-	1,196,316	-
1840	Deferred tax assets (Note 6(i))	3,196,337	-	3,526,493	1	3,167,005	1
1915	Prepayments on purchase of equipment (Note 6(i))	4,784,609	1	2,506,384	-	2,021,493	-
1980	Other non-current financial assets (Notes 6(i), 6(p) and 8)	1,070,001	-	3,763,709	1	1,052,282	-
1990	Other non-current assets (Note 6(p))	35,274	-	60,744	-	134,307	-
		<u>106,427,965</u>	<u>18</u>	<u>102,215,745</u>	<u>15</u>	<u>96,443,155</u>	<u>15</u>
<b>Total assets</b>		<u>\$ 579,423,377</u>	<u>100</u>	<u>684,346,609</u>	<u>100</u>	<u>638,329,749</u>	<u>100</u>

See accompanying notes to financial statements.

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**AS OF SEPTEMBER 30, 2021 AND 2020**

**PEGATRON CORPORATION AND SUBSIDIARIES**

**Consolidated Balance Sheets (CONT'D)**

**September 30, 2021, December 31, 2020, and September 30, 2020**

(Expressed in Thousands of New Taiwan Dollars)

	<u>September 30, 2021</u>		<u>December 31, 2020</u>		<u>September 30, 2020</u>		
	Amount	%	Amount	%	Amount	%	
<b>Liabilities and Equity</b>							
<b>Current liabilities:</b>							
2100	Short-term loans (Notes 6(d), 6(i) and 6(q))	\$ 66,698,612	12	105,242,889	16	126,405,920	20
2130	Current contract liabilities (Note 6(aa))	1,191,384	-	1,053,313	-	2,014,446	-
2150	Notes and accounts payable (Notes 6(i))	223,625,312	39	256,879,266	38	209,499,518	33
2209	Accrued expenses (Notes 6(i), 6(u) and 7)	24,918,667	4	36,210,492	5	30,284,963	5
2219	Other payables (Notes 6(i))	5,627,286	1	9,201,062	1	7,917,123	1
2230	Current tax liabilities (Note 6(i))	1,859,406	-	3,097,379	-	2,099,056	-
2281	Current lease liabilities (Note 6(t))	730,102	-	1,547,060	-	1,483,313	-
2321	Bonds payable, current portion (Note 6(s))	2,000,000	-	1,000,000	-	1,000,000	-
2322	Long-term loans payable, current portion (Note 6(r))	713,000	-	5,954,625	1	1,085,357	-
2399	Other current liabilities (Note 6(i))	27,737,738	5	24,126,094	4	25,724,665	4
		<u>355,101,507</u>	<u>61</u>	<u>444,312,180</u>	<u>65</u>	<u>407,514,361</u>	<u>63</u>
<b>Non-Current liabilities:</b>							
2527	Non-current contract liabilities (Notes 6(i) and 6(aa))	151,292	-	301,158	-	497,210	-
2530	Bonds payable (Note 6(s))	25,977,933	5	24,478,182	4	19,483,071	3
2540	Long-term loans (Note 6(r))	10,409,083	2	11,059,833	2	10,743,800	2
2570	Deferred tax liabilities	1,526,335	-	3,126,296	-	3,068,089	1
2581	Non-current lease liabilities (Notes 6(i) and 6(t))	834,424	-	1,044,631	-	1,450,697	-
2670	Other non-current liabilities (Note 6(i))	748,410	-	1,083,807	-	872,814	-
		<u>39,647,477</u>	<u>7</u>	<u>41,093,907</u>	<u>6</u>	<u>36,115,681</u>	<u>6</u>
	<b>Total liabilities</b>	<u>394,748,984</u>	<u>68</u>	<u>485,406,087</u>	<u>71</u>	<u>443,630,042</u>	<u>69</u>
<b>Equity Attributable to Owners of the Parent Company (Note 6(w)):</b>							
3100	Share capital	26,695,311	5	26,628,737	4	26,105,110	4
<b>Capital surplus:</b>							
3210	Capital surplus, premium on capital stock	78,056,649	13	77,471,560	11	77,503,156	12
3280	Capital surplus, others (Notes 6(k) and 6(x))	5,281,576	1	5,536,787	1	5,851,504	1
		<u>83,338,225</u>	<u>14</u>	<u>83,008,347</u>	<u>12</u>	<u>83,354,660</u>	<u>13</u>
<b>Retained earnings:</b>							
3310	Legal reserve	15,698,038	3	13,706,083	2	13,706,083	2
3320	Special reserve	15,866,202	3	11,286,050	2	11,286,050	2
3350	Unappropriated retained earnings	38,792,109	7	44,978,224	6	40,289,234	6
		<u>70,356,349</u>	<u>13</u>	<u>69,970,357</u>	<u>10</u>	<u>65,281,367</u>	<u>10</u>
<b>Other equity interest:</b>							
3410	Exchange differences on translation of foreign financial statements (Note 6(k))	(20,903,720)	(4)	(15,808,892)	(2)	(14,217,737)	(2)
3420	Unrealized losses on financial assets measured at fair value through other comprehensive income	7,167	-	(57,309)	-	(149,726)	-
3491	Deferred compensation cost arising from issuance of restricted stock (Note 6(x))	(859,264)	-	(1,146,659)	-	(1,350,996)	-
		<u>(21,755,817)</u>	<u>(4)</u>	<u>(17,012,860)</u>	<u>(2)</u>	<u>(15,718,459)</u>	<u>(2)</u>
3500	Treasury stock	(3,995)	-	-	-	(484)	-
	<b>Equity attributable to the parent company</b>	<u>158,630,073</u>	<u>28</u>	<u>162,594,581</u>	<u>24</u>	<u>159,022,194</u>	<u>25</u>
36xx	<b>Non-controlling interests (Notes 6(j), 6(k) and 6(w))</b>	<u>26,044,320</u>	<u>4</u>	<u>36,345,941</u>	<u>5</u>	<u>35,677,513</u>	<u>6</u>
	<b>Total equity</b>	<u>184,674,393</u>	<u>32</u>	<u>198,940,522</u>	<u>29</u>	<u>194,699,707</u>	<u>31</u>
	<b>Total liabilities and equity</b>	<u>\$ 579,423,377</u>	<u>100</u>	<u>684,346,609</u>	<u>100</u>	<u>638,329,749</u>	<u>100</u>

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
Reviewed only, not audited in accordance with generally accepted auditing standards

**PEGATRON CORPORATION AND SUBSIDIARIES**

**Consolidated Statements of Comprehensive Income**

**For the three months and nine months ended September 30, 2021 and 2020**

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

	For the three months ended September 30				For the nine months ended September 30				
	2021		2020		2021		2020		
	Amount	%	Amount	%	Amount	%	Amount	%	
4110	Operating revenue (Notes 6(aa) and 7)	\$ 323,602,389	100	336,593,440	100	\$ 813,372,383	100	944,098,475	100
4170	Less: Sales returns and allowances	802,752	-	957,353	-	1,674,239	-	2,141,279	-
	<b>Operating revenue, net</b>	<b>322,799,637</b>	<b>100</b>	<b>335,636,087</b>	<b>100</b>	<b>811,698,144</b>	<b>100</b>	<b>941,957,196</b>	<b>100</b>
5000	Cost of sales (Notes 6(f), 6(t), 6(u), 6(x), 6(y), 6(ab), 7 and 12)	311,033,211	96	321,701,594	96	780,982,853	96	907,532,467	96
	<b>Gross profit from operations</b>	<b>11,766,426</b>	<b>4</b>	<b>13,934,493</b>	<b>4</b>	<b>30,715,291</b>	<b>4</b>	<b>34,424,729</b>	<b>4</b>
6000	<b>Operating expenses (Notes 6(t), 6(u), 6(x), 6(y), 6(ab) and 12):</b>								
6100	Selling expenses	1,272,659	1	1,233,014	-	3,521,136	-	3,525,480	-
6200	General and administrative expenses	2,439,901	1	2,242,654	1	6,619,164	1	6,391,287	1
6300	Research and development expenses	3,877,795	1	4,218,396	1	11,488,899	2	12,099,201	1
	<b>Total operating expenses</b>	<b>7,590,355</b>	<b>3</b>	<b>7,694,064</b>	<b>2</b>	<b>21,629,199</b>	<b>3</b>	<b>22,015,968</b>	<b>2</b>
	<b>Net operating income</b>	<b>4,176,071</b>	<b>1</b>	<b>6,240,429</b>	<b>2</b>	<b>9,086,092</b>	<b>1</b>	<b>12,408,761</b>	<b>2</b>
	<b>Non-operating income and expenses:</b>								
7100	Interest income (Notes 6(ac) and 7)	363,233	-	589,082	-	1,200,299	-	2,501,985	-
7010	Other income (Note 6(ac))	925,478	-	1,305,286	-	3,333,289	-	3,276,181	-
7020	Other gains and losses (Notes 6(i), 6(l), 6(o), 6(ac) and 12)	(595,469)	-	1,741,782	1	3,757,043	1	5,225,265	-
7050	Finance costs (Notes 6(d), 6(s), 6(t) and 6(ac))	(215,804)	-	(312,490)	-	(781,813)	-	(1,472,277)	-
7060	Share of profit of associates and joint ventures accounted for using the equity method (Note 6(h))	183,615	-	(20,757)	-	278,275	-	120,451	-
7590	Miscellaneous disbursements	(25,890)	-	(34,519)	-	(109,098)	-	(74,588)	-
	<b>Total non-operating income and expenses</b>	<b>635,163</b>	<b>-</b>	<b>3,268,384</b>	<b>1</b>	<b>7,677,995</b>	<b>1</b>	<b>9,577,017</b>	<b>-</b>
	<b>Profit before tax</b>	<b>4,811,234</b>	<b>1</b>	<b>9,508,813</b>	<b>3</b>	<b>16,764,087</b>	<b>2</b>	<b>21,985,778</b>	<b>2</b>
7950	Less: Tax expenses (Note 6(v))	803,666	-	1,863,074	1	1,063,331	-	5,230,045	-
	<b>Profit for the year</b>	<b>4,007,568</b>	<b>1</b>	<b>7,645,739</b>	<b>2</b>	<b>15,700,756</b>	<b>2</b>	<b>16,755,733</b>	<b>2</b>
8300	<b>Other comprehensive income:</b>								
8310	<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>								
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	16,863	-	136,523	-	84,795	-	110	-
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>	<b>16,863</b>	<b>-</b>	<b>136,523</b>	<b>-</b>	<b>84,795</b>	<b>-</b>	<b>110</b>	<b>-</b>
8360	<b>Components of other comprehensive income that will be reclassified to profit or loss (Note 6(ad))</b>								
8361	Exchange differences on translation of foreign financial statements	(186,594)	-	(1,183,011)	-	(2,899,336)	-	(3,439,482)	-
8370	Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method, components of other comprehensive income that will be reclassified to profit or loss (Note 6(h))	(84,255)	-	318	-	(462,685)	-	172	-
8399	Income tax related to components of other comprehensive income (loss) that will be reclassified to profit or loss (Note 6(v))	(2,476)	-	498	-	(23,409)	-	(439)	-
	<b>Total components of other comprehensive loss that will be reclassified to profit or loss</b>	<b>(268,373)</b>	<b>-</b>	<b>(1,183,191)</b>	<b>-</b>	<b>(3,338,612)</b>	<b>-</b>	<b>(3,438,871)</b>	<b>-</b>
8300	<b>Other comprehensive loss for the period, net of tax</b>	<b>(251,510)</b>	<b>-</b>	<b>(1,046,668)</b>	<b>-</b>	<b>(3,253,817)</b>	<b>-</b>	<b>(3,438,761)</b>	<b>-</b>
8500	<b>Total comprehensive income for the period</b>	<b>\$ 3,756,058</b>	<b>1</b>	<b>6,599,071</b>	<b>2</b>	<b>12,446,939</b>	<b>2</b>	<b>13,316,972</b>	<b>2</b>
	<b>Profit attributable to:</b>								
8610	Owners of the parent company	\$ 2,668,376	1	6,817,483	2	12,684,641	2	15,436,099	2
8620	Non-controlling interests	1,339,192	-	828,256	-	3,016,115	-	1,319,634	-
		<b>\$ 4,007,568</b>	<b>1</b>	<b>7,645,739</b>	<b>2</b>	<b>15,700,756</b>	<b>2</b>	<b>16,755,733</b>	<b>2</b>
	<b>Comprehensive income attributable to:</b>								
8710	Owners of the parent company	\$ 2,425,035	1	5,627,369	2	9,506,793	2	12,200,868	2
8720	Non-controlling interests	1,331,023	-	971,702	-	2,940,146	-	1,116,104	-
		<b>\$ 3,756,058</b>	<b>1</b>	<b>6,599,071</b>	<b>2</b>	<b>12,446,939</b>	<b>2</b>	<b>13,316,972</b>	<b>2</b>
	<b>Earnings per share, net of tax (Note 6(z))</b>								
9750	<b>Basic earnings per share</b>	<b>\$ 1.00</b>		<b>2.61</b>		<b>4.76</b>		<b>5.91</b>	
9850	<b>Diluted earnings per share</b>	<b>\$ 0.99</b>		<b>2.59</b>		<b>4.72</b>		<b>5.85</b>	

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**Reviewed only, not audited in accordance with generally accepted auditing standards**

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Consolidated Statements of Changes in Equity**  
**For the nine months ended September 30, 2021 and 2020**  
**(Expressed in Thousands of New Taiwan Dollars)**

	Equity attributable to owners of the parent company															
	Share capital		Retained earnings				Total other equity interest						Treasury stock	Total equity attributable to owners of the parent company	Non-controlling interests	Total equity
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Deferred compensation cost arising from issuance of restricted stock	Total other equity interest						
<b>Balance at January 1, 2020</b>	\$ 26,110,919	81,052,101	11,774,310	7,868,877	42,156,192	61,799,379	(10,982,396)	(303,654)	(8,287)	(11,294,337)	(3,000)	157,665,062	35,580,451	193,245,513		
Profit for the period	-	-	-	-	15,436,099	15,436,099	-	-	-	-	-	15,436,099	1,319,634	16,755,733		
Other comprehensive loss for the period	-	-	-	-	-	-	(3,235,341)	110	-	(3,235,231)	-	(3,235,231)	(203,530)	(3,438,761)		
Total comprehensive income (loss) for the period	-	-	-	-	15,436,099	15,436,099	(3,235,341)	110	-	(3,235,231)	-	12,200,868	1,116,104	13,316,972		
Appropriation and distribution of retained earnings:																
Legal reserve appropriated	-	-	1,931,773	-	(1,931,773)	-	-	-	-	-	-	-	-	-		
Special reserve appropriated	-	-	-	3,417,173	(3,417,173)	-	-	-	-	-	-	-	-	-		
Cash dividends of ordinary share	-	-	-	-	(11,748,563)	(11,748,563)	-	-	-	-	-	(11,748,563)	-	(11,748,563)		
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	71	-	-	-	-	-	-	-	-	-	71	(71)	-		
Changes in ownership interests in subsidiaries	-	77,419	-	-	-	-	-	-	-	-	-	77,419	(77,419)	-		
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(153,818)	(153,818)	-	153,818	-	153,818	-	-	-	-		
Expiration of restricted shares of stock issued to employees	(5,809)	3,076	-	-	(51,730)	(51,730)	-	-	-	-	2,516	(51,947)	-	(51,947)		
Compensation cost arising from restricted shares of stock	-	2,221,993	-	-	-	-	-	-	(1,342,709)	(1,342,709)	-	879,284	-	879,284		
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(941,552)	(941,552)		
<b>Balance at September 30, 2020</b>	<b>\$ 26,105,110</b>	<b>83,354,660</b>	<b>13,706,083</b>	<b>11,286,050</b>	<b>40,289,234</b>	<b>65,281,367</b>	<b>(14,217,737)</b>	<b>(149,726)</b>	<b>(1,350,996)</b>	<b>(15,718,459)</b>	<b>(484)</b>	<b>159,022,194</b>	<b>35,677,513</b>	<b>194,699,707</b>		
<b>Balance at January 1, 2021</b>	\$ 26,628,737	83,008,347	13,706,083	11,286,050	44,978,224	69,970,357	(15,808,892)	(57,309)	(1,146,659)	(17,012,860)	-	162,594,581	36,345,941	198,940,522		
Profit for the period	-	-	-	-	12,684,641	12,684,641	-	-	-	-	-	12,684,641	3,016,115	15,700,756		
Other comprehensive income (loss) for the period	-	-	-	-	-	-	(3,262,643)	84,795	-	(3,177,848)	-	(3,177,848)	(75,969)	(3,253,817)		
Total comprehensive income (loss) for the period	-	-	-	-	12,684,641	12,684,641	(3,262,643)	84,795	-	(3,177,848)	-	9,506,793	2,940,146	12,446,939		
Appropriation and distribution of retained earnings:																
Legal reserve appropriated	-	-	1,991,955	-	(1,991,955)	-	-	-	-	-	-	-	-	-		
Special reserve appropriated	-	-	-	4,580,152	(4,580,152)	-	-	-	-	-	-	-	-	-		
Cash dividends of ordinary share	-	-	-	-	(11,982,931)	(11,982,931)	-	-	-	-	-	(11,982,931)	-	(11,982,931)		
Changes in equity of associates and joint ventures accounted for using equity method	-	2,562	-	-	(409,874)	(409,874)	-	-	-	-	-	(407,312)	-	(407,312)		
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	(159,173)	-	-	-	-	(1,832,185)	-	-	(1,832,185)	-	(1,991,358)	1,991,358	-		
Changes in ownership interests in subsidiaries	-	11,499	-	-	-	-	-	-	-	-	-	11,499	(11,499)	-		
Share-based payments	75,740	-	-	-	-	-	-	-	-	-	-	75,740	-	75,740		
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	20,319	20,319	-	(20,319)	-	(20,319)	-	-	-	-		
Expiration of restricted shares of stock issued to employees	(9,166)	13,105	-	-	73,837	73,837	-	-	-	-	(3,995)	73,781	-	73,781		
Compensation cost arising from restricted shares of stock	-	461,885	-	-	-	-	-	-	287,395	287,395	-	749,280	-	749,280		
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(15,221,626)	(15,221,626)		
<b>Balance at September 30, 2021</b>	<b>\$ 26,695,311</b>	<b>83,338,225</b>	<b>15,698,038</b>	<b>15,866,202</b>	<b>38,792,109</b>	<b>70,356,349</b>	<b>(20,903,720)</b>	<b>7,167</b>	<b>(859,264)</b>	<b>(21,755,817)</b>	<b>(3,995)</b>	<b>158,630,073</b>	<b>26,044,320</b>	<b>184,674,393</b>		

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS**

**PEGATRON CORPORATION AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

**For the nine months ended September 30, 2021 and 2020**

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

	<b>For the nine months ended September 30</b>	
	<b>2021</b>	<b>2020</b>
<b>Cash flows from operating activities:</b>		
<b>Profit before tax</b>	\$ 16,764,087	21,985,778
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit:</b>		
Depreciation expense	10,150,078	13,421,409
Amortization expense	110,224	151,527
Expected credit loss (reversal gain)	11,333	(11,746)
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	2,750,720	(4,456,222)
Interest expense	773,483	1,462,042
Interest income	(1,200,299)	(2,501,985)
Dividend income	(82,177)	(51,759)
Compensation cost arising from share-based payments	814,015	457,925
Amortization of issuance costs on bonds payable	4,251	2,732
Share of gain of associates and joint ventures accounted for using the equity method	(278,275)	(120,451)
Loss (gain) on lease remeasurement	935	(8,016)
Gain on disposal of property, plant and equipment	(415,595)	(48,652)
Property, plant and equipment charged to expenses	88,698	136,838
Loss on disposal of intangible assets	314	-
Gain on disposal of investments	(3,968,280)	-
Impairment loss (reversal gain) on non-financial assets	15,173	(3,411)
Gain on foreign currency exchange on long-term loans	(243,390)	(180,569)
Government grants income	(55,306)	(22,974)
<b>Total adjustments to reconcile profit</b>	<b>8,475,902</b>	<b>8,226,688</b>
<b>Changes in operating assets and liabilities:</b>		
<b>Changes in operating assets:</b>		
Decrease (increase) in financial assets at fair value through profit or loss	1,186,088	(2,489,909)
Decrease in notes and accounts receivable	42,342,278	5,359,818
(Increase) decrease in other receivables	(10,436,280)	152,085
Increase in inventories	(3,863,942)	(39,651,556)
Decrease (increase) in other financial assets	30,636,753	(16,081,221)
Decrease (increase) in other current assets	1,422,952	(3,098,914)
Decrease (increase) in other non-current assets	25,470	(84,242)
<b>Total changes in operating assets</b>	<b>61,313,319</b>	<b>(55,893,939)</b>
<b>Changes in operating liabilities:</b>		
Increase in contract liabilities	165,264	569,238
Increase (decrease) in notes and accounts payable	10,850,993	(8,602,048)
Increase in accrued expenses	22,701,894	3,041,498
Increase in other payables	7,968,765	2,346,101
Increase in other current liabilities	3,595,725	6,213,380
Increase (decrease) in other non-current liabilities	81,808	(161,595)
<b>Total changes in operating liabilities</b>	<b>45,364,449</b>	<b>3,406,574</b>
<b>Total changes in operating assets and liabilities</b>	<b>106,677,768</b>	<b>(52,487,365)</b>
<b>Total adjustments</b>	<b>115,153,670</b>	<b>(44,260,677)</b>
Cash inflow (outflow) generated from operations	131,917,757	(22,274,899)
Interest received	1,232,118	2,540,417
Dividends received	82,177	51,759
Interest paid	(834,642)	(1,495,459)
Income taxes paid	(3,672,622)	(6,295,991)
<b>Net cash flows from (used in) operating activities</b>	<b>128,724,788</b>	<b>(27,474,173)</b>

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS**

**PEGATRON CORPORATION AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows (CONT'D)**

**For the nine months ended September 30, 2021 and 2020**

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

	<b>For the nine months ended September 30</b>	
	<b>2021</b>	<b>2020</b>
<b>Cash flows used in investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	-	(228,044)
Proceeds from disposal of financial assets at fair value through other comprehensive income	48,587	172,221
Acquisition of property, plant and equipment	(17,554,415)	(10,227,645)
Proceeds from disposal of property, plant and equipment	787,848	542,328
Acquisition of intangible assets	(134,804)	(79,211)
Proceeds from disposal of intangible assets	255	-
Acquisition of right-of-use assets	(13,976)	-
Proceeds from disposal of right-of-use assets	34,020	-
Disposal of subsidiaries	(18,998,907)	-
Decrease (increase) in other financial assets	2,537,679	(571,124)
Increase in prepayments on purchase of equipment	(7,200,787)	(2,273,456)
<b>Net cash flows used in investing activities</b>	<b>(40,494,500)</b>	<b>(12,664,931)</b>
<b>Cash flows from (used in ) financing activities:</b>		
(Decrease) increase in short-term loans	(37,476,399)	61,597,134
Proceeds from issuing bonds	3,495,500	-
Repayments of bonds	(1,000,000)	(3,000,000)
Proceeds from long-term loans	5,252,400	6,181,900
Repayments of long-term loans	(10,898,427)	(3,334,839)
Repayments of lease liabilities	(1,136,740)	(1,361,729)
Cash dividends paid	(13,007,325)	(12,553,366)
Issuance of restricted stock	75,740	-
Redemption of restricted stock	(13,161)	(3,832)
Changes in non-controlling interests	(14,214,225)	(188,153)
<b>Net cash flows (used in) from financing activities</b>	<b>(68,922,637)</b>	<b>47,337,115</b>
<b>Effect of exchange rate fluctuations on cash held</b>	<b>(1,786,717)</b>	<b>(2,763,994)</b>
<b>Net increase in cash and cash equivalents</b>	<b>17,520,934</b>	<b>4,434,017</b>
<b>Cash and cash equivalents, beginning of the period</b>	<b>125,996,714</b>	<b>145,795,913</b>
<b>Cash and cash equivalents, end of the period</b>	<b>\$ 143,517,648</b>	<b>150,229,930</b>

See accompanying notes to financial statements.

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

**Reviewed only, not audited in accordance with generally accepted auditing standards**

## **PEGATRON CORPORATION AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

**September 30, 2021 and 2020**

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

#### **(1) Company history**

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

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

The consolidated financial statements of the Company as of and for the nine months ended September 30, 2021 comprise the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”) and the Group’s interest in associates entities.

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

The accompanying consolidated financial statements were authorized for issuance by the Board of Directors on November 11, 2021.

#### **(3) New standards, amendments and interpretations adopted**

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

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

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”
- Amendments to IFRS 16 “Covid-19-Related Rent Concessions beyond June 30, 2021”

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

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

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

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

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

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

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

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

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

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(4) Summary of significant accounting policies**

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

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

**(a) Statement of compliance**

These consolidated financial statements have been prepared in accordance with the revised Regulations Governing the Preparation of Financial Reports by Securities Issuers in the Republic of China (hereinafter referred to the Regulations), and guidelines of IAS 34 “Interim Financial Reporting” which are endorsed and issued into effect by FSC, and do not include all of the information required by the Regulations and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to IFRS endorsed by the FSC) for a complete set of the annual consolidated financial statements.

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2020. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2020.

**(b) Basis of consolidation**

List of subsidiaries included in the consolidated financial statements:

Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			September 30, 2021	December 31, 2020	September 30, 2020	
THE COMPANY	UNIHAN HOLDING LTD. (UNIHAN HOLDING)	Investing activities	100.00 %	100.00 %	100.00 %	Note 14
UNIHAN HOLDING	CASETEK HOLDINGS LIMITED (CASETEK HOLDINGS)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 14
CASETEK HOLDINGS	SLITEK HOLDINGS LIMITED	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 14
CASETEK HOLDINGS	CASETEK COMPUTER (SUZHOU) CO., LTD.	Manufacturing, developing and selling computers, computer parts, application systems, and providing after-sales service	100.00 %	100.00 %	100.00 %	Note 14
CASETEK HOLDINGS	KAEDAR HOLDINGS LIMITED (KAEDAR HOLDINGS)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 14
KAEDAR HOLDINGS	KAEDAR ELECTRONICS (KUNSHAN) CO., LTD.	Tooling molds of stainless-steel computer cases	100.00 %	100.00 %	100.00 %	Note 14
CASETEK HOLDINGS	KAEDAR TRADING LTD.	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 14

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			September 30, 2021	December 31, 2020	September 30, 2020	
CASETEK HOLDINGS	CORE-TEK (SHANGHAI) LIMITED	Researching and producing spare parts for notebook computers, designing nonmetal tooling, electronic specific equipment and related products, repairing and producing precision equipment and providing after-sales service	100.00 %	100.00 %	100.00 %	Note 14
CASETEK HOLDINGS	KAI-CHUAN ELECTRONICS (CHONGQING) CO., LTD.	Manufacturing, developing and inspecting computers and application systems, designing and manufacturing nonmetal and metal tooling, developing plastic and electronic component, selling self-manufactured products	100.00 %	100.00 %	100.00 %	Note 14
THE COMPANY, ASUSPOWER INVESTMENT AND ASUSTEK INVESTMENT	AZUREWAVE TECHNOLOGIES, INC. (AZUREWAVE)	Manufacturing office machinery, electronic parts and computer peripherals and selling precision equipment, and digital cameras	32.86 %	32.86 %	32.86 %	Note 1
AZUREWAVE	EZWAVE TECHNOLOGIES, INC.	Manufacturing office machinery, electronic parts and computer peripherals	100.00 %	100.00 %	100.00 %	Notes 1 and 14
AZUREWAVE	Azurewave Technologies (USA) Inc.	Market development activities	100.00 %	100.00 %	100.00 %	Notes 1 and 14
AZUREWAVE	AZURE LIGHTING TECHNOLOGIES, INC.	Selling electronic parts	100.00 %	100.00 %	100.00 %	Notes 1 and 14
AZUREWAVE	Azwave Holding (Samoa) Inc. (Azwave Samoa)	Investing activities	100.00 %	100.00 %	100.00 %	Note 1
Azwave Samoa	AZUREWAVE TECHNOLOGIES (SHANGHAI) INC.	Designing, manufacturing and trading computer products	100.00 %	100.00 %	100.00 %	Notes 1 and 14
Azwave Samoa	AZURE LIGHTING TECHNOLOGIES, INC. (YANGZHOU)	Manufacturing and selling LED and relevant lighting products	100.00 %	100.00 %	100.00 %	Notes 1 and 14
Azwave Samoa	AIGALE CORPORATION (SHANGHAI)	Designing and selling communication equipment and electronic products	100.00 %	100.00 %	100.00 %	Notes 1 and 14
THE COMPANY	AMA PRECISION INC. (AMA PRECISION)	Designing and developing computer parts	100.00 %	100.00 %	100.00 %	Note 14
THE COMPANY	PEGATRON HOLLAND HOLDING B.V. (PHH)	Investing activities	100.00 %	100.00 %	100.00 %	Note 14
PHH	PEGATRON Czech s.r.o.	Installing, repairing and selling electronic products	100.00 %	100.00 %	100.00 %	Note 14
THE COMPANY	PEGATRON HOLDING LTD. (PEGATRON HOLDING)	Investing activities	100.00 %	100.00 %	100.00 %	
PEGATRON HOLDING	POWTEK HOLDINGS LIMITED (POWTEK)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 14
POWTEK	POWTEK (SHANGHAI) LTD.	Selling main boards, computer peripherals, notebooks, servers and software, and providing after-sales service	100.00 %	100.00 %	100.00 %	Note 14
PEGATRON HOLDING, KINSUS SAMOA	PIOTEK HOLDINGS LTD. (CAYMAN) (PIOTEK CAYMAN)	Investing activities	100.00 %	100.00 %	100.00 %	Note 4
PIOTEK CAYMAN	PIOTEK HOLDING LIMITED (PIOTEK HOLDING)	Investing activities	100.00 %	100.00 %	100.00 %	Note 4

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			September 30, 2021	December 31, 2020	September 30, 2020	
PIOTEK HOLDING	PIOTEK COMPUTER (SUZHOU) CO., LTD.	Developing, manufacturing and selling new electronic components, circuit boards and relevant products, and providing after-sales service	100.00 %	100.00 %	100.00 %	Note 4
PIOTEK HOLDING	PIOTEK (H.K.) TRADING LIMITED	Trading activities	100.00 %	100.00 %	100.00 %	Note 4
PEGATRON HOLDING	GRAND UPRIGHT TECHNOLOGY LIMITED	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 14
PEGATRON HOLDING	ASLINK PRECISION CO., LTD. (ASLINK)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 14
ASLINK	PEGAGLOBE (KUNSHAN) CO., LTD.	Manufacturing GPS, computer electronic devices, mobile phone, high-end server, disk drive, and other related components	100.00 %	100.00 %	100.00 %	
ASLINK	PEGAGLOBE INVESTMENT (JIANGSU) CO., LTD.	Investing activities	100.00 %	- %	- %	Notes 12 and 14
PEGATRON HOLDING	DIGITEK GLOBAL HOLDINGS LIMITED (DIGITEK)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 14
DIGITEK	DIGITEK (CHONGQING) LTD.	Manufacturing, developing, and selling GPS, electronic calculators, and after sale service	100.00 %	100.00 %	100.00 %	
DIGITEK (CHONGQING) LTD.	CHONGQING ZUANSHUO TRADING CO., LTD.	Computer software and hardware, computer parts, electronic products (excluding electronic publications), electric appliance, industrial communication device (excluding wireless transmitter and transmitter), communication equipment (excluding wireless transmitter and satellite ground receiving facilities), and providing related technical consulting services. Import and export of goods and technology. Packaging service, product design, marketing planning, business consulting	100.00 %	100.00 %	100.00 %	Note 14
PEGATRON HOLDING	MAGNIFICENT BRIGHTNESS LIMITED (MAGNIFICENT)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 14
MAGNIFICENT	MAINTEK COMPUTER (SUZHOU) CO., LTD.	Manufacturing, developing and selling power supply units, computer cases, computer systems, notebooks, main boards, and computer peripherals, and providing after-sales service	100.00 %	100.00 %	100.00 %	
PEGATRON HOLDING	PROTEK GLOBAL HOLDINGS LTD. (PROTEK)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 14
PROTEK	PROTEK (SHANGHAI) LTD.	Developing, manufacturing and selling GPS, new electronic components, circuit boards and relevant products, and providing after-sales service	100.00 %	100.00 %	100.00 %	
PEGATRON HOLDING	COTEK HOLDINGS LIMITED (COTEK)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 14

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			September 30, 2021	December 31, 2020	September 30, 2020	
COTEK	COTEK ELECTRONICS (SUZHOU) CO., LTD.	Developing, manufacturing and selling new electronic components, circuit boards and relevant products, and providing after-sales service	100.00 %	100.00 %	100.00 %	Note 14
PEGATRON HOLDING	TOP QUARK LIMITED (TOP QUARK)	Investing activities	100.00 %	100.00 %	100.00 %	Note 14
TOP QUARK	RUNTOP (SHANGHAI) CO., LTD.	Manufacturing and selling computer parts and peripherals of digital automatic data processors, multimedia computer system accessories, power supply units, network switches, and modems	- %	100.00 %	100.00 %	Notes 13 and 14
THE COMPANY	ASUSPOWER INVESTMENT CO., LTD.	Investing activities	100.00 %	100.00 %	100.00 %	
THE COMPANY	ASUS INVESTMENT CO., LTD.	Investing activities	100.00 %	100.00 %	100.00 %	
THE COMPANY	ASUSTEK INVESTMENT CO., LTD.	Investing activities	100.00 %	100.00 %	100.00 %	
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	ASROCK INCORPORATION (ASROCK)	Data storage and processing equipment, manufacturing wired and wireless communication equipment, and whole selling of computer equipment and electronic components	55.92 %	55.92 %	55.92 %	Note 2
ASROCK	ASIAROCK TECHNOLOGY LIMITED (ASIAROCK)	Investing and holding activities	100.00 %	100.00 %	100.00 %	
ASIAROCK	ASROCK EUROPE B.V.	Selling database service and trading electronic components	100.00 %	100.00 %	100.00 %	
ASIAROCK	Calrock Holdings, LLC.	Office building leasing	100.00 %	100.00 %	100.00 %	Note 14
ASROCK	Leader Insight Holdings Limited (Leader)	Investing and holding activities	100.00 %	100.00 %	100.00 %	Note 14
Leader	Firstplace International Limited (Firstplace)	Investing and holding activities	100.00 %	100.00 %	100.00 %	Note 14
Firstplace	ASRock America, Inc.	Selling database service and trading electronic components	100.00 %	100.00 %	100.00 %	
ASROCK	ASRock Rack Incorporation	Manufacturing and selling computer and related peripherals	59.67 %	62.05 %	62.05 %	Note 5
ASROCK	ASRock Industrial Computer Corporation	Manufacturing and selling computer as well as related peripherals	65.83 %	66.96 %	66.58 %	Note 6
ASROCK	Soaring Asia Limited	Trading activities	100.00 %	100.00 %	100.00 %	Note 14
ASUSPOWER INVESTMENT AND ASUS INVESTMENT	PEGATRON Mexico, S.A. DE C.V.	Sales and repair service center in Mexico	100.00 %	100.00 %	100.00 %	Note 14
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	KINSUS INTERCONNECT TECHNOLOGY CORP. (KINSUS)	Manufacturing electronic parts, wholesaling and retailing of electronic components, as well as providing business management consultant service	38.58 %	38.57 %	38.57 %	Notes 3 and 4

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			September 30, 2021	December 31, 2020	September 30, 2020	
KINSUS	KINSUS INVESTMENT CO., LTD. (KINSUS INVESTMENT)	Investing activities	100.00 %	100.00 %	100.00 %	Note 4
KINSUS INVESTMENT, ASUSPOWER INVESTMENT AND ASUSTEK INVESTMENT	PEGAVISION CORPORATION	Manufacturing medical appliances	45.21 %	45.21 %	45.21 %	Notes 4 and 7
KINSUS INVESTMENT, ASUSTEK INVESTMENT AND ASUS INVESTMENT	FUYANG TECHNOLOGY CORPORATION	Manufacturing and wholesaling of wires, cables, and electronic components	89.13 %	89.13 %	89.13 %	Note 14
PEGAVISION CORPORATION	PEGAVISION JAPAN INC.	Selling medical appliances	100.00 %	100.00 %	100.00 %	Notes 4 and 7
PEGAVISION CORPORATION	AQUAMAX CORPORATION	Selling medical appliances	- %	100.00 %	100.00 %	Notes 4, 7 and 11
AQUAMAX CORPORATION	AQUAMAX VISION CORPORATION	Selling medical appliances	100.00 %	100.00 %	100.00 %	Notes 4 and 7
PEGAVISION CORPORATION	PEGAVISION (SHANGHAI) LIMITED	Selling medical appliances	100.00 %	100.00 %	100.00 %	Notes 4 and 7
PEGAVISION CORPORATION	Pegavision (Jiangsu) Limited.	Manufacturing and selling medical appliances	100.00 %	- %	- %	Notes 4, 7 and 10
PEGAVISION CORPORATION	Mayin Investment Co., Ltd.	Investing activities	100.00 %	- %	- %	Note 11
Mayin Investment Co., Ltd.	AQUAMAX CORPORATION	Selling medical appliances	100.00 %	- %	- %	Note 11
Mayin Investment Co., Ltd.	FacialBeau International Corporation	Selling cosmetics	55.00 %	- %	- %	Note 11
FUYANG TECHNOLOGY CORPORATION	FUYANG FLEX HOLDING LTD. (FUYANG HOLDING)	Investing activities	100.00 %	100.00 %	100.00 %	Note 14
FUYANG HOLDING	FUYANG ELECTRONICS (SUZHOU) CO., LTD.	Researching, producing, inspecting, repairing and selling flexible multilayer model, computer digital signal process system and card; selling own produced products and providing related technical consulting service	100.00 %	100.00 %	100.00 %	Note 14
PEGAVISION (SHANGHAI) LIMITED	Gemvision Technology (Zhejiang) Limited.	Selling medical appliances	100.00 %	100.00 %	100.00 %	Notes 4 and 7
KINSUS	KINSUS CORP. (USA)	Developing and designing new technology and products; analyzing marketing strategy and developing new customers	100.00 %	100.00 %	100.00 %	Note 4
KINSUS	KINSUS HOLDING (SAMOA) LIMITED (KINSUS SAMOA)	Investing activities	100.00 %	100.00 %	100.00 %	Note 4
KINSUS SAMOA	KINSUS HOLDING (CAYMAN) LIMITED (KINSUS CAYMAN)	Investing activities	100.00 %	100.00 %	100.00 %	Note 4
KINSUS CAYMAN	KINSUS INTERCONNECT TECHNOLOGY (SUZHOU) CORP.	Manufacturing and selling circuit boards	100.00 %	100.00 %	100.00 %	Note 4

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			September 30, 2021	December 31, 2020	September 30, 2020	
KINSUS CAYMAN	KINSUS TRADING (SUZHOU) CORP.	Manufacturing and selling circuit boards related products and materials	100.00 %	100.00 %	100.00 %	Note 4
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	STARLINK ELECTRONICS CORPORATION	Manufacturing electronic parts and plastic products, and manufacturing and wholesaling electronic components	100.00 %	100.00 %	100.00 %	Note 14
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	ASUSPOWER CORPORATION	Investing and trading activities	100.00 %	100.00 %	100.00 %	
THE COMPANY, ASUSPOWER CORPORATION	CASETEK HOLDINGS LIMITED (CAYMAN) (CASETEK CAYMAN)	Investing activities	100.00 %	60.02 %	59.41 %	Note 8
CASETEK CAYMAN	RIH LI INTERNATIONAL LIMITED (RIH LI)	Investing activities	100.00 %	100.00 %	100.00 %	
RIH LI	RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD. (RI-TENG)	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling	100.00 %	100.00 %	100.00 %	Note 14
RIH LI	RI-PRO PRECISION MODEL (SHANGHAI) CO., LTD. (RI-PRO)	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling	100.00 %	100.00 %	100.00 %	Note 14
RIH LI	RI-MING (SHANGHAI) CO., LTD. (RI-MING)	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling	- %	100.00 %	100.00 %	Note 9
RIH LI	SHENG-RUI ELECTRONIC TECHNOLOGY (SHANGHAI) LIMITED (SHENG-RUI)	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling and surface processing for the aforementioned product.	- %	100.00 %	100.00 %	Note 9
RIH LI	RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD. (RI PEI)	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling	- %	100.00 %	100.00 %	Note 9
RIH LI	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD. (RI SHAN)	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling and surface processing for the aforementioned product	- %	100.00 %	100.00 %	Note 9
RIH LI	Luxcase Precision Technology (Yancheng) Co., Ltd. (Luxcase) (Former RI KAI)	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling	- %	100.00 %	100.00 %	Notes 9
CASETEK CAYMAN	RI-KUAN METAL CORPORATION (RI-KUAN)	Selling iron and aluminum products	100.00 %	100.00 %	100.00 %	Note 14
RI-KUAN	RITENG USA, INC	Market survey	100.00 %	100.00 %	100.00 %	Note 14

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			September 30, 2021	December 31, 2020	September 30, 2020	
CASETEK CAYMAN	APLUS PRECISION LIMITED (APLUS)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 14
APLUS	UNITED NEW LIMITED (UNITED)	Investing and trading activities	100.00 %	100.00 %	100.00 %	Note 14
UNITED	KAI HE COMPUTER ACCESSORY (SUZHOU) CO., LTD.	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling and surface processing for the aforementioned product	100.00 %	100.00 %	100.00 %	Note 14
CASETEK CAYMAN	MEGA MERIT LIMITED	Trading activities	100.00 %	100.00 %	100.00 %	Note 14
CASETEK CAYMAN	CASETEK SINGAPORE PTE. LTD.	Trading activities	- %	100.00 %	100.00 %	Note 9
ASUS INVESTMENT	AS FLY TRAVEL SERVICE LIMITED	Travel agency	100.00 %	100.00 %	100.00 %	Note 14
ASUSPOWER INVESTMENT	PEGATRON TECHNOLOGY SERVICE INC. (PTSI)	Sales and repair service center in North America	100.00 %	100.00 %	100.00 %	Note 14
PTSI	PEGATRON SERVICOS DE INFORMATICA LTDA.	Maintenance service	100.00 %	100.00 %	100.00 %	Note 14
ASUSPOWER INVESTMENT	PEGA INTERNATIONAL LIMITED	Design service and sales	100.00 %	100.00 %	100.00 %	Note 14
ASUSPOWER INVESTMENT	PEGATRON JAPAN INC.	Sales and repair service center in Japan	100.00 %	100.00 %	100.00 %	Note 14
ASUSPOWER INVESTMENT	PEGATRON LOGISTIC SERVICE INC.	Sales and logistics center in North America	100.00 %	100.00 %	100.00 %	Note 14
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	Lumens Digital Optics Inc. (Lumens Optics)	Developing, manufacturing and selling computer data projectors and related peripherals	55.21 %	55.21 %	55.21 %	Note 14
Lumens Optics	Lumens Integration Inc.	Selling computer communication products and peripherals	100.00 %	100.00 %	100.00 %	Note 14
Lumens Optics	Lumens Digit Image Inc. (SAMOA) (Lumens)	Investing activities	100.00 %	100.00 %	100.00 %	Note 14
Lumens	Lumens (Suzhou) Digital Image Inc.	Manufacturing and selling projectors, projection screens and related products	100.00 %	100.00 %	100.00 %	Note 14
ASUSPOWER INVESTMENT	Pegatron Service Singapore Pte. Ltd. (PSG)	Sales and repair service center in Singapore	100.00 %	100.00 %	100.00 %	Note 14
PSG	PEGATRON SERVICE KOREA LLC.	Sales and repair service center in Korea	100.00 %	100.00 %	100.00 %	Note 14
ASUS INVESTMENT	HUA-YUAN INVESTMENT LIMITED	Investing activities	100.00 %	100.00 %	100.00 %	Note 14
THE COMPANY	PEGATRON SERVICE AUSTRALIA PTY. LTD.	Sales and repair service center in Australia	100.00 %	100.00 %	100.00 %	Note 14
THE COMPANY	PEGATRON USA, INC.	Sales and repair service center in North America	100.00 %	100.00 %	100.00 %	Note 14

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Investor	Subsidiary	Nature of business	Shareholding ratio			Notes
			September 30, 2021	December 31, 2020	September 30, 2020	
THE COMPANY, ASUSPOWER INVESTMENT	PT. PEGATRON TECHNOLOGY INDONESIA	Data storage and processing equipment, manufacturing wired and wireless communication equipment, and whole selling of computer equipment and electronic components	100.00 %	100.00 %	100.00 %	Note 14
THE COMPANY	PEGATRON VIETNAM COMPANY LIMITED	Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts	100.00 %	100.00 %	100.00 %	Note 14
THE COMPANY	PEGATRON TECHNOLOGY HAI PHONG COMPANY LIMITED	Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts	100.00 %	100.00 %	100.00 %	Note 14
THE COMPANY	PEGASUS ACE LIMITED	Investing activities	- %	100.00 %	100.00 %	Notes 8 and 14
THE COMPANY, ASUSPOWER INVESTMENT	PEGATRON TECHNOLOGY INDIA PRIVATE LIMITED	Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts	100.00 %	100.00 %	100.00 %	Note 14

- Note 1: Since the Group only held 32.86% of voting rights of AZUREWAVE TECHNOLOGY INC. (AZUREWAVE), with the remaining 67.14% shares belonging to different shareholders having no intention of exercising their votes collectively, and also, due to the fact that the Group's participation dominated the previous shareholders' meetings, resulting in the Group having a significant control over AZUREWAVE, therefore, AZUREWAVE has been included in the consolidated financial statement of the Group.
- Note 2: On April 29, 2020, ASROCK INCORPORATION (ASROCK) reduced its capital by canceling those retired employee restricted shares, resulting in the Group's shareholding ratio in ASROCK to increase from 55.92% to 55.92%.
- Note 3: On July 27, and October 26, 2020, and January 29, 2021, respectively, KINSUS INTERCONNECT TECHNOLOGY CORP. (KINSUS) reduced its capital by canceling those retired employee restricted shares, resulting in the Group's shareholding ratio in KINSUS to increase from 38.57% to 38.58%.
- Note 4: Since the Group only held 38.58% of the voting rights of KINSUS INTERCONNECT TECHNOLOGY CORP. (KINSUS), with the remaining 61.42% shares belonging to different shareholders having no intention of exercising their votes collectively, and also, due to the fact that the Group's participation dominated the previous shareholders' meetings, resulting in the Group having a significant control over KINSUS. Therefore, KINSUS has been included in the consolidated financial statements of the Group.
- Note 5: On March 25 and April 15, 2020, ASROCK RACK INCORPORATION (ARI) purchased 2 thousand and 9 thousand shares from non related parties amounting to \$40 thousand and \$172 thousand, respectively, resulting in the Group's shareholding ratio to increase to 62.05%. In addition, 191 thousand treasury stocks had been cancelled based on a resolution approved during the board meeting of ARI held on April 22, 2021, resulting in the Group's shareholding ratio to increase from 62.05% to 62.43%. Furthermore, a resolution had been approved during the board meeting of ARI held on July 14, 2021 to raise its capital for employee stock options. However, the Group did not increase its shares proportionally in ARI, resulting in the Group's shareholding ratio in ARI to decrease from 62.43% to 59.66%. Also, ARI issued stock dividends to inject its capital with surplus on August 24, 2021, resulting in the Group's shareholding ratio in ARI to increase from 59.66% to 59.67%.

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- Note 6: On January 13, March 23, and May 7, 2020, ASRock Industrial Computer Corporation (ASRock) purchased 30 thousand, 20 thousand, and 21 thousand shares, from non-related parties amounting to \$300 thousand, \$246 thousand, and \$266 thousand, respectively, resulting in the Group's shareholding ratio in ASRock to increase to 67.58%. On July 31, 2020, ASRock approved to issue new shares for employee stock option. However, the Group did not increase its shares proportionally, resulting in its shareholding ratio in ASRock to decrease from 67.58% to 66.28%. Additionally, on September 30, December 7, and December 21, 2020, the Group purchased 105 thousand, 103 thousand, and 36 thousand shares, from non-related parties amounting to \$1,295 thousand, \$1,302 thousand, and \$452 thousand, respectively, resulting its shareholding ratio in ASRock to increase from 66.28% to 66.96%. Furthermore, a resolution to issue new shares for employee stock options was approved during the Board meeting held on June 11, 2021, with the investment amounting to \$6,132 thousand. Since the Group did not purchase the stocks based on its shareholding ratio, the Group's shareholding ratio in ASRock has decreased from 66.96% to 65.83%.
- Note 7: Since the Group only held 45.21% of rights of PEGAVISION CORPORATION (PEGAVISION), with the remaining 54.79% shares belonging to different shareholders having no intention of exercising their votes collectively, and also, due to the fact that the Group's participation dominated the previous shareholders' meetings, resulting in the Group having a significant control over PEGAVISION, PEGAVISION has been included in the consolidated financial statements of the Group.
- Note 8: On August 26, 2020, CASETEK HOLDINGS LIMITED (CASETEK) reduced its capital by repurchasing treasury stocks, resulting in the Group's shareholding ratio in CASETEK to increase from 59.41% to 60.02%. Pursuant to a resolution made during the CASETEK's Extraordinary General Meeting on September 30, 2020, CASETEK will complete a triangular merger with Pegatron Corporation and its wholly owned subsidiary, PEGASUS ACE LIMITED. The date of merger was set on January 15, 2021. The Group acquired all non-controlling interests of CASETEK in accordance with the merger agreement. The Group's shareholding ratio in CASETEK increased to 100% since the equity of CASETEK, originally held by ASUSPOWER CORPORATION, was also fully transferred to the ultimate parent company in the process of organizational restructuring, and PEGASUS ACE LIMITED as a dissolved company being merged in the triangular merger.
- Note 9: To meet its operational needs, the Group had completed the organizational restructuring of its subsidiaries in mainland China by adjusting RI KAI COMPUTER ACCESSORY CO., LTD. (RI KAI) to a domestic holding company. Upon the completion of the reorganization, RI SHAN, RI PEI, RI MING, and SHENG RUI became directly wholly owned by RI KAI. The reorganization had been approved by Investment Board, Ministry of Economic Affairs on January 15, 2021. Furthermore, the Group approved a board resolution on January 29, 2021 to authorize RI KAI to raise its capital, with the record date on February 3, 2021; and to authorize RIH LI INTERNATIONAL LIMITED to waive its pre-emptive right toward the capital increase of RI KAI, which will result in the Group's shareholding ratio in RI KAI to decrease from 100% to 48.17%. In addition, an agreement wherein RI KAI will obtain the physical control over CASETEK SINGAPORE PTE. LTD. had also been made. After the capital increase, the other shareholders of RI KAI have also given the physical decision power over relevant operating activities of RI KAI and CASETEK SINGAPORE PTE. LTD. The Group had lost control over its subsidiaries after the record date of the capital increase. On April 26, 2021, RI KAI was renamed Luxcase Precision Technology (Yancheng) Co., Ltd.
- Note 10: The subsidiary was established by the Group in the first quarter of 2021.

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Note 11: To improve its operational efficiency, PEGAVISION CORPORATION approved a resolution during its board meeting held on July 26, 2021 for a structure reorganization by transferring its investment from Aquamax Corporation to Mayin Investment Co. (Mayin), which was established (with all related registration procedures had been completed on August 19, 2021) and a directly wholly-owned subsidiary of PEGAVISION CORPORATION once the reorganization is completed. Furthermore, Mayin directly established a 55% owned subsidiary, FacialBeau International Corporation, with its registration procedures that have yet to be completed as of September 30, 2021.

Note 12: Subsidiary established by the Group in the second quarter of 2021..

Note 13 : The subsidiary has been sold to a non-related party, therefore, the Group lost control over the subsidiary.

Note 14 : It is an insignificant subsidiary that the financial statements for the nine months ended September 30, 2021 and 2020, have not been reviewed.

(c) Leases

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

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

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

(d) Employee benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

(e) Income taxes

Tax expense in the interim financial statements is measured and disclosed according to paragraph B12 of IAS 34 "Interim Financial Reporting."

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Income tax expense for the period is best estimated by multiplying pretax income for the interim reporting period with the effective annual tax rate as forecasted by management. It is recognized fully as tax expense for the current period.

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases are measured based on the tax rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled and recognized directly in equity or other comprehensive income as tax expense.

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

The preparation of the consolidated financial statements in conformity with the Regulations and IFRSs (in accordance with IAS 34 “Interim Financial Reporting” and endorsed by the FSC) requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The preparation of the consolidated financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2020. For related information, please refer to Note 5 of the consolidated financial statements for the year ended December 31, 2020.

**(6) Explanation of significant accounts**

Except for the following disclosures, there were no material differences in the disclosures of significant accounts between the interim consolidated financial statements for the current period and the 2020 consolidated financial statements. Please refer to Note 6 of the 2020 annual consolidated financial statements.

**(a) Cash and cash equivalents**

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Cash on hand	\$ 23,061	11,630	12,663
Cash in banks	105,559,494	69,014,570	36,830,042
Time deposits	37,607,917	53,578,392	111,199,813
Cash equivalents	<u>327,176</u>	<u>3,392,122</u>	<u>2,187,412</u>
	<b><u>\$ 143,517,648</u></b>	<b><u>125,996,714</u></b>	<b><u>150,229,930</u></b>

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

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

	<u>September 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>September 30,</u> <u>2020</u>
Current mandatorily measured at fair value through profit or loss:			
Non-derivative financial assets			
Shares of stock of listed companies	\$ 1,440,084	1,635,802	1,681,592
Shares of stock of unlisted companies	7,704	7,704	16,500
Beneficiary certificates	1,646,653	2,770,944	2,345,093
Shares of stock of overseas listed companies	5,994,551	9,437,126	9,731,961
Convertible bonds	82,580	93,738	-
Non-current mandatorily measured at fair value through profit or loss:			
Non-derivative financial assets			
Shares of stock of listed companies	218,400	218,750	218,750
Beneficiary certificates	390,620	328,865	238,520
Shares of stock of overseas listed companies	637,453	-	-
Shares of stock of overseas unlisted companies	<u>201,745</u>	<u>63,669</u>	<u>71,510</u>
Total	<u>\$ 10,619,790</u>	<u>14,556,598</u>	<u>14,303,926</u>

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

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

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

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

	<u>September 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>September 30,</u> <u>2020</u>
Equity instruments at fair value through other comprehensive income:			
Shares of stock of listed companies	\$ 531,926	533,196	475,589
Shares of stock of unlisted companies	148,074	149,143	148,557
Shares of stock of overseas listed companies	287,544	250,064	205,887
Shares of stock of overseas unlisted companies	<u>46,224</u>	<u>69,808</u>	<u>82,496</u>
Total	<u>\$ 1,013,768</u>	<u>1,002,211</u>	<u>912,529</u>

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

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

For the three months and the nine months ended September 30, 2021 and 2020, the Group had sold its shares as a result of investment strategic. The shares sold had fair values of \$48,587 thousand and \$172,221 thousand, respectively, and the Group realized cumulative gains of \$20,319 thousand and cumulative losses of \$153,818 thousand, respectively, which were included in other comprehensive income. The cumulative gains were converted to retained earnings.

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

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

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

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

	<u>September 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>September 30,</u> <u>2020</u>
Notes receivables from operating activities	\$ 10,857	6,612	18,426
Accounts receivable-measured at amortized cost	133,635,697	224,136,586	202,632,913
Less: Allowance for impairment	<u>125,279</u>	<u>179,507</u>	<u>1,660,294</u>
	<u>\$ 133,521,275</u>	<u>223,963,691</u>	<u>200,991,045</u>

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

(ii) Credit loss

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

(Continued)



**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

	<b>For the nine months ended September 30</b>	
	<b>2021</b>	<b>2020</b>
Balance on January 1	\$ 179,507	1,676,398
Impairment losses recognized	19,924	35,239
Amounts written off	(49,901)	(1,134)
Impairment loss reversed	(13,638)	(47,697)
Foreign exchange losses	(5,350)	(2,512)
Effect of disposals of subsidiaries	(5,263)	-
Balance on September 30	<u>\$ 125,279</u>	<u>1,660,294</u>

The aforesaid financial assets were not pledged as collateral.

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

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

As of September 30, 2021, December 31, 2020, and September 30, 2020, the relevant information on accounts receivable factored by the Company, but unsettled, was as follows:

<b>September 30, 2021</b>						
<b>Purchaser</b>	<b>Amount Derecognized</b>	<b>Factoring Line (thousands)</b>	<b>Amount Advanced (thousands) Paid</b>	<b>Collateral</b>	<b>Range of Interest Rate</b>	<b>Significant Factoring Terms</b>
ANZ (Notes 1 and 3)	\$ -	USD 760,000	TWD -	None	0.40%~ 0.41%	The accounts receivable factoring is without recourse but the seller still bears the risks except for eligible obligor's insolvency.
<b>December 31, 2020</b>						
<b>Purchaser</b>	<b>Amount Derecognized</b>	<b>Factoring Line (thousands)</b>	<b>Amount Advanced (thousands) Paid</b>	<b>Collateral</b>	<b>Range of Interest Rate</b>	<b>Significant Factoring Terms</b>
ANZ (Notes 1 and 3)	\$ -	USD 760,000	TWD -	None	0.52%~ 0.58%	The accounts receivable factoring is without recourse but the seller still bears the risks except for eligible obligor's insolvency.

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
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September 30, 2020

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

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

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

Note 3: Bank of Communications had withdrawn from the joint accounts receivable factoring agreement in November, 2020, resulting in the factoring line decreased to USD\$760,000 thousand.

For the three months and the nine months ended September 30, 2021 and 2020, the Company recognized a fee and interest on bank advance payment of \$566 thousand, \$872 thousand, \$629 thousand and \$930 thousand, respectively, from the factoring of accounts receivable, which was accounted under finance costs in the statement of comprehensive income. For more information, please refer to Note 6(ac).

As of September 30, 2021, December 31, 2020 and September 30, 2020, KINSUS INTERCONNECT TECHNOLOGY CORP. sold its accounts receivable without recourse as follows:

September 30, 2021

Purchaser	Amount Derecognized	Factoring Line (thousands)	Amount	Collateral	Range of Interest Rate	Significant Factoring Terms
			Advanced (thousands) Paid			
Mega International Commercial Bank	\$ 530,983	USD 30,000	TWD 417,042	None	0.37%~ 0.41%	The accounts receivable factoring is without recourse

December 31, 2020

Purchaser	Amount Derecognized	Factoring Line (thousands)	Amount	Collateral	Range of Interest Rate	Significant Factoring Terms
			Advanced (thousands) Paid			
Mega International Commercial Bank	\$ 480,175	USD 30,000	TWD 479,599	None	0.42%~ 0.51%	The accounts receivable factoring is without recourse

September 30, 2020

Purchaser	Amount Derecognized	Factoring Line (thousands)	Amount	Collateral	Range of Interest Rate	Significant Factoring Terms
			Advanced (thousands) Paid			
Mega International Commercial Bank	\$ 368,814	USD 30,000	TWD 79,047	None	0.519%	The accounts receivable factoring is without recourse

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

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

(e) Other receivables

	September 30, 2021	December 31, 2020	September 30, 2020
Other receivables	\$ 1,344,666	2,034,360	1,978,110
Other receivables-Related parties	10,644,553	-	-
Less: Allowance for impairment	15,858	18,871	17,595
	<b>\$ 11,973,361</b>	<b>2,015,489</b>	<b>1,960,515</b>

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

(f) Inventories

	September 30, 2021	December 31, 2020	September 30, 2020
Merchandise	\$ 1,493,040	2,186,008	2,212,581
Finished goods	41,638,971	85,446,020	58,883,310
Work in process	35,818,990	40,765,271	33,658,873
Raw materials	85,966,132	43,681,070	57,819,437
Subtotal	164,917,133	172,078,369	152,574,201
Less: Allowance for inventory market decline and obsolescence	5,389,683	6,935,976	6,859,155
Total	<b>\$ 159,527,450</b>	<b>165,142,393</b>	<b>145,715,046</b>

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The components of cost of goods sold were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2021	2020	2021	2020
Cost of goods sold	\$ 307,847,517	316,930,602	770,884,929	893,477,390
Provision (reversal of) on market price decline	26,848	(81,757)	58,214	336,532
Loss on disposal of inventory	2,865,237	4,242,032	8,689,716	11,059,296
Unallocated manufacturing overhead	315,007	603,576	1,331,901	2,648,932
(Gain) Loss on physical inventory	<u>(21,398)</u>	<u>7,141</u>	<u>18,093</u>	<u>10,317</u>
	<u>\$ 311,033,211</u>	<u>321,701,594</u>	<u>780,982,853</u>	<u>907,532,467</u>

For the three months ended September 30, 2020, the Group recognized a gain from the reversal of price recovery for inventory valuation loss due to the destocking of inventories. Such a gain was deducted from the cost of goods sold.

For the three months ended September 30, 2021, and the nine months ended September 30, 2021 and 2020, the Group recognized an inventory valuation loss due to the decreasing value from the carrying amount to the net realized value. Such a loss was recognized as the cost of goods sold.

As of September 30, 2021, December 31, 2020 and September 30, 2020, the aforesaid inventories were not pledged as collateral.

(g) Non-current assets held for sale

	September 30, 2021	December 31, 2020	September 30, 2020
Land or buildings held for sale	<u>\$ 42,955</u>	<u>-</u>	<u>-</u>

AZUREWAVE and its subsidiaries have planned to dispose of the right-of-use assets on land and plant, which were originally used by the production department of AZUREWAVE, within one year. The sales contract has been executed as of September 30, 2021, but the transfer of ownership has not yet been completed; therefore, the right-of-use assets on land and plant were classified as non-current assets held for sale. As of September 30, 2021, there is no impairment to the aforementioned assets.

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

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(h) Investments accounted for using the equity method

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

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Associates	<u>\$ 21,044,263</u>	<u>351,450</u>	<u>376,473</u>

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

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

<u>Name of Associates</u>	<u>Nature of Relationship with the Group</u>	<u>Main operating location/ Registered Country of the Company</u>	<u>Proportion of shareholding and voting rights</u> <u>September 30, 2021</u>
Luxcase Precision Technology (Yancheng) Co., Ltd. (Luxcase) (Former RI KAI COMPUTER ACCESSORY CO.,LTD.)	Designing, developing, manufacturing and selling electronic components, precision, non-metal and metal tooling	China	48.17 %

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

Luxcase

	<b>September 30, 2021</b>
Current assets	\$ 90,145,837
Non-current assets	36,720,711
Current liabilities	(72,563,918)
Non-current liabilities	<u>(11,366,215)</u>
Net assets	<u>\$ 42,936,415</u>

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<b>For the three months ended September 30, 2021</b>	<b>For the eight months ended September 30, 2021</b>
Operating revenue	<u>\$ 46,148,388</u>	<u>88,938,141</u>
Gain from continuing operations	\$ 425,358	730,339
Other comprehensive income	8,295	8,761
Comprehensive income attributable to shareholders	<u>\$ 433,653</u>	<u>739,100</u>
		<b>For the nine months ended September 30, 2021</b>
Shares of net assets of the associate as of January 1, 2021		\$ -
Addition		21,202,915
Net gain attributable to the Group		351,128
Comprehensive income attributable to the Group		(462,701)
Change in the ownership interest attributable to the Group		(407,312)
Shares of net assets of associates		20,684,030
Goodwill		103,752
Carrying amount of the associate's equity as of September 30, 2021		<u>\$ 20,787,782</u>

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

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Carrying amount of individually insignificant associates' equity	<u>\$ 256,481</u>	<u>351,450</u>	<u>376,473</u>

	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Attributable to the Group:				
(Loss) profit from continuing operations	\$ (20,760)	(20,757)	(72,853)	120,451
Other comprehensive income	8	318	16	172
Total comprehensive (loss) profit	<u>\$ (20,752)</u>	<u>(20,439)</u>	<u>(72,837)</u>	<u>120,623</u>

- (i) As of September 30, 2021, December 31, 2020 and September 30, 2020, the aforesaid investments accounted for using the equity method were not pledged as collateral.

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- (ii) The unreviewed financial statements of investments accounted for using the equity method.

Some of the investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements that have not been reviewed.

- (i) Loss of control over a subsidiary

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

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

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

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(j) Subsidiaries that have material non-controlling interest

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

<u>Subsidiaries</u>	<u>Main operation place/Country of registration</u>	<u>Equity ownership of non-controlling interest</u>		
		<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
KINSUS and its subsidiaries	Taiwan	61.42 %	61.43 %	61.43 %
ASROCK and its subsidiaries	Taiwan	44.08 %	44.08 %	44.08 %
CASETEK CAYMAN	Taiwan/Cayman	-	39.98 %	40.59 %

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

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

(i) Information regarding KINSUS and its subsidiaries

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>	
Current assets	\$ 23,704,533	21,663,991	21,019,324	
Non-current assets	29,707,996	21,119,961	20,920,854	
Current liabilities	(14,431,068)	(10,730,750)	(10,718,347)	
Non-current liabilities	(7,558,533)	(2,863,643)	(2,376,553)	
Net assets	<b>\$ 31,422,928</b>	<b>29,189,559</b>	<b>28,845,278</b>	
Non-controlling interest	<b>\$ 19,828,981</b>	<b>18,296,937</b>	<b>18,025,384</b>	
	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Operating revenue	<b>\$ 9,767,683</b>	<b>6,871,934</b>	<b>25,719,024</b>	<b>19,550,452</b>
Net income for the period	\$ 1,571,918	184,661	2,957,272	598,575
Other comprehensive income (loss)	(10,381)	18,037	(55,603)	(34,720)
Comprehensive income	<b>\$ 1,561,537</b>	<b>202,698</b>	<b>2,901,669</b>	<b>563,855</b>
Net income attribute to non-controlling interest	<b>\$ 1,048,705</b>	<b>146,238</b>	<b>2,015,917</b>	<b>461,451</b>
Comprehensive income attribute to non-controlling interest	<b>\$ 1,042,092</b>	<b>161,728</b>	<b>1,984,388</b>	<b>446,642</b>

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	<b>For the nine months ended</b>	
	<b>September 30</b>	
	<b>2021</b>	<b>2020</b>
Cash flows from operating activities	\$ 7,458,571	3,228,938
Cash flows used in investing activities	(9,900,963)	(1,782,726)
Cash flows from (used in) financing activities	3,731,948	(1,130,960)
Effect of movement in exchange rate	(24,214)	7,751
Net increase in cash and cash equivalents	<b>\$ 1,265,342</b>	<b>323,003</b>
Dividends to non-controlling interest	<b>\$ 468,686</b>	<b>372,936</b>

(ii) Information regarding ASROCK and its subsidiaries

	<b>September 30,</b>	<b>December 31,</b>	<b>September 30,</b>
	<b>2021</b>	<b>2020</b>	<b>2020</b>
Current assets	\$ 11,934,257	11,109,489	11,654,399
Non-current assets	1,144,373	606,322	614,730
Current liabilities	(4,967,032)	(4,325,667)	(5,166,315)
Non-current liabilities	(78,820)	(81,708)	(79,914)
Net assets	<b>\$ 8,032,778</b>	<b>7,308,436</b>	<b>7,022,900</b>
Non-controlling interest	<b>\$ 3,808,548</b>	<b>3,449,287</b>	<b>3,317,458</b>

	<b>For the three months ended</b>		<b>For the nine months ended</b>	
	<b>September 30</b>		<b>September 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Operating revenue	<b>\$ 4,071,509</b>	<b>5,199,482</b>	<b>14,125,612</b>	<b>13,513,231</b>
Net income for the period	\$ 430,602	533,017	1,758,971	1,139,219
Other comprehensive loss	(1,437)	(73,369)	(85,085)	(116,652)
Comprehensive income	<b>\$ 429,165</b>	<b>459,648</b>	<b>1,673,886</b>	<b>1,022,567</b>
Net income attribute to non-controlling interest	<b>\$ 204,060</b>	<b>260,085</b>	<b>808,140</b>	<b>576,347</b>
Comprehensive income attribute to non-controlling interest	<b>\$ 203,427</b>	<b>227,743</b>	<b>770,634</b>	<b>525,326</b>

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
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	<b>For the nine months ended September 30</b>	
	<b>2021</b>	<b>2020</b>
Cash flows from operating activities	\$ 653,288	1,264,627
Cash flows (used in) from investing activities	(598,546)	292,634
Cash flows used in financing activities	(993,050)	(503,880)
Effect of movement in exchange rate	(80,698)	(110,735)
Net (decrease) increase in cash and cash equivalents	<u>\$ (1,019,006)</u>	<u>942,646</u>
Dividends to non-controlling interest	<u>\$ 459,835</u>	<u>212,721</u>
 (iii) Information regarding CASETEK CAYMAN		
	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Current assets	\$ 65,391,986	39,513,741
Non-current assets	27,598,569	26,494,262
Current liabilities	(54,615,386)	(28,601,293)
Non-current liabilities	(7,203,965)	(7,429,502)
Net assets	<u>\$ 31,171,204</u>	<u>29,977,208</u>
Non-controlling interest	<u>\$ 12,259,489</u>	<u>12,024,610</u>
	<b>For the three months ended September 30, 2020</b>	<b>For the nine months ended September 30, 2020</b>
Operating revenue	<u>\$ 12,707,784</u>	<u>29,443,191</u>
Net income for the period	\$ 757,203	235,446
Other comprehensive income (loss)	446,415	(252,240)
Comprehensive income (loss)	<u>\$ 1,203,618</u>	<u>(16,794)</u>
Net income attribute to non-controlling interest	<u>\$ 307,290</u>	<u>95,549</u>
Comprehensive income (loss) attribute to non-controlling interest	<u>\$ 487,109</u>	<u>(6,684)</u>
		<b>For the nine months ended September 30, 2020</b>
Cash flows from operating activities		\$ 3,696,277
Cash flows used in investing activities		(3,659,669)
Cash flows from financing activities		1,392,416
Effect of movement in exchange rate		(399,442)
Net increase in cash and cash equivalents		<u>\$ 1,029,582</u>

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
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(k) Acquisition of non-controlling interests

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

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

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

(l) Property, plant and equipment

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

	Land	Buildings	Machinery equipment	Instrument equipment	Other facilities	Construction in progress	Total
<b>Cost or deemed cost:</b>							
Balance on January 1, 2021	\$ 8,518,661	57,985,033	72,165,168	1,310,614	37,998,358	3,736,663	181,714,497
Additions	210,029	290,977	1,267,707	121,696	1,975,282	11,156,169	15,021,860
Disposals and obsolescence	-	(322,682)	(1,757,158)	(96,650)	(1,445,235)	-	(3,621,725)
Reclassifications	3,132,634	2,720,679	4,314,670	(3,697)	2,818,792	(8,605,400)	4,377,678
Subsidiary disposal	-	(9,042,327)	(22,876,427)	-	(7,290,696)	(2,705,181)	(41,914,631)
Effect of movement in exchange rate	(3,442)	(797,968)	(424,365)	(17,733)	(453,480)	(2,656)	(1,699,644)
Balance on September 30, 2021	<u>\$ 11,857,882</u>	<u>50,833,712</u>	<u>52,689,595</u>	<u>1,314,230</u>	<u>33,603,021</u>	<u>3,579,595</u>	<u>153,878,035</u>
Balance on January 1, 2020	\$ 7,754,662	55,296,414	67,162,106	1,396,155	34,116,157	3,246,801	168,972,295
Additions	773,090	1,000,699	3,618,321	98,448	2,307,846	4,148,954	11,947,358
Disposals and obsolescence	-	(144,975)	(2,073,978)	(164,094)	(1,669,447)	-	(4,052,494)
Reclassifications	-	2,453,826	1,794,058	3,039	1,682,914	(4,167,690)	1,766,147
Effect of movement in exchange rate	(13,844)	(1,030,998)	(561,387)	(23,295)	(554,822)	(28,233)	(2,212,579)
Balance on September 30, 2020	<u>\$ 8,513,908</u>	<u>57,574,966</u>	<u>69,939,120</u>	<u>1,310,253</u>	<u>35,882,648</u>	<u>3,199,832</u>	<u>176,420,727</u>
<b>Depreciation and impairment loss:</b>							
Balance on January 1, 2021	\$ -	21,640,958	50,988,697	1,021,535	24,678,033	-	98,329,223
Depreciation for the period	-	2,071,118	3,457,741	122,960	3,282,027	-	8,933,846
Impairment loss (reversal gain)	-	5,900	9,361	(18)	(70)	-	15,173
Disposals and obsolescence	-	(251,845)	(1,619,670)	(92,879)	(1,285,078)	-	(3,249,472)
Reclassifications	-	(87,769)	6,466	-	(66,759)	-	(148,062)
Subsidiary disposal	-	(1,550,480)	(11,784,858)	-	(4,347,813)	-	(17,683,151)
Effect of movement in exchange rate	-	(402,615)	(410,094)	(17,406)	(339,884)	-	(1,169,999)
Balance on September 30, 2021	<u>\$ -</u>	<u>21,425,267</u>	<u>40,647,643</u>	<u>1,034,192</u>	<u>21,920,456</u>	<u>-</u>	<u>85,027,558</u>

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<u>Land</u>	<u>Buildings</u>	<u>Machinery equipment</u>	<u>Instrument equipment</u>	<u>Other facilities</u>	<u>Construction in progress</u>	<u>Total</u>
Balance on January 1, 2020	\$ -	19,467,445	46,288,167	1,118,844	21,849,079	-	88,723,535
Depreciation for the period	-	2,342,818	5,409,718	109,775	4,113,681	-	11,975,992
Impairment loss	-	-	(732)	-	(2,679)	-	(3,411)
Reclassifications	-	60,266	(43,602)	-	(74,631)	-	(57,967)
Disposals and obsolescence	-	(127,488)	(1,817,628)	(162,653)	(1,451,049)	-	(3,558,818)
Effect of movement in exchange rate	-	(477,177)	(493,699)	(23,112)	(438,753)	-	(1,432,741)
Balance on September 30, 2020	<u>\$ -</u>	<u>21,265,864</u>	<u>49,342,224</u>	<u>1,042,854</u>	<u>23,995,648</u>	<u>-</u>	<u>95,646,590</u>
<b>Carrying amounts:</b>							
Balance on January 1, 2021	<u>\$ 8,518,661</u>	<u>36,344,075</u>	<u>21,176,471</u>	<u>289,079</u>	<u>13,320,325</u>	<u>3,736,663</u>	<u>83,385,274</u>
Balance on September 30, 2021	<u>\$ 11,857,882</u>	<u>29,408,445</u>	<u>12,041,952</u>	<u>280,038</u>	<u>11,682,565</u>	<u>3,579,595</u>	<u>68,850,477</u>
Balance on January 1, 2020	<u>\$ 7,754,662</u>	<u>35,828,969</u>	<u>20,873,939</u>	<u>277,311</u>	<u>12,267,078</u>	<u>3,246,801</u>	<u>80,248,760</u>
Balance on September 30, 2020	<u>\$ 8,513,908</u>	<u>36,309,102</u>	<u>20,596,896</u>	<u>267,399</u>	<u>11,887,000</u>	<u>3,199,832</u>	<u>80,774,137</u>

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

	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Impairment loss (reversal gain)	<u>\$ 7,755</u>	<u>5,370</u>	<u>15,173</u>	<u>(3,411)</u>

- (ii) KINSUS INTERCONNECT TECHNOLOGY CORP. and its subsidiaries completed a series of farmland purchases covering a total land area of 36,115.24 square meters in the name of KINSUS's general manager instead of KINSUS, due to the restriction imposed by the local government.
- (iii) In June 2020, the plants of CASETEK CAYMAN and its subsidiaries did not meet the definition of non-current assets held-for-sale, therefore, they were reclassified to property, plant, and equipment. Please refer to Notes 6(g) for details.
- (iv) AZUREWAVE and its subsidiaries have planned to dispose of the plant, which was originally used by the production department of AZUREWAVE, within one year. The sales contract has been executed as of September 30, 2021, but the transfer of ownership has not yet been completed; therefore, the plant was classified as non-current assets held for sale. Please refer to Note 6(g) for detailed information.
- (v) Please refer to Note 6(ac) for gain and loss on the disposal of property, plant and equipment.
- (vi) Please refer to Note 8 for the details of property, plant and equipment pledged as collateral.

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(m) Right-of-use assets

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

	<u>Land</u>	<u>Buildings</u>	<u>Machinery equipment</u>	<u>Transportation equipment</u>	<u>Total</u>
<b>Cost:</b>					
Balance on January 1, 2021	\$ 4,938,146	4,861,404	17,793	4,269	9,821,612
Additions	16,330	461,261	-	-	477,591
Reductions	(50,337)	(340,314)	(17,793)	(2,490)	(410,934)
Subsidiaries disposal	(753,044)	(365,825)	-	-	(1,118,869)
Reclassification	(993)	-	-	-	(993)
Effect of changes in foreign exchange rates	(84,662)	(93,685)	-	(11)	(178,358)
Balance on September 30, 2021	<u>\$ 4,065,440</u>	<u>4,522,841</u>	<u>-</u>	<u>1,768</u>	<u>8,590,049</u>
Balance on January 1, 2020	\$ 4,186,259	3,837,947	17,793	2,918	8,044,917
Additions	45,549	2,029,405	-	1,300	2,076,254
Reductions	-	(748,132)	-	-	(748,132)
Reclassification	44,976	-	-	-	44,976
Effect of changes in foreign exchange rates	(86,966)	(73,704)	-	(13)	(160,683)
Balance on September 30, 2020	<u>\$ 4,189,818</u>	<u>5,045,516</u>	<u>17,793</u>	<u>4,205</u>	<u>9,257,332</u>
<b>Accumulated depreciation:</b>					
Balance on January 1, 2021	\$ 871,140	2,352,457	13,776	2,434	3,239,807
Depreciation for the period	77,089	1,132,310	4,017	540	1,213,956
Reductions	(15,906)	(231,971)	(17,793)	(1,893)	(267,563)
Subsidiaries disposal	(101,365)	(168,568)	-	-	(269,933)
Reclassification	(220)	-	-	-	(220)
Effect of changes in foreign exchange rate	(15,887)	(54,154)	-	(2)	(70,043)
Balance on September 30, 2021	<u>\$ 814,851</u>	<u>3,030,074</u>	<u>-</u>	<u>1,079</u>	<u>3,846,004</u>
Balance on January 1, 2020	\$ 788,316	1,360,026	6,888	1,085	2,156,315
Depreciation for the period	76,176	1,360,702	5,166	1,094	1,443,138
Reclassification	10,136	-	-	-	10,136
Reductions	-	(523,664)	-	-	(523,664)
Effect of changes in foreign exchange rates	(18,231)	(49,155)	-	(8)	(67,394)
Balance on September 30, 2020	<u>\$ 856,397</u>	<u>2,147,909</u>	<u>12,054</u>	<u>2,171</u>	<u>3,018,531</u>
<b>Carrying amounts:</b>					
Balance on January 1, 2021	<u>\$ 4,067,006</u>	<u>2,508,947</u>	<u>4,017</u>	<u>1,835</u>	<u>6,581,805</u>
Balance on September 30, 2021	<u>\$ 3,250,589</u>	<u>1,492,767</u>	<u>-</u>	<u>689</u>	<u>4,744,045</u>
Balance on September 30, 2020	<u>\$ 3,333,421</u>	<u>2,897,607</u>	<u>5,739</u>	<u>2,034</u>	<u>6,238,801</u>

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

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) AZUREWAVE and its subsidiaries have planned to dispose of the right-of-use assets on land, which was originally used by the production department of AZUREWAVE, within one year. The sales contract has been executed as of September 30, 2021, but the transfer of ownership has not yet been completed; therefore, the right-of-use assets on land was classified as non-current assets held for sale. Please refer to Note 6(g) for detailed information.

(n) Investment property

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

	<b>Buildings</b>
<b>Carrying amounts:</b>	
Balance on January 1, 2021	\$ <u><u>39,416</u></u>
Balance on September 30, 2021	\$ <u><u>34,365</u></u>
Balance on January 1, 2020	\$ <u><u>44,496</u></u>
Balance on September 30, 2020	\$ <u><u>41,032</u></u>

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

	For the three months ended September 30		For the nine months ended September 30	
	2021	2020	2021	2020
Rental income	\$ -	-	-	-
Direct operating expenses arising from investment property that generate rental income	\$ <u><u>843</u></u>	<u><u>749</u></u>	<u><u>2,276</u></u>	<u><u>2,279</u></u>

(ii) As of September 30, 2021, December 31, 2020 and September 30, 2020, the fair value of investment property of the Group was \$74,847 thousand, \$79,461 thousand and \$76,257 thousand, respectively. The fair value of investment property was based on the market price evaluation of the buildings located in the area.

(iii) There were no significant additions, disposal, or recognition and reversal of impairment losses of investment property for the nine months ended September 30, 2021 and 2020. Information on depreciation for the period is discussed in Note 12. Please refer to Note 6(l) of the consolidated financial statements for the year ended December 31, 2020 for other related information.

(iv) As of September 30, 2021, December 31, 2020 and September 30, 2020, the aforesaid investment properties were not pledged as collateral.

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(o) Intangible assets

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

	<u>Goodwill</u>	<u>Others</u>	<u>Total</u>
<b>Costs:</b>			
Balance on January 1, 2021	\$ 1,668,543	1,380,171	3,048,714
Additions	-	134,804	134,804
Disposals	-	(122,511)	(122,511)
Reclassifications	-	(472)	(472)
Subsidiaries disposal	-	(340,638)	(340,638)
Effect of changes in foreign exchange rate	<u>(22,369)</u>	<u>(11,757)</u>	<u>(34,126)</u>
Balance on September 30, 2021	<u>\$ 1,646,174</u>	<u>1,039,597</u>	<u>2,685,771</u>
Balance on January 1, 2020	\$ 1,720,354	1,433,887	3,154,241
Additions	-	79,211	79,211
Disposals	-	(277,354)	(277,354)
Reclassifications	-	1,192	1,192
Effect of changes in foreign exchange rate	<u>(30,210)</u>	<u>(18,403)</u>	<u>(48,613)</u>
Balance on September 30, 2020	<u>\$ 1,690,144</u>	<u>1,218,533</u>	<u>2,908,677</u>
<b>Amortization and impairment loss:</b>			
Balance on January 1, 2021	\$ 1,627,376	1,034,363	2,661,739
Amortization for the period	-	110,224	110,224
Disposals	-	(121,942)	(121,942)
Reclassifications	-	14	14
Subsidiaries disposal	-	(136,757)	(136,757)
Effect of changes in foreign exchange rate	<u>(21,478)</u>	<u>(12,637)</u>	<u>(34,115)</u>
Balance on September 30, 2021	<u>\$ 1,605,898</u>	<u>873,265</u>	<u>2,479,163</u>
Balance on January 1, 2020	\$ 671,792	1,184,558	1,856,350
Amortization for the period	-	151,527	151,527
Disposals	-	(277,354)	(277,354)
Effect of changes in foreign exchange rate	<u>-</u>	<u>(18,162)</u>	<u>(18,162)</u>
Balance on September 30, 2020	<u>\$ 671,792</u>	<u>1,040,569</u>	<u>1,712,361</u>
<b>Carrying amounts:</b>			
Balance on January 1, 2021	<u>\$ 41,167</u>	<u>345,808</u>	<u>386,975</u>
Balance on September 30, 2021	<u>\$ 40,276</u>	<u>166,332</u>	<u>206,608</u>
Balance on January 1, 2020	<u>\$ 1,048,562</u>	<u>249,329</u>	<u>1,297,891</u>
Balance on September 30, 2020	<u>\$ 1,018,352</u>	<u>177,964</u>	<u>1,196,316</u>

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(i) Goodwill impairment

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

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

For the nine months ended September 30, 2021 and 2020, there were no significant addition, disposal, impairment loss, or reversal gain on goodwill. Please refer to Note 6(m) of the consolidated financial statements for the year ended December 31, 2020 for other related information.

(p) Other financial assets and other assets

Other financial assets and other assets were as follows:

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Other financial assets - current	\$ 10,295,874	40,943,545	19,646,141
Other financial assets - non-current	1,070,001	3,763,709	1,052,282
Other current assets	4,945,277	10,123,718	9,568,771
Other non-current assets	<u>35,274</u>	<u>60,744</u>	<u>134,307</u>
	<b><u>\$ 16,346,426</u></b>	<b><u>54,891,716</u></b>	<b><u>30,401,501</u></b>

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

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

## (q) Short-term loans

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Unsecured bank loans	\$ 64,470,132	104,171,421	126,405,920
Other unsecured loans	2,228,480	-	-
Accounts receivable factoring	-	1,071,468	-
<b>Total</b>	<b><u>\$ 66,698,612</u></b>	<b><u>105,242,889</u></b>	<b><u>126,405,920</u></b>
Interest rate	<b><u>0.32%~2.59%</u></b>	<b><u>0.30%~4.25%</u></b>	<b><u>0.32%~3.20%</u></b>

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

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

## (r) Long-term loans

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Unsecured bank loans	\$ 11,073,067	17,004,672	11,829,157
Secured bank loans	49,016	9,786	-
	11,122,083	17,014,458	11,829,157
Less: current portion	(713,000)	(5,954,625)	(1,085,357)
<b>Total</b>	<b><u>\$ 10,409,083</u></b>	<b><u>11,059,833</u></b>	<b><u>10,743,800</u></b>
Interest rate	<b><u>0.35%~1.90%</u></b>	<b><u>0.35%~3.35%</u></b>	<b><u>0.35%~3.35%</u></b>

## (i) Borrowing and repayment

In consideration of the operating situation and the terms of the loan agreement, the Group repaid the long-term loans of \$10,898,427 thousand and \$3,334,839 thousand for the nine months ended September 30, 2021 and 2020, respectively. In addition, the Group proceeded from long-term loans of \$5,252,400 thousand and \$6,181,900 thousand for the nine months ended September 30, 2021 and 2020, respectively. Please refer to Note 6(ac) for interest expenses.

## (ii) Collateral for bank loans

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

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
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(iii) Government low-interest loan

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

(iv) Loan covenants

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

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

The above joint credit line was cancelled in February 2020 and September 2021, respectively. As of December 31, 2020, CASETEK CAYMAN was in compliance with the above financial covenants. Please refer to Note 6(p) of the consolidated financial statements for the year ended December 31, 2020 for other related information.

(s) Bonds payable

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

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Ordinary corporate bonds issued	\$ 28,000,000	25,500,000	20,500,000
Unamortized discount on bonds payable	(22,067)	(21,818)	(16,929)
Bonds payable, end of the year	27,977,933	25,478,182	20,483,071
Less: current portion	(2,000,000)	(1,000,000)	(1,000,000)
	<b><u>\$ 25,977,933</u></b>	<b><u>24,478,182</u></b>	<b><u>19,483,071</u></b>

	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Interest expense	<b><u>\$ 59,951</u></b>	<b><u>50,140</u></b>	<b><u>177,556</u></b>	<b><u>161,354</u></b>

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
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Except for the following disclosure, For the related information. Please refer to Note 6(q) of the consolidated financial statements for the year ended December 31, 2020.

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

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

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

The unsecured ordinary corporate bonds, with the total amount not exceeding \$20 billion, issued by the Group based on the resolution decided during the board meeting held on September 16, 2021, have yet to be approved and declared effective by the Taipei Exchange (TPEX).

(t) Lease liabilities

The Group's lease liabilities were as follows:

	<u>September 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>September 30,</u> <u>2020</u>
Current	\$ <u>730,102</u>	<u>1,547,060</u>	<u>1,483,313</u>
Non-current	\$ <u>834,424</u>	<u>1,044,631</u>	<u>1,450,697</u>

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

The amounts recognized in profit or loss were as follows:

	<u>For the three months ended</u> <u>September 30</u>		<u>For the nine months ended</u> <u>September 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Interest on lease liabilities	\$ <u>10,611</u>	<u>29,756</u>	<u>53,325</u>	<u>91,976</u>
Variable lease payments not included in the measurement of lease liabilities	\$ <u>19,891</u>	<u>26,825</u>	<u>41,594</u>	<u>32,998</u>
Income from sub-leasing right-of-use assets	\$ <u>-</u>	<u>135</u>	<u>212</u>	<u>577</u>
Expenses relating to short-term leases	\$ <u>118,736</u>	<u>87,777</u>	<u>315,023</u>	<u>178,277</u>
Expenses relating to leases of low-value, excluding short-term leases of low-value assets	\$ <u>579</u>	<u>6,960</u>	<u>8,953</u>	<u>7,531</u>
Covid-19 - related rent concessions	\$ <u>2,242</u>	<u>12,925</u>	<u>2,256</u>	<u>21,341</u>

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

	<b>For the nine months ended September 30</b>	
	<b>2021</b>	<b>2020</b>
Total cash outflow for leases	<b>\$ 1,555,635</b>	<b>1,651,170</b>

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

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

(u) Employee benefits

(i) Defined benefit plans

Management believes that there was no material market volatility, no material reimbursement and settlement or other material one-time events. As a result, the pension cost in the accompanying interim consolidated financial statements was measured and disclosed according to the actuarial report as of December 31, 2020 and 2019.

The expenses recognized in profit or loss for the Group were as follows:

	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Operating cost	\$ (8)	43	37	127
Operating expense	1,247	992	3,679	2,963
	<b>\$ 1,239</b>	<b>1,035</b>	<b>3,716</b>	<b>3,090</b>

(ii) Defined contribution plans

The contributions of the Group to the Bureau of Labor Insurance and China Labor and Social Security Bureau for the employees' pension benefits were as follows:

	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Operating cost	\$ 1,037,478	1,063,255	2,597,143	2,409,891
Operating expense	203,056	191,782	573,606	505,911
	<b>\$ 1,240,534</b>	<b>1,255,037</b>	<b>3,170,749</b>	<b>2,915,802</b>

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iii) As of September 30, 2021, December 31, 2020 and September 30, 2020, the Group had liabilities of short-term accrued vacation pay, amounting to \$363,303 thousand, \$328,118 thousand, and \$318,447 thousand.

(v) Income tax

(i) Tax expense in the interim financial statements is measured and disclosed according to paragraph B12 of IAS 34 "Interim Financial Reporting."

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

	<b>For the three months ended</b>		<b>For the nine months ended</b>	
	<b>September 30</b>		<b>September 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Current income tax (benefit) expense				
Current period incurred	\$ 814,611	1,858,869	1,161,663	5,263,448
Prior years income tax adjustment	(10,945)	4,205	(98,332)	(33,403)
Income tax expense	<u>\$ 803,666</u>	<u>1,863,074</u>	<u>1,063,331</u>	<u>5,230,045</u>

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

	<b>For the three months ended</b>		<b>For the nine months ended</b>	
	<b>September 30</b>		<b>September 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Items that will be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign financial statements	<u>\$ (2,476)</u>	<u>498</u>	<u>(23,409)</u>	<u>(439)</u>

(iv) Status of approval of income tax

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

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- 2) The tax returns of the Group's subsidiaries approved by the Tax Authority were as follows:

<u>Years of Approval</u>	<u>Company Name</u>
2018	ASROCK RACK, INC., ASROCK INDUSTRIAL COMPUTER CORPORATION and FUYANG TECHNOLOGY CORPORATION.
2019	ASUSPOWER INVESTMENT, ASUS INVESTMENT, ASUSTEK INVESTMENT, PEGA INTERNATIONAL LIMITED, AMA, AS FLY TRAVEL SERVICE LTD., HUA YUAN INVESTMENT LTD., STARLINK ELECTRONICS CORPORATION, LUMENS OPTICS, AZUREWAVE, AZURE LIGHTING TECHNOLOGIES, INC., EZWAVE TECHNOLOGIES, INC., RI KUAN METAL CORPORATION, KINSUS INTERCONNECT TECHNOLOGY CORP., KINSUS INVESTMENT, ASROCK INCORPORATION and PEGAVISION.

(w) Capital and other equity

Except for the following disclosure, there were no significant change for capital and other equity for the nine months ended September 30, 2021 and 2020. For the related information, please refer to Note 6(v) of the consolidated financial statements for the year ended December 31, 2020.

(i) Ordinary shares

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

For the nine months ended September 30, 2021 and 2020, the Company had retired 917 and 581 thousand shares, respectively, of restricted stock to employees. The authorized capital of the Company consisted of both 3,000,000 thousand shares, with par value of \$10 per share, and its outstanding capital were consisted of 2,669,531 thousand, 2,662,874 thousand and 2,610,511 thousand common shares of stock, as of September 30, 2021, December 31, 2020 and September 30, 2020, respectively. All share proceeds from outstanding capital have been collected.

As of September 30, 2021, December 31, 2020 and September 30, 2020, the restricted Company shares of stock issued to employees have expired, of which 400 thousand, 0 and 48 thousand shares, respectively, have not been retired.

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Global depositary receipts

As of September 30, 2021, December 31, 2020 and September 30, 2020, the Company has listed, in total, 700 thousand, 709 thousand and 709 thousand units of GDRs, respectively, on the Euro MTF market of the Luxembourg Stock Exchange. As each unit of these GDRs represents 5 common shares of the Company, the Company has listed Company shares totaling 3,500 thousand, 3,544 thousand and 3,544 thousand shares of stock, respectively.

(iii) Capital surplus

The components of the capital surplus were as follows:

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
From issuance of share capital	\$ 66,982,986	66,397,897	66,429,493
From conversion of convertible bonds	11,073,663	11,073,663	11,073,663
From treasury stock transactions	47,865	47,865	23,614
Difference between consideration and carrying amount of subsidiaries acquired or disposed	2,273,401	2,432,574	2,432,458
Changes in equity of associates accounted for using the equity method	2,562	-	-
Changes in ownership interest in subsidiaries	1,443,010	1,441,117	1,283,162
Employee stock options	1,304	1,304	1,304
Restricted stock to employees	1,103,517	1,204,010	1,701,049
Other	409,917	409,917	409,917
	<b><u>\$ 83,338,225</u></b>	<b><u>83,008,347</u></b>	<b><u>83,354,660</u></b>

(iv) Retained earnings

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

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

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
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In order to bring about stability in the payment of dividends, the Company distributes dividends depending on the level of earnings of each year. The Company is facing a rapidly changing industrial environment. In consideration of the Company's long term operating plan and funding needs, the Company adopts a stable dividends policy. Therefore, dividend distributions should not be less than 10% of distributable earnings. The Company distributes dividends of at least 10% of the aggregate dividends, if the distributions include cash dividends.

1) Legal reserve

When a company incurs profit, the meeting of shareholders shall decide on the distribution of the statutory earnings reserve either by issuing new shares or by paying cash, of up to 25% of the actual share capital.

2) Special reserve

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, apportion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

The resolution on the amount of cash dividend payment of the earnings distribution for the year ended December 31, 2020, was resolved by the Board of Directors on March 25, 2021. On June 19, 2021, other distribution items of the 2020 earnings have reached the statutory threshold through e-voting, and the resolution is approved in the shareholders' meeting on August 4, 2021. The appropriateness for 2019 earnings was approved on June 19, 2020. These earnings were appropriated or distributed as follows:

	<b>For the nine months ended</b>	
	<b>September 30</b>	
	<b>2020</b>	<b>2019</b>
Common stock dividends per share (dollars)		
— Cash	<b>\$ 4.50</b>	<b>4.50</b>

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(v) Other equity (net of tax)

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Deferred compensation arising from issuance of restricted stock	Total
Balance on January 1, 2021	\$ (15,808,892)	(57,309)	(1,146,659)	(17,012,860)
Exchange differences on foreign operation	(2,799,958)	-	-	(2,799,958)
Exchange differences on associates accounted for using the equity method	(462,685)	-	-	(462,685)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	(1,832,185)	-	-	(1,832,185)
Unrealized gain from financial assets measured at fair value through other comprehensive income	-	84,795	-	84,795
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	(20,319)	-	(20,319)
Deferred compensation cost arising from issuance of restricted stock	-	-	287,395	287,395
Balance on September 30, 2021	<u>\$ (20,903,720)</u>	<u>7,167</u>	<u>(859,264)</u>	<u>(21,755,817)</u>
Balance on January 1, 2020	\$ (10,982,396)	(303,654)	(8,287)	(11,294,337)
Exchange differences on foreign operation	(3,235,513)	-	-	(3,235,513)
Exchange differences on associates accounted for using the equity method	172	-	-	172
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	110	-	110
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	153,818	-	153,818
Deferred compensation cost arising from issuance of restricted stock	-	-	(1,342,709)	(1,342,709)
Balance on September 30, 2020	<u>\$ (14,217,737)</u>	<u>(149,726)</u>	<u>(1,350,996)</u>	<u>(15,718,459)</u>

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

	<b>For the nine months ended September 30</b>	
	<b>2021</b>	<b>2020</b>
Balance on January 1	\$ 36,345,941	35,580,451
Income attributable to non-controlling interests	3,016,115	1,319,634
Other comprehensive income (loss) attributable to non-controlling interests		
Exchange differences on foreign operation	(75,969)	(203,530)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	1,991,358	(71)
Changes in ownership interest in subsidiaries	(11,499)	(77,419)
Changes in non-controlling interests	(15,221,626)	(941,552)
Balance on September 30	<u>\$ 26,044,320</u>	<u>35,677,513</u>

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(x) Share-based payment

Except for the following disclosure, there were no significant changes for share-based payment for the nine months ended September 30, 2021 and 2020. For the related information, please refer to Note 6(v) of the consolidated financial statements for the year ended December 31, 2020.

(i) Restricted stock to employee

On June 19, 2020, the Board of Directors meeting of the Company decided to award 60,000 thousand new shares of restricted stock to those full-time employees who meet the Company's requirements. The restricted stock has been registered with and approved by the Securities and Futures Bureau of the Financial Supervisory Commission, R.O.C. On December 8, 2020, the Board of Directors issued 52,411 thousand shares; then on May 11, 2021, the resolution was passed to issue 7,589 thousand more shares, with June 11, 2021 as the record date. The actual issuance number for the capital increase was 7,547 thousand shares. All related registrations have been completed on July 12, 2021, and the fair value on the grant date was \$69.3 per share.

Those employees with the restricted stock awards are entitled to purchase shares at the price of \$10 per share, with the condition that these employees continue to provide service to the Company for 1, 2, 3, and 4 years, respectively, from the grant date; \$25、\$25、25% and \$25 of the restricted stock is vested each year after the grant date. The restricted stock is kept by a trust, which is appointed by the Company, before it is vested. These shares shall not be sold, pledged, transferred, gifted, or disposed of by any other means to third parties during the custody period. The voting rights of these shareholders are executed by the custodian, and the custodian will act based on laws and regulations. If the shares remain unvested after the vesting period, the Company will repurchase all the unvested shares at the issue price, and cancel the shares thereafter.

For the nine months ended September 30, 2021 and 2020, 1,316 thousand and 329 thousand shares of the restricted shares of stock issued to employees have expired, which were converted to capital surplus of \$13,161 thousand and \$3,292 thousand, respectively. As of September 30, 2021, December 31, 2020 and September 30, 2020, the Company has deferred compensation cost arising from issuance of restricted stock of \$859,264 thousand, \$1,146,659 thousand, and \$1,350,996, respectively.

(ii) Expenses recognized in profit or loss

The Company incurred expenses of share-based arrangements for the three months and the nine months ended September 30, 2021 and 2020 as follows:

	<b>For the three months ended</b>		<b>For the nine months ended</b>	
	<b>September 30</b>		<b>September 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Expenses resulting from the issuance of restricted employee stock	<b>\$ 331,996</b>	<b>17,041</b>	<b>797,039</b>	<b>413,934</b>

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(y) Subsidiary's share-based payments

Except for the following disclosure, there were no significant changes for share-based payment for the three months ended September 30, 2021 and 2020. For the related information, please refer to Note 6(w) of the consolidated financial statements for the year ended December 31, 2020.

(i) Restricted stock to employee of AZUREWAVE

For the year ended September 31, 2020, AZUREWAVE had retired and had cancelled 54 thousand shares of restricted employee stock due to the resignation of its employees. The cancellation had been completed as of March 25, 2020, the record date of capital decrease.

For the three months and the nine months ended September 30, 2021 and 2020, AZUREWAVE recognized share-based compensation cost of \$0, \$0, \$0 and \$1,160 thousand, respectively, due to the issuance of restricted employee stock.

(ii) Restricted stock to employee of ASROCK

1) ASROCK

On August 20, 2021, ASRock issued 2,300 thousand new restricted shares of stock to those fulltime employees of the ASRock who meet specific requirements, with the base date set on October 26, 2021, according to the resolution decided during the board meeting of ASRock on September 14, 2021.

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

A. The overall performance of the company:

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

B. Personal performance:

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

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
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- C. After subscribing to the new shares that restrict the rights of employees, the term of employment expires after one year, and there should be no violation of laws or regulations, company working rules, business ethics codes, as well as other related regulations and agreements, in the first year, with the existing 40% of the shares are multiplied by the overall weight, then multiplied by the personal weight.
- D. After subscribing to the new shares that restrict the rights of employees, the term of employment expires after two years, and there should be no violation of laws or regulations, company working rules, business ethics codes, as well as other related regulations and agreements, in the second year, with the existing 30% of the shares are multiplied by the overall weight, then multiplied by the personal weight.
- E. After subscribing to the new shares that restrict the rights of employees, the term of employment expires after three years, and there should be no violation of laws or regulations, company working rules, business ethics codes, as well as other related regulations and agreements, in the third year, with the existing 30% of the shares are multiplied by the overall weight, then multiplied by the personal weight.

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

The aforesaid information of restricted stock to employee was follows:

Vesting period	<b>Restricted stock to employee</b>			
	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Total</b>
Original vested shares (In thousands of units)	920	690	690	2,300
Operating performance ratio	99.72 %	94.92 %	90.86 %	
Estimated employee turnover rate	9.45 %	16.03 %	20.00 %	
Personal performance ratio	76.92 %	76.92 %	76.92 %	
Vested shares (In thousands of units)	639	423	386	1,448
Fair value	145	145	145	
Service costs	\$ 86,264	57,109	52,082	195,455

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

On September 30, 2020, ASROCK has the capital surplus-restricted shares of stock and deferred compensation cost amounting to \$52,082 thousand and \$(3,578) thousand, respectively.

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
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2) ASROCK RACK INCORPORATION

On February 27, 2019, the Board of Directors of ASROCK RACK INCORPORATION approved to award 1,490 thousand new restricted shares of stock to those fulltime employees who meet certain requirement of ASROCK RACK INCORPORATION. On March 4, 2019, 1,490 thousand shares were actually issued for such award with fair value of \$5.53 (dollars) per share at the granted date.

Employees with restricted stock awards who keep working for ASROCK RACK INCORPORATION for three years, 50% of the restricted shares of stock are vested in year 3, which started at the granted date. During the service, employees cannot violate the law, code of conduct, code of business ethics conduct, etc. Employees with restricted stock awards who keep working for ASROCK RACK INCORPORATION for four years, residual 50% of the restricted shares of stock is vested in year 4, which started at the granted date. Meanwhile, during the service, employees cannot violate the law, code of conduct, code of business ethics conduct etc. The restricted stock is kept by a trust, which is appointed by ASROCK RACK INCORPORATION, before it is vested. These shares of stock shall not be sold, pledged, transferred, gifted or by any other means of disposal to third parties during the custody period. These shares of stock are entitled to the same right as holders of common shares once issued, except for those shares kept by a trust or shares that do not meet the vesting condition.

The aforesaid information of restricted stock to employee was follows:

Vesting period	<b>Restricted stock to employee</b>				
	<b>year 1</b>	<b>years 2</b>	<b>years 3</b>	<b>years 4</b>	<b>Total</b>
Original vested shares (In thousands of units)	-	-	745	745	1,490
Estimated employee turnover rate	-	-	36.08 %	43.53 %	
Vested shares after considering employee turnover rate (In thousands of units)	-	-	476	421	897
Fair value	-	-	5.53	5.53	
Service costs	\$ 1,474	1,461	1,449	575	4,959

On May 29, 2020, the Board of Directors of ASROCK approved a resolution passed during their meeting to award 1,500 thousand employee stock option. Each option certificate can purchase one ordinary share, delivered by issuing new shares. The option certificates are awarded to those employees who meet certain requirement of ASROCK and ASROCK RACK INCORPORATION. Duration is 18 months. One year after the issuance, the certificate owners can exercise a specific proportion of the option certificates. The exercise price of the option is \$22 (dollars) per share. After the issuance of the options, even if ASROCK RACK INCORPORATION has changed the total amount of the common shares, the price would not be changed.

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

<u>Grant date</u>	<u>Total shares issued (In thousands of shares)</u>	<u>Exercise price per share</u>
May 29, 2020	1,500	NT\$ 22

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

	<u>For the year ended December 31</u> <u>2020</u>
Expected volatility rate	30.95%
Risk-free interest rate	0.2763%
Expected duration of option	1.5 years
Weighted average stock price	NT\$11.72
Pricing model	Binomial options pricing model

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

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

	<u>For the nine months ended September 30</u>			
	<u>2021</u>		<u>2020</u>	
	<u>Outstanding number of options</u>	<u>Weighted average exercise price</u>	<u>Outstanding number of options</u>	<u>Weighted average exercise price</u>
Outstanding as of January 1 (In thousand units)	1,500	\$ 22	-	-
Granted during the period	-	-	1,500	22
Exercised during the period	(1,450)	22	-	-
Outstanding as of September 30 (In thousand units)	<u>50</u>	22	<u>1,500</u>	22
Exercisable as of September 30 (In thousand units)	<u>50</u>		-	
Weighted average fair value of the options granted	<u>\$ -</u>		<u>0.11</u>	

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
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As of September 30, 2021, related information about outstanding options on the share-based payments was as follows:

	<u>Exercise price</u>	<u>Weighted average residual duration</u>
September 30, 2021		
Outstanding option	\$ 22	0.16 year

3) ASROCK INDUSTRIAL COMPUTER CORPORATION

On January 15, 2019, and April 20, 2021, the Board of Directors of ASROCK INDUSTRIAL COMPUTER CORPORATION approved a resolution passed during their meeting to award 1,500 thousand and 2,200 thousand employee stock options, respectively. Each option certificate can purchase one ordinary share, delivered by issuing new shares. The option certificates are awarded to those employees who meet certain requirement of ASROCK INDUSTRIAL COMPUTER CORPORATION. Duration is 30 and 42 months. One year after the issuance, the certificate owners can exercise a specific proportion of the option certificates. The exercise price of the option is \$10 (dollars) and \$14.5 (dollars) per share. After the issue of the options, even if ASROCK INDUSTRIAL COMPUTER has changed the total amount of the common shares, the price would not be changed.

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

<u>Grant date</u>	<u>Total shares issued (In thousands of shares)</u>	<u>Exercise price per share</u>
January 15, 2019	1,500	NT\$ 10
April 20, 2021	2,200	NT\$ 14.5

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

	<u>January 15, 2019</u>	<u>April 20, 2021</u>
Expected volatility rate	31.74%	29.61%~31.19%
Risk-free interest rate	0.5741%	0.1185%~0.2523%
Expected duration of option	2.0 years	1.5 years~3.5 years
Weighted average stock price	NT\$8.10	NT\$12.49
Pricing model	Binomial options pricing model	Binomial options pricing model

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

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
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The aforesaid information on the employee stock option was as follows:

	<b>For the nine months ended September 30</b>			
	<b>2021</b>		<b>2020</b>	
	<b>Outstanding number of options</b>	<b>Weighted average exercise price</b>	<b>Outstanding number of options</b>	<b>Weighted average exercise price</b>
<u>January 15, 2019</u>				
Outstanding as of January 1 (In thousand units)	750	\$ 10	1,500	10
Granted during the period	-	-	-	-
Exercised during the period	(613)	10	(750)	10
Forfeited during the period	(137)	-	-	-
Outstanding as of September 30 (In thousand units)	<u>-</u>	10	<u>750</u>	10
Exercisable as of September 30 (In thousand units)	<u>-</u>		<u>750</u>	
Weighted average fair value of the options granted	<u>\$ -</u>		<u>-</u>	

As of September 30, 2021 and 2020, related information about outstanding options on the share-based payments was as follows:

	<b>Exercise price</b>	<b>Weighted average residual duration</b>
September 30, 2021		
Outstanding option	\$ -	- years
September 30, 2020		
Outstanding option	\$ 10	0.75 years

	<b>For the nine months ended September 30, 2021</b>	
	<b>Outstanding number of options</b>	<b>Weighted average exercise price</b>
<u>April 20, 2021</u>		
Outstanding as of January 1 (In thousand units)	-	\$ -
Granted during the period	2,200	14.5
Exercised during the period	-	-
Outstanding as of September 30 (In thousand units)	<u>2,200</u>	14.5
Exercisable as of September 30 (In thousand units)	<u>-</u>	-
Weighted average fair value of the options granted	<u>\$ 1.29</u>	

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As of September 30, 2021, the related information about outstanding options on the share-based payments was as follows:

	<u>Exercise price</u>	<u>Weighted average residual duration</u>
September 30, 2021		
Outstanding option	\$14.5	3.05 years

- 4) ASROCK did not make any cancellations or amendments to share-based payment transactions for the nine months ended September 30, 2021.
- 5) The expenses resulting from share-based payment transactions were as follows:

	<u>For the three months ended</u>		<u>For the nine months ended</u>	
	<u>September 30</u>		<u>September 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Expense resulting from equity-settled share-based payment	\$ <u>10,747</u>	<u>3,412</u>	<u>11,960</u>	<u>23,957</u>

(iii) Employee stock option of FUYANG TECHNOLOGY CORPORATION

The expenses resulting from share-based payment transactions for the three months and the nine months ended September 30, 2021 and 2020, were as follows:

	<u>For the three months ended</u>		<u>For the nine months ended</u>	
	<u>September 30</u>		<u>September 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Expenses resulting from employee stock option	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>691</u>

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

On March 11, 2021, the Board of Directors of LUMENS DIGITAL OPTICS INC. (Lumens Optics.) approved a resolution during their meeting to issue 2 thousand shares for employee stock options. Each option certificate can purchase 1 thousand ordinary share, delivered by issuing new shares. The option certificates are awarded to those employees who meet certain requirement of Lumens Optics. within 6 years. Two years after the issuance, the certificate owners can exercise the option certificates at an exercise price of \$78.6 (dollars) per share. After the option certificates have been issued, the price would not be changed even if Lumens Optics. has changed the total amount of its common shares.

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

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
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The aforesaid information on the share-based payments was as follows:

<b>Grant date</b>	<b>Total shares issued (In thousands of shares)</b>	<b>Exercise price per share</b>
September 15, 2021	2,000	\$78.6

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

	<b>2021</b>
Expected volatility rate	-%
Risk-free interest rate	-%
Expected duration of option	6 years
Weighted average stock price	\$-
Pricing model	Black-Scholes options pricing model

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

As of September 30, 2021, related information about outstanding options on the share-based payments was as follows:

	<b>Exercise price</b>	<b>Weighted average residual duration</b>
September 30, 2021		
Outstanding option	\$ 78.6	6 years
	<b>For the three months ended September 30</b>	<b>For the nine months ended September 30</b>
	<b>2021</b>	<b>2021</b>
	<b>2020</b>	<b>2020</b>
Expenses resulting from employee stock option	\$ <b>1,180</b>	<b>1,180</b>
	<b>-</b>	<b>-</b>

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(v) Compensated restricted stock to employee of KINSUS

- 1) On February 18, 2019, the board of KINSUS approved to issue 659 thousand shares of restricted stock, with the record date for the capital increase on March 18, 2019. However, only 599 thousand shares were actually issued, with a fair value of \$43.45 (dollars) per share at the granted date.

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

<u>Vesting conditions</u>	<u>Percentage of vesting shares</u>
One month from grant date	20 %
April 25, 2019	20 %
September 25, 2019	15 %
April 25, 2020	15 %
September 25, 2020	15 %
April 25, 2021	15 %

The restricted obligation before vested was as follows:

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

On August 28, 2018, KINSUS issued 4,841 thousand shares of new employee restricted stock, and incurred 184,530 thousand to capital surplus, of restricted stock of KINSUS. As of September 30, 2021, 544 thousand shares of employee restricted stock have expired, resulting in the capital surplus of KINSUS to increase by \$5,442 thousand. Subsequently, as of September 30, 2021, the deferred compensation cost of KINSUS arising from the issuance of its employee restricted stock amounted to \$0.

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
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On March 18, 2019, KINSUS issued a total of 599 thousand shares of employee restricted stock, resulting in its capital surplus - restricted employee stock to increase by \$19,396 thousand. As of September 30, 2021, 51 thousand shares of employee restricted stock have expired, resulting in the capital surplus of KINSUS to increase by \$513 thousand. As of September 30, 2021, the deferred compensation cost of KINSUS arising from the issuance of its employee restricted stock amounted to \$ 0.

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

	For the three months ended September 30		For the nine months ended September 30	
	2021	2020	2021	2020
	Expense resulting from equity-settled share-based payment	\$ -	5,933	3,836

- 3) KINSUS did not make any cancellations or amendments to share-based payment transactions for the nine months ended September 30, 2021 and 2020.

- (z) Earnings per share

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

	For the three months ended September 30		For the nine months ended September 30	
	2021	2020	2021	2020
	<b>Basic earnings per share</b>			
Profit attributable to ordinary shareholders	\$ 2,668,376	6,817,483	12,684,641	15,436,099
Weighted-average number of ordinary shares	2,669,238	2,610,498	2,665,360	2,610,625
	\$ 1.00	2.61	4.76	5.91
<b>Diluted earnings per share</b>				
Profit attributable to ordinary shareholders (diluted)	\$ 2,668,376	6,817,483	12,684,641	15,436,099
Weighted-average number of ordinary shares	2,669,238	2,610,498	2,665,360	2,610,625
Effect of potentially dilutive ordinary shares				
Employee stock bonus	16,060	20,502	22,831	29,872
Weighted-average number of ordinary shares (diluted)	2,685,298	2,631,000	2,688,191	2,640,497
	\$ 0.99	2.59	4.72	5.85

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
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	<b>For the nine months ended September 30, 2020</b>		
	<b>DMS</b>	<b>Strategic Investment Group</b>	<b>Total</b>
Primary geographical markets:			
Europe	\$ 335,196,782	4,593,891	339,790,673
U.S.A.	377,744,029	23,044,483	400,788,512
Taiwan	60,541,160	8,992,793	69,533,953
China	30,558,531	30,442,708	61,001,239
Japan	18,658,850	1,358,664	20,017,514
Other countries	<u>48,806,094</u>	<u>2,019,211</u>	<u>50,825,305</u>
	<b><u>\$ 871,505,446</u></b>	<b><u>70,451,750</u></b>	<b><u>941,957,196</u></b>

(ii) Contract balances

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Notes receivable	\$ 10,857	6,612	18,426
Accounts receivable	133,635,697	224,136,586	202,632,913
Less: Allowance for impairment	<u>125,279</u>	<u>179,507</u>	<u>1,660,294</u>
Total	<b><u>\$ 133,521,275</u></b>	<b><u>223,963,691</u></b>	<b><u>200,991,045</u></b>
Contract liabilities	<b><u>\$ 1,342,676</u></b>	<b><u>1,354,471</u></b>	<b><u>2,511,656</u></b>

The major change in the balance of contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received. There were no other significant changes for the nine months ended September 30, 2021 and 2020.

(ab) Remuneration of employees and directors

Based on the amended Company's Articles of Incorporation, remuneration of employees and directors are appropriated at the rate of at least 7% and no more than 0.7% of profit before tax, respectively. Prior years' accumulated deficit is first offset before any appropriation of profit. Employees of subsidiaries may also be entitled to the employee remuneration of the Company, which can be settled in the form of cash or stock.

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

For the three months and the nine months ended September 30, 2021 and 2020, remuneration of employees of \$263,000 thousand, \$575,000 thousand, \$1,076,000 thousand and \$1,308,000 thousand, respectively, and remuneration of directors of \$27,000 thousand, \$57,000 thousand, \$107,000 thousand and \$130,000, respectively, were estimated on the basis of the Company's net profit before tax, excluding the remuneration of employees and directors of each period, multiplied by the percentage of remuneration of employees and directors as specified in the Company's Articles of Incorporation. Such amounts were recognized as operating cost or operating expense for the nine months ended September 30, 2021 and 2020. Management is expecting that the differences, if any, between the actual distributed amounts and estimated amounts will be treated as changes in accounting estimates and charged to profit or loss. The number of shares to be distributed were calculated based on the closing price of the Company's ordinary shares, one day prior to Board of Directors meeting. There was no difference between the amounts approved in Board of Directors meeting and recognized for the years ended September 30, 2021 and 2020.

For the years ended December 31, 2020 and 2019, the Company had accrued remuneration of employees of \$1,633,000 thousand and \$1,639,000 thousand, respectively, and remuneration of directors of \$162,000 thousand and \$163,000 thousand, respectively. There was no difference between the amounts approved in the Board of Directors meeting. For further information, please refer to Market Observation Post System.

(ac) Non-operating income and expenses

(i) Interest income

The components of interest income were as follows:

	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Interest income from bank deposits	<u>\$ 363,233</u>	<u>589,082</u>	<u>1,200,299</u>	<u>2,501,985</u>

(ii) Other income

The components of other income were as follows:

	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Subsidy income	\$ 224,239	740,940	1,649,244	1,785,114
Rental income	177,569	210,629	472,197	639,769
Technical service income	169,702	158,290	441,592	399,215
Other income	<u>353,968</u>	<u>195,427</u>	<u>770,256</u>	<u>452,083</u>
	<u>\$ 925,478</u>	<u>1,305,286</u>	<u>3,333,289</u>	<u>3,276,181</u>

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
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(iii) Other gains and losses

The components of other gain and losses were as follows:

	<b>For the three months ended</b>		<b>For the nine months ended</b>	
	<b>September 30</b>		<b>September 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Gains (losses) on disposal of property, plant and equipment	\$ (13,336)	20,193	415,828	63,753
Gains (losses) on disposals of investments	(15,469)	-	3,968,280	-
Foreign exchange gains	677,114	82,499	2,139,763	693,863
Gains (losses) on lease modifications	(1,734)	5,046	(935)	8,016
Reversal gain (impairment loss) on non-financial assets	(7,755)	(5,370)	(15,173)	3,411
Net gain (loss) on financial assets measured at fair value through profit or loss	<u>(1,234,289)</u>	<u>1,639,414</u>	<u>(2,750,720)</u>	<u>4,456,222</u>
	<b><u>\$ (595,469)</u></b>	<b><u>1,741,782</u></b>	<b><u>3,757,043</u></b>	<b><u>5,225,265</u></b>

(iv) Finance costs

The components of finance costs were as follows:

	<b>For the three months ended</b>		<b>For the nine months ended</b>	
	<b>September 30</b>		<b>September 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Interest expenses	\$ 212,670	308,179	773,483	1,462,042
Financial expense- bank fees and factoring fees, etc.	<u>3,134</u>	<u>4,311</u>	<u>8,330</u>	<u>10,235</u>
	<b><u>\$ 215,804</u></b>	<b><u>312,490</u></b>	<b><u>781,813</u></b>	<b><u>1,472,277</u></b>

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ad) Reclassification adjustments of components of other comprehensive income

	For the three months ended September 30		For the nine months ended September 30	
	2021	2020	2021	2020
Cumulative adjustment				
Cumulative foreign exchange difference from current period	\$ (183,342)	(1,183,509)	(3,089,466)	(3,439,043)
Share of other associates accounted for using equity method	(84,255)	318	(462,685)	172
Reclassification to profit or loss on the disposal of subsidiaries	(776)	-	213,539	-
Net change in fair value recognized in other comprehensive income	<u>\$ (268,373)</u>	<u>(1,183,191)</u>	<u>(3,338,612)</u>	<u>(3,438,871)</u>

(ae) Financial instruments

(i) Credit risk

1) Credit risk exposure

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

2) Concentration of credit risk

As of September 30, 2021, December 31, 2020 and September 30, 2020, the accounts receivable from the Group's top three customers were amounted to \$85,978,010 thousand, \$169,485,057 thousand and \$142,515,189 thousand, representing 64%, 76% and 70% of accounts receivable, respectively, which exposes the Group to credit risk.

3) Accounts receivable of credit risk

For credit risk exposure of notes and accounts receivables, please refer to Note 6(d).

Other financial assets at amortized cost includes other receivables and time deposits, etc.

All of these financial assets are considered to be low risk, and thus the impairment provision recognized during the period was limited to 12 months expected losses.

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The loss allowance provision for the nine months ended September 30, 2021 and 2020 was determined as follows:

	<b>Other receivables</b>
Balance on January 1, 2021	\$ 18,871
Impairment loss recognized	5,047
Effect of changes in foreign exchange rate	(6,162)
Effect of disposals of subsidiaries	(1,898)
Balance on September 30, 2021	<b>\$ 15,858</b>
Balance on January 1, 2020	\$ 17,002
Impairment loss recognized	1,121
Reversal of impairment loss	(409)
Effect of changes in foreign exchange rate	(119)
Balance on September 30, 2020	<b>\$ 17,595</b>

(ii) Liquidity risk

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

	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>Within 1 year</b>	<b>1-2 years</b>	<b>More than 2 years</b>
<b>September 30, 2021</b>					
Non-derivative financial liabilities					
Secured bank loans	\$ 49,016	49,016	-	1,167	47,849
Unsecured bank loans	75,634,261	75,634,261	65,183,132	716,918	9,734,211
Other unsecured loans	2,228,480	2,228,480	2,228,480	-	-
Unsecured ordinary corporate bonds	28,000,000	28,000,000	2,000,000	4,500,000	21,500,000
Non-interest bearing liabilities	254,642,669	254,642,669	254,171,264	471,405	-
Lease liabilities	1,564,526	1,564,526	730,102	408,007	426,417
	<b>\$ 362,118,952</b>	<b>362,118,952</b>	<b>324,312,978</b>	<b>6,097,497</b>	<b>31,708,477</b>
<b>December 31, 2020</b>					
Non-derivative financial liabilities					
Secured bank loans	\$ 9,786	9,786	-	208	9,578
Unsecured bank loans	121,263,893	121,263,893	110,126,046	640,878	10,496,969
Accounts receivable factoring	1,071,468	1,071,468	1,071,468	-	-
Unsecured ordinary corporate bonds	25,500,000	25,500,000	1,000,000	2,000,000	22,500,000
Non-interest bearing liabilities	303,065,891	303,065,891	302,290,820	775,071	-
Lease liabilities	2,591,691	2,591,691	1,547,060	555,101	489,530
	<b>\$ 453,502,729</b>	<b>453,502,729</b>	<b>416,035,394</b>	<b>3,971,258</b>	<b>33,496,077</b>

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	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>More than 2 years</u>
<b>September 30, 2020</b>					
Non-derivative financial liabilities					
Unsecured bank loans	\$ 138,235,077	138,235,077	127,491,277	518,657	10,225,143
Unsecured ordinary corporate bonds	20,500,000	20,500,000	1,000,000	-	19,500,000
Non-interest bearing liabilities	248,418,731	248,418,731	247,701,604	717,127	-
Lease liabilities	<u>2,934,010</u>	<u>2,934,010</u>	<u>1,483,313</u>	<u>852,035</u>	<u>598,662</u>
	<b><u>\$ 410,087,818</u></b>	<b><u>410,087,818</u></b>	<b><u>377,676,194</u></b>	<b><u>2,087,819</u></b>	<b><u>30,323,805</u></b>

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

(iii) Market risk

1) Currency risk

The Group's significant exposures to foreign currency risk were as follows:

(Unit: Foreign currency / NTD in Thousands)

	<u>September 30, 2021</u>			<u>September 30, 2020</u>		
	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>NTD</u>	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>NTD</u>
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 15,521,015	27.8560	432,353,394	13,341,204	29.115	388,429,154
USD:CNY	1,157,336	6.4854	32,238,781	632,018	6.8101	18,401,214
CNY:USD	2,827,888	0.1542	12,146,305	2,506,559	0.1468	10,716,211
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	15,549,736	27.8560	433,153,446	13,250,099	29.115	385,776,632
USD:CNY	310,245	6.4854	8,642,193	661,330	6.8101	19,254,634
CNY:USD	3,059,802	0.1542	13,142,419	2,522,121	0.1468	10,782,742
<b><u>December 31, 2020</u></b>						
	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>NTD</u>			
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 15,542,896	28.4965	442,918,136			
USD:CNY	1,413,710	6.5249	40,285,818			
CNY:USD	2,900,784	0.1533	12,668,729			
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	16,003,254	28.4965	456,036,728			
USD:CNY	1,500,657	6.5249	42,763,505			
CNY:USD	3,005,781	0.1533	13,127,288			

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
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2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable and other receivables, loans, accounts and other payables that are denominated in foreign currency. A 1% of appreciation or depreciation of each major foreign currency against the Group's functional currency as of September 30, 2021 and 2020 would have increased or decreased the before-tax net income for the nine months ended September 30, 2021 and 2020 by \$223,150 thousand and \$8,676 thousand, respectively. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for both periods.

3) Foreign exchange gains or losses on monetary item

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the three months and the nine months ended September 30, 2021 and 2020, foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$677,114 thousand, \$82,499 thousand, \$2,139,763 thousand and \$693,863 thousand, respectively.

4) Interest rate analysis

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

The following sensitivity analysis is based on the risk exposure to interest rates on the derivative and non-derivative financial instruments at the reporting date. For variable rate instruments, the sensitivity analysis assumes the variable rate liabilities are outstanding for the whole year at the reporting date. The Group's internal management reported the increases/decreases in the interest rates and the exposure to changes in interest rates of 1% is considered by management to be a reasonable change of interest rate.

If the interest rate increases/decreases by 1%, the Group's net income will decrease /increase by \$81,362 thousand and \$203,132 thousand for the nine months ended September 30, 2021 and 2020, respectively, assuming all other variable factors remain constant. This is mainly due to the Group's variable rate borrowing and cash advances for accounts receivable factoring.

5) Other market price risk

If the equity price changes, the impact of equity price change to other comprehensive income will be as follows, assuming the analysis is based on the same basis for both years and assuming that all other variables considered in the analysis remain the same:

<u>Equity price on reporting date</u>	<b>For the nine months ended September 30</b>			
	<b>2021</b>		<b>2020</b>	
	<b>Comprehensive Income (Loss) (net of tax)</b>	<b>Net Income (Loss) before tax</b>	<b>Comprehensive Income (Loss) (net of tax)</b>	<b>Net Income (Loss) before tax</b>
Increase 3%	\$ 30,413	254,998	27,376	351,609
Decrease 3%	\$ (30,413)	(254,998)	(27,376)	(351,609)

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
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(iv) Fair value of financial instruments

1) Categories of financial instruments and fair value hierarchy

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

	September 30, 2021				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets at fair value through profit or loss</b>					
Financial assets mandatorily measured at fair value through profit or loss	\$ 10,619,790	10,019,721	-	600,069	10,619,790
<b>Financial assets at fair value through other comprehensive income</b>					
Stock of listed companies	\$ 531,926	531,926	-	-	531,926
Stock of unlisted companies	148,074	-	-	148,074	148,074
Stock of overseas listed companies	287,544	287,544	-	-	287,544
Stock of overseas unlisted companies	46,224	-	-	46,224	46,224
Subtotal	\$ 1,013,768	819,470	-	194,298	1,013,768
<b>Financial assets at amortized cost</b>					
Cash and cash equivalents	\$ 143,517,648	-	-	-	-
Notes and accounts receivable	133,521,275	-	-	-	-
Other receivables	11,973,361	-	-	-	-
Other financial assets	11,365,875	-	-	-	-
Subtotal	\$ 300,378,159	-	-	-	-
<b>Financial liabilities at amortized cost</b>					
Bank loans	\$ 75,592,215	-	-	-	-
Other loans	2,228,480	-	-	-	-
Non-interest bearing liabilities	254,642,669	-	-	-	-
Lease liabilities	1,564,526	-	-	-	-
Unsecured ordinary corporate bonds	27,977,933	-	-	-	-
Subtotal	\$ 362,005,823	-	-	-	-

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	September 30, 2020				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets at amortized cost</b>					
Cash and cash equivalents	\$150,229,930	-	-	-	-
Notes and accounts receivable	200,991,045	-	-	-	-
Other receivables	1,960,515	-	-	-	-
Other financial assets	<u>20,698,423</u>	-	-	-	-
Subtotal	<u>\$373,879,913</u>	-	-	-	-
<b>Financial liabilities at amortized cost</b>					
Bank loans	\$138,235,077	-	-	-	-
Non-interest bearing liabilities	248,418,731	-	-	-	-
Lease liabilities	2,934,010	-	-	-	-
Unsecured ordinary corporate bonds	<u>20,483,071</u>	-	-	-	-
Subtotal	<u>\$410,070,889</u>	-	-	-	-

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

The assumptions and methods used in valuing financial instruments that are not measured at fair value are as follows:

a) Financial assets and liabilities measured at amortized cost

Fair value measurement for financial assets and liabilities is based on the latest quoted price and agreed-upon price if these prices are available in active market. When market value is unavailable, fair value of financial assets and liabilities are evaluated based on the discounted cash flow of the financial assets and liabilities.

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

a) Non-derivative financial instruments

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

If quoted price of a financial instrument can be obtained in time and often from exchanges, brokers, underwriters, industrial union, pricing institute, or authorities and such price can reflect those actual trading and frequently happen in the market, then the financial instrument is considered to have quoted price in active market. If a financial instrument does not accord with the definition aforementioned, then it is considered to be without quoted price in active market. In general, market with low trading volume or high bid-ask spreads is an indication of non-active market.

Measurements of fair value of financial instruments without active market are based on valuation technique or quoted price from competitor. Fair value measured by valuation technique can be extrapolated from similar financial instruments, discounted cash flow method or other valuation technique which include model calculating with observable market data at the balance sheet date.

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

b) Derivative financial instruments

Measurement of the fair value of derivative instruments is based on the valuation techniques generally accepted by market participants such as the discounted cash flow or option pricing models. Fair value of forward currency is usually determined by the forward currency exchange rate.

Fair value of structured financial instruments is determined based on appropriated valuation model or other valuation model, such as Black-Scholes model or Monte Carlo simulation, respectively.

4) Transfers between Level 1 and Level 2

There have been no transfers from each level for the nine months ended September 30, 2020.

The Group holds an investment in equity shares of Valens Semiconductor Ltd. (Valens), which is classified as fair value through other comprehensive income, with the fair value of \$637,453 thousand, \$63,669 thousand and \$71,510 thousand at September 30, 2021, December 31, 2020 and September 30, 2020, respectively. The fair value of the investment was previously categorized as Level 3 at December 31 and September 30, 2020. This was because the shares were not listed on an exchange and there were no recent observable arm's length transactions in the shares. During the nine months ended September 30, 2021, Valens listed its equity shares on an exchange and they are currently actively traded in that market. Because the equity shares now have a published price quotation in an active market, the fair value measurement was transferred from Level 3 to Level 1 of the fair value hierarchy at September 30, 2021

5) Reconciliation of Level 3 fair values

	<u>At fair value through profit or loss</u>	<u>Fair value through other comprehensive income</u>	
	<u>Non-derivative mandatorily measured at fair value through profit or loss</u>	<u>Unquoted equity instruments</u>	<u>Total</u>
Opening balance, January 1, 2021	\$ 400,238	218,951	619,189
Total gains and losses recognized:			
In profit or loss	(22,292)	-	(22,292)
In other comprehensive income	-	(952)	(952)
Purchased	285,792	-	285,792
Subsidiaries disposed	-	(23,701)	(23,701)
Transferred from Level 3	(63,669)	-	(63,669)
Ending Balance, September 30, 2021	<u>\$ 600,069</u>	<u>194,298</u>	<u>794,367</u>

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<u>At fair value through profit or loss</u>	<u>Fair value through other comprehensive income</u>	
	<u>Non-derivative mandatorily measured at fair value through profit or loss</u>	<u>Unquoted equity instruments</u>	<u>Total</u>
Opening balance, January 1, 2020	\$ 347,716	271,751	619,467
Total gains and losses recognized:			
In profit or loss	(21,186)	-	(21,186)
In other comprehensive income	-	(1,563)	(1,563)
Disposal	-	(39,135)	(39,135)
Ending Balance, September 30, 2020	<u>\$ 326,530</u>	<u>231,053</u>	<u>557,583</u>

For the years ended September 30, 2021 and 2020, total gains and losses that were included in “other gains and losses” and “unrealized gains and losses from financial assets at fair value through other comprehensive income” were as follows:

	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Total gains and losses recognized:				
In profit or loss, and presented in “other gains and losses”	<u>\$ (10,192)</u>	<u>(9,006)</u>	<u>(22,292)</u>	<u>(21,186)</u>
In other comprehensive income, and presented in “unrealized gains and losses from financial assets at fair value through other comprehensive income”	<u>\$ (16)</u>	<u>(420)</u>	<u>(952)</u>	<u>(1,563)</u>

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

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

Most of the Group's financial assets in Level 3 have only one significant unobservable input, while its financial instrument investments without an active market have more than one significant unobservable inputs. The significant unobservable inputs of financial instrument investments without an active market are individually independent, and there is no correlation between them.

Quantified information of significant unobservable inputs were as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through profit or loss-equity investments without an active market	Market Approach	<ul style="list-style-type: none"> <li>·The multiplier of price-to-book ratio (As of September 30, 2021, December 31, 2020, and September 30, 2020, were 1.2~2.3, 1.2~2.3 and 1.0~2.6, respectively.)</li> <li>·Market liquidity discount (As of September 30, 2021, December 31, 2020, and September 30, 2020, were 20%)</li> </ul>	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> <li>·the multiplier were higher (lower)</li> <li>·the market illiquidity discount were lower (higher).</li> </ul>
Financial assets at fair value through other comprehensive income-equity investments without an active market	Market Approach	<ul style="list-style-type: none"> <li>·The multiplier of price-to-book ratio (As of September 30, 2021, December 31, 2020, and September 30, 2020, were 1.4~1.5, 1.4~1.5 and 1.9~6.2, respectively.)</li> <li>·Market illiquidity discount (As of September 30, 2021, December 31, 2020, and September 30, 2020, were 20%)</li> </ul>	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> <li>·the multiplier were higher (lower)</li> <li>·the market illiquidity discount were lower (higher).</li> </ul>
Financial assets at fair value through profit or loss-private fund	Net Asset Value Method	·Net Asset Value	Not applicable

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
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7) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

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

	Inputs	Fluctuation in inputs	Profit or loss		Other comprehensive income	
			Favorable	Unfavorable	Favorable	Unfavorable
<b>September 30, 2021</b>						
Financial assets at fair value through profit or loss						
Equity investments without an active market	Multiplier of price-to-book ratio	1%	2,094	(2,094)	-	-
Equity investments without an active market	Market illiquidity discount	1%	2,094	(2,094)	-	-
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	Multiplier of price-to-book ratio	1%	-	-	1,943	(1,943)
Equity investments without an active market	Market illiquidity discount	1%	-	-	1,943	(1,943)
<b>December 31, 2020</b>						
Financial assets at fair value through profit or loss						
Equity investments without an active market	Multiplier of price-to-book ratio	1%	714	(714)	-	-
Equity investments without an active market	Market illiquidity discount	1%	714	(714)	-	-
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	Multiplier of price-to-book ratio	1%	-	-	2,190	(2,190)
Equity investments without an active market	Market illiquidity discount	1%	-	-	2,190	(2,190)
<b>September 30, 2020</b>						
Financial assets at fair value through profit or loss						
Equity investments without an active market	Multiplier of price-to-book ratio	1%	880	(880)	-	-
Equity investments without an active market	Market illiquidity discount	1%	880	(880)	-	-
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	Multiplier of price-to-book ratio	1%	-	-	2,311	(2,311)
Equity investments without an active market	Market illiquidity discount	1%	-	-	2,311	(2,311)

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

(v) Offsetting of financial assets and financial liabilities

The Group has financial assets and liabilities which are subject to the guidance concerning financial instrument transactions under paragraph 42 of IAS 32 as endorsed by the Financial Supervisory Commission. These financial assets and liabilities are presented on a net basis in balance sheet.

The following table presents the recognized financial instruments that are subject to offsetting agreement or contract and have legally enforceable right to set off:

<b>September 30, 2021</b>						
<b>Financial assets subject to offsetting agreement or contract and have legally enforceable right to set off.</b>						
	<b>Gross Assets (a)</b>	<b>Gross Liabilities Offset (b)</b>	<b>Net amounts presented (c)=(a)-(b)</b>	<b>Amounts not offset (d)</b>		
				<b>Financial Instruments (Note)</b>	<b>Cash collected as pledge</b>	<b>Net amounts (e)=(c)-(d)</b>
Accounts Receivable and Payable	\$ 18,051,078	15,071,753	2,979,325	-	-	2,979,325
Other financial asset and short-term loan	\$ 12,256,132	12,256,132	-	-	-	-
<b>September 30, 2021</b>						
<b>Financial liabilities subject to offsetting agreement or contract and have legally enforceable right to set off.</b>						
	<b>Gross Liabilities (a)</b>	<b>Gross Assets Offset (b)</b>	<b>Net amounts presented (c)=(a)-(b)</b>	<b>Amounts not offset (d)</b>		
				<b>Financial Instruments (Note)</b>	<b>Cash collected as pledge</b>	<b>Net amounts (e)=(c)-(d)</b>
Accounts Receivable and Payable	\$ 15,071,753	15,071,753	-	-	-	-
Other financial asset and short-term loan	\$ 12,256,132	12,256,132	-	-	-	-
<b>December 31, 2020</b>						
<b>Financial assets subject to offsetting agreement or contract and have legally enforceable right to set off.</b>						
	<b>Gross Assets (a)</b>	<b>Gross Liabilities Offset (b)</b>	<b>Net amounts presented (c)=(a)-(b)</b>	<b>Amounts not offset (d)</b>		
				<b>Financial Instruments (Note)</b>	<b>Cash collected as pledge</b>	<b>Net amounts (e)=(c)-(d)</b>
Accounts Receivable and Payable	\$ 16,781,165	12,410,025	4,371,140	-	-	4,371,140
Other financial asset and short-term loan	\$ 14,247,483	14,247,483	-	-	-	-

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

December 31, 2020						
Financial liabilities subject to offsetting agreement or contract and have legally enforceable right to set off.						
	Gross Liabilities (a)	Gross Assets Offset (b)	Net amounts presented (c)=(a)-(b)	Amounts not offset (d)		
				Financial Instruments (Note)	Cash collected as pledge	Net amounts (e)=(c)-(d)
Accounts Receivable and Payable	\$ 12,410,025	12,410,025	-	-	-	-
Other financial asset and short-term loan	\$ 14,247,483	14,247,483	-	-	-	-

September 30, 2020						
Financial assets subject to offsetting agreement or contract and have legally enforceable right to set off.						
	Gross Assets (a)	Gross Liabilities Offset (b)	Net amounts presented (c)=(a)-(b)	Amounts not offset (d)		
				Financial Instruments (Note)	Cash collected as pledge	Net amounts (e)=(c)-(d)
Accounts Receivable and Payable	\$ 23,396,819	16,405,746	6,991,073	-	-	6,991,073
Other financial asset and short-term loan	\$ 14,556,716	14,556,716	-	-	-	-

September 30, 2020						
Financial liabilities subject to offsetting agreement or contract and have legally enforceable right to set off.						
	Gross Liabilities (a)	Gross Assets Offset (b)	Net amounts presented (c)=(a)-(b)	Amounts not offset (d)		
				Financial Instruments (Note)	Cash collected as pledge	Net amounts (e)=(c)-(d)
Accounts Receivable and Payable	\$ 16,405,746	16,405,746	-	-	-	-
Other financial asset and short-term loan	\$ 14,556,716	14,556,716	-	-	-	-

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

(af) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in Note 6(ad) of the consolidated financial statements for the year ended December 31, 2020.

(ag) Capital management

Management believes that there were no changes in the Group's approach to the targets, policies and procedures in capital management as disclosed in the consolidated financial statements for the year ended December 31, 2020. Also, they believe that for the nine months ended September 30, 2021, there were also no changes in the Group's capital management information. For other related information, please refer to Note 6(ae) of the consolidated financial statements for the year ended December 31, 2020.

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ah) Financing activities not affecting current cash flow

For the nine months ended September 30, 2021 and 2020, reconciliation of liabilities arising from financing activities was as follows:

	January 1, 2021	Cash flows	Non-cash changes		September 30, 2021
			Foreign exchange movement	Other	
Long-term loans	\$ 17,014,458	(5,646,027)	(243,390)	(2,958)	11,122,083
Short-term loans	105,242,889	(37,476,399)	-	(1,067,878)	66,698,612
Bonds payable	25,478,182	2,495,500	-	4,251	27,977,933
Lease liabilities	2,591,691	(1,136,740)	(40,137)	149,712	1,564,526
Non-controlling interests	36,345,941	(14,214,225)	1,756,215	2,156,389	26,044,320
Total liabilities from financing activities	<u>\$186,673,161</u>	<u>(55,977,891)</u>	<u>1,472,688</u>	<u>1,239,516</u>	<u>133,407,474</u>

	January 1, 2020	Cash flows	Non-cash changes		September 30, 2020
			Foreign exchange movement	Other	
Long-term loans	\$ 9,192,450	2,847,061	(180,569)	(29,785)	11,829,157
Short-term loans	64,808,786	61,597,134	-	-	126,405,920
Bonds payable	23,480,339	(3,000,000)	-	2,732	20,483,071
Lease liabilities	2,489,741	(1,361,729)	(38,470)	1,844,468	2,934,010
Non-controlling interests	35,580,451	(188,153)	(203,530)	488,745	35,677,513
Total liabilities from financing activities	<u>\$135,551,767</u>	<u>59,894,313</u>	<u>(422,569)</u>	<u>2,306,160</u>	<u>197,329,671</u>

**(7) Related-party transactions**

(a) Names and relationship with related parties

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

<u>Name of related party</u>	<u>Relationship with the Group</u>
Luxcase Precision Technology (Yancheng) Co., Ltd. (Former RI KAI COMPUTER ACCESSORY CO., LTD.)	An associate
RI-MING (SHANGHAI) CO., LTD.	An associate
SHENG-RUI ELECTRONIC TECHNOLOGY (SHANGHAI) LIMITED	An associate
RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	An associate
RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	An associate
CASETEK SINGAPORE PTE.LTD.	An associate
ADVANTECH CO., LTD.	Other related party

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

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(b) Significant transactions with related parties

(i) Sale of Goods to Related Parties

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

	<b>Sales</b>	
	<b>For the three months ended September 30, 2021</b>	<b>For the nine months ended September 30, 2021</b>
Associates	\$ 217,860	504,142
Other related parties	13,100	43,685
	<b>\$ 230,960</b>	<b>547,827</b>

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

(ii) Purchase of Goods from Related Parties

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

	<b>Purchases</b>	
	<b>For the three months ended September 30, 2021</b>	<b>For the nine months ended September 30, 2021</b>
Associates	<b>\$ 563,494</b>	<b>3,255,217</b>

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

(iii) Receivables from Related Parties

The receivables from related parties were as follows:

<b>Account</b>	<b>Relationship</b>	<b>September 30, 2021</b>
Accounts receivable	Associates	\$ 220,655
Accounts receivable	Other related parties	5,654
Other receivables	Associates	335,715
		<b>\$ 562,024</b>

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

## (iv) Payables to Related Parties

The payables to related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>September 30, 2021</u>
Accounts payable	Associates	\$ 995,226
Accrued expenses	Associates	<u>7,767</u>
		<u><u>\$ 1,002,993</u></u>

## (v) Loans to Related Parties

The loans to related parties were as follows:

	<u>September 30, 2021</u>
Associates - RI SHAN COMPUTER ACCESSORY CO., LTD.	<u>\$ 10,308,838</u>
Range of interest rate	<u>0.92%~1.00%</u>
Interest income	<u>\$ 103,630</u>

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

## (c) Key management personnel compensation

	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Short-term employee benefits	\$ 105,865	138,015	304,582	354,936
Post-employment benefits	999	1,009	3,024	2,990
Share-based payments	<u>46,515</u>	<u>4,127</u>	<u>127,925</u>	<u>111,144</u>
	<u><u>\$ 153,379</u></u>	<u><u>143,151</u></u>	<u><u>435,531</u></u>	<u><u>469,070</u></u>

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

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**(8) Pledged assets**

The book value of pledged assets provided by the Group was as follows:

<u>Asset</u>	<u>Purpose of pledge</u>	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Accounts receivable	Accounts receivable factoring \$ (listed as short-term loans)	-	1,077,681	-
Other financial asset- restricted deposit	Post-release duty deposits, customs duty, lease deposits, short-term loans, travel agency guarantee, etc.	117,298	111,289	113,284
Other financial asset- restricted deposit	Litigation pledge and provisional attachment guarantee	43,381	61,669	4,959
Property, plant and equipment	Bank loans	52,287	61,249	1,379,869
Other financial asset- guarantee deposits	Customs duty guarantee, rental deposits, and deposits for performance guarantee	8,163	191,147	186,723
		<u>\$ 221,129</u>	<u>1,503,035</u>	<u>1,684,835</u>

**(9) Commitments and contingencies****(a) Significant commitments and contingencies****(i) Unused standby letters of credit**

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
EUR	\$ 3,785	-	3
JPY	9,389,535	7,000,234	3,170,933
USD	6,586	7,594	439

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

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
NTD	<u>\$ 15,311</u>	<u>16,391</u>	<u>16,391</u>

(iii) As of September 30, 2021, December 31, 2020, and September 30, 2020, the significant contracts for purchase of properties by the Group amounted to \$12,350,267 thousand, \$13,197,985 thousand, and \$13,007,034 thousand, of which \$4,846,429 thousand, \$5,314,270 thousand, and \$4,383,545 thousand, respectively, were unpaid.

(iv) As of September 30, 2021, December 31, 2020, and September 30, 2020, the Group provided endorsement guarantee for bank loans, including Group entities, amounting to \$1,169,952 thousand, \$341,958 thousand, and \$349,380 thousand, respectively.

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
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(v) As of September 30, 2021, December 31, 2020, and September 30, 2020, the Group issued a tariff guarantee of \$606,587 thousand, \$1,804,655 thousand, and \$1,973,307 thousand, respectively, to the bank for the purpose of importing goods.

(b) Significant contingent liability

AIG Specialty Insurance Company filed a lawsuit against the Group, demanding for compensation for a batch of defect products that were received from the Group. A lawyer has been appointed to protect the Group's rights and interests. This case is still in progress as of the release date of the consolidated financial statements; therefore, no reasonable estimation can be made concerning this matter.

**(10) Losses due to major disasters: None.**

**(11) Subsequent Events: None.**

**(12) Others**

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

By function	For the three months ended September 30					
	2021			2020		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Employee benefit						
Salary	\$ 13,059,760	4,287,392	17,347,152	13,587,725	4,050,925	17,638,650
Health and labor insurance	1,385,863	242,622	1,628,485	1,069,234	236,210	1,305,444
Pension	1,037,470	204,303	1,241,773	1,063,298	192,774	1,256,072
Others	490,215	224,646	714,861	558,565	236,263	794,828
Depreciation	2,756,915	489,877	3,246,792	3,946,936	460,281	4,407,217
Amortization	12,704	21,783	34,487	17,455	23,149	40,604

By function	For the nine months ended September 30					
	2021			2020		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Employee benefit						
Salary	\$ 31,034,390	12,000,724	43,035,114	38,684,410	11,905,062	50,589,472
Health and labor insurance	2,945,150	734,644	3,679,794	2,535,686	678,834	3,214,520
Pension	2,597,180	577,285	3,174,465	2,410,018	508,874	2,918,892
Others	1,322,449	585,377	1,907,826	1,704,877	686,051	2,390,928
Depreciation	8,700,483	1,447,319	10,147,802	12,014,258	1,404,872	13,419,130
Amortization	46,189	64,035	110,224	62,892	88,635	151,527

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

	For the three months ended September 30		For the nine months ended September 30	
	2021	2020	2021	2020
	Depreciation in investment property	\$ 843	749	2,276

**(13) Other disclosures**

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group:

No.	Item	Table
1	Loans to other parties	Table 1
2	Guarantees and endorsements for other parties	Table 2
3	Securities held as of September 30, 2021 (excluding investment in subsidiaries, associates and joint ventures)	Table 3
4	Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock	Table 4
5	Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock	Table 5
6	Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock	Table 6
7	Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock	Table 7
8	Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock	Table 8
9	Trading in derivative instruments	None
10	Business relationships and significant intercompany transactions	Table 11

(b) Information on investees:

Please refer to Table 9 for the information on investees for the nine months ended September 30, 2021.

(c) Information on investment in mainland China:

- (i) Please refer to Table 10 for names of investee, main businesses and products, total amount of capital surplus, method of investment, investment flows, net income (losses) of the investee, percentage of ownership and the upper limit on investment.
- (ii) Please refer to information on significant transactions for either directly or indirectly through a third area, with investee companies in the Mainland Area. The transactions were eliminated in the consolidated financial statements.

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
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(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
ASUSTek Company Inc.		448,506,484	16.79 %

**(14) Segment information**

Please refer to Note 6(aa) for the information on revenue for the three months and the nine months ended September 30, 2021 and 2020. The Group's operating segment information and reconciliation were as follows:

	DMS	Strategic Investment Group	Adjustment and eliminations	Total
<u>For the three months ended September 30, 2021</u>				
Reportable segment profit or loss	\$ <u>2,979,347</u>	<u>3,252,132</u>	<u>(1,420,245)</u>	<u>4,811,234</u>
<u>For the three months ended September 30, 2020</u>				
Reportable segment profit or loss	\$ <u>7,984,251</u>	<u>3,580,655</u>	<u>(2,056,093)</u>	<u>9,508,813</u>
<u>For the nine months ended September 30, 2021</u>				
Reportable segment profit or loss	\$ <u>13,074,422</u>	<u>11,375,744</u>	<u>(7,686,079)</u>	<u>16,764,087</u>
<u>For the nine months ended September 30, 2020</u>				
Reportable segment profit or loss	\$ <u>19,202,652</u>	<u>5,160,938</u>	<u>(2,377,812)</u>	<u>21,985,778</u>
<b>Reportable segment assets</b>				
September 30, 2021	\$ <u>517,013,282</u>	<u>125,157,601</u>	<u>(62,747,506)</u>	<u>579,423,377</u>
December 31, 2020	\$ <u>571,735,476</u>	<u>162,642,265</u>	<u>(50,031,132)</u>	<u>684,346,609</u>
September 30, 2020	\$ <u>544,251,522</u>	<u>137,639,567</u>	<u>(43,561,340)</u>	<u>638,329,749</u>