Stock Code:6669

Wiwynn Corporation

2021 Annual Report

Websites to inquire the content related to the annual report:

Wiwynn Annual Report is available at http://www.wiwynn.com/zh-hant/

Taiwan Stock Exchange Market Observation Post System: http://newmops.twse.com.tw

Published Date: April 28, 2022

1. **The name, title, telephone number, and e-mail address of the spokesman or acting spokesman**

Spokesman
Name : Emily Hong
Title : Vice Chairman and CEO
Tel : 886-2-6615-8888
Mail : IR@wiwynn.com

Acting spokesman
Name : Harry Chen
Title : CFO
Tel : 886-2-6615-8888
Mail : IR@wiwynn.com

2. **The address and telephone number of Wiwynn corporation's headquarters, branch offices, and factories**

Headquarter
Address : 8F., No.90, Sec. 1, Xintai 5th Rd., Xizhi Dist., New Taipei City 221411, Taiwan (R.O.C)
Tel : 886-2-6615-8888

Tainan Branch
Address : 4F., No. 8, Beiyuan 3rd Rd., Anding Dist., Tainan City 745093, Taiwan (R.O.C.)
Tel : 886-6-6013588

Tainan Plant
Address : 3F., No. 8, Beiyuan 3rd Rd., Anding Dist., Tainan City 745093, Taiwan (R.O.C.)
Tel : 886-6-6013588

3. **The name, address, e-mail address, and telephone number of the agency handling shares transfer**

Stock Transfer Agent Department of Yuanta Securities Co., Ltd.
Address : B1F., No. 210, Sec. 3, Chengde Rd., Datong Dist., Taipei City
Website : http://www.yuanta.com.tw
Tel : +886-2-2586-5859

4. **The address and contact information of Auditing CPA in 2020**

KPMG Accounting Firm
Auditors : CHIA-CHIEN TANG, MING-HUNG HUANG
Address : 68F., No. 7, Sec. 5, Xinyi Rd., Xinyi Dist., Taipei City
Website : http://www.kpmg.com.tw
Tel : 886-2-8101-6666

5. **Overseas Securities Exchange:** None.

6. **Wiwynn Corporate Website**: http://www.wiwynn.com/zh-hant/

Contents

I. Letter to Shareholders

Operating Performance in pervious year (2021)

1. The business plan implementation

   In 2021, the whole world was still under the threat of COVID-19 epidemic. During the Level 3 epidemic alert from May to July in Taiwan, Wiwynn employees were all work from home. We were lucky to have already deployed arrangement in advance. When our company was established, we followed a strategy of "cloud first, zero enterprise computer room" and introduced innovative technology of information systems, including complete cloud-based enterprise application system, block chain supply chain management, autonomous intelligent manufacturing, and hybrid cloud information security defending system. Therefore, Wiwynn maintained normal operation without any negative impact when employees worked from home. Wiwynn was awarded First Prize of Pioneer in the Manufacturing Industry for comprehensive digital transformation at the 1st Digital Transformation Awards.

   However, it was not the only challenge we faced in 2021. The lack of raw materials, labor shortage, and port congestion caused by the epidemic plus the impact of extreme climate created difficulties in the overall supply chain. Under the state of imbalance between supply and demand, we were unable to fully satisfy the strong demands from our customers. Nevertheless, with the efforts of all of our colleagues, we continued growing in 2021. The scale of our operation hit a record high. It was a difficult but fruitful year.

   In terms of sustainable development, Wiwynn also established "Corporate Sustainable Development Committee" in March 2021 as well as set up relevant organizational regulations. As for environment, Wiwynn responded to the sustainable development goal No. 14 (SDG 14) promoted by the United Nations to conserve and sustainably use marine ecological system. We planted 800 trees on the frontline of coast near Wujie Township, Yilan County to block out the impact to the inner land by strong northeast monsoon, salinity of the sea, and blown sand in order to protect the life quality of the community residents. With regard to corporate governance, to enhance the transparency to stakeholders and meet the blueprint of the corporate governance promoted by the competent authority as early as possible, Wiwynn voluntarily disclosed the self-assessed income information for fiscal year 2021 in January 2022. Moreover, Wiwynn participated in the 7th Corporate Governance Assessment held by Taiwan Stock Exchange for the first time and achieved the excellent performance of top 6%-20% of the listed companies. In the 14th Taiwan Corporate Sustainability Awards, Wiwynn received the recognition of Gold Award in the category of electronics and information manufacturing industry. Because of our outstanding performance in ESG, we are included to the constituent stocks of "FTSE4Good TIP Taiwan ESG Index" and "TWSE Corporate Governance 100 Index".

2. Budget implementation

   It is not applicable due to the Company did not publish financial forecast in 2021.

3. Financial revenue & expenditure and profitability analysis

   The consolidated operating revenue at the Company in 2021 was NT$ (the same below) 192,625,942,000, and it increased 3.05% compared to that in the previous year. The net profit after tax was $ 8,648,012,000 with an increase of 0.44% compared to that in the previous year. It was a record high. Affected by the impact of inflationary spike and appreciation of New Taiwan Dollar, the gross profit margin, operating margin, and net profit margin decreased 0.1% each from the previous year to 8.1%, 5.9%, and 4.5% respectively. The basic earnings per share (EPS) was $49.46; it hit a record high.

4. Research and development status

   Along with the extreme climate is getting more frequent, leaders of different countries in the world have made a commitment on carbon reduction at United Nations Climate Summit (COP26). The net zero emissions in 2050 is a global consensus, and customers of hyperscale data centers all declare to achieve carbon neutral or the goal of 100% utilization of renewable energy within next few years. Wiwynn also focuses R&D and continues developing power converter and cooling solution with high-efficient energy saving and carbon reduction. Among them, the two-phase immersion cooling technology also formally entered hyperscale data center in 2021.

   Our Company launched Taiwan Intellectual Property Management System (TIPS) in 2021 and passed Level A qualification. During the promotion of TIPS, educational trainings were used for promotion and follow-up of legal consultation to ensure the awareness of protecting intellectual property right is enhanced. It helps the hard skills (quantity of patent) and soft skills (employees' awareness) of intellectual property in Wiwynn grow and develop at the same time.

<u>Business Plan for this year (2022)</u>

1. Business objectives

   Other than maintaining the market share of the main customers, the Company participates in OCP Global Summit, CloudFest, and O-RAN Plugfest actively in order to achieve long-term business stability and growth. We display the latest product and innovative technology developed by the Company, strengthen technical image of Wiwynn, maintain good interaction with key partners and potential customers, continue deepening the current market of large data centers, and closely track the technology of AI, IoT, edge computing, and 5G as well as devote resources to relevant application areas.

2. Sales forecast and accordance

   It is not applicable due to the Company did not publish any financial forecast.

3. Important production and sales policies

   The company's production and sales policy focus on services close to our customers' needs as the main consideration. We provide integrated services to satisfy customers' demands. In order to achieve this purpose, our supply chain structure will be oriented towards "localization", not only by the localization of our material sources from upstream suppliers, but also by localizing our cultivation of human resources and personnel training to strengthen our core functions in terms of production and sales and establish our role as an indispensable key partner for our customers.

<u>Development Strategy in the future</u>

The Company will still move towards ODM direct selling mode as our long-term target as well as continue developing power converter and cooling solution with high-efficient energy saving and carbon reduction in order to provide the optimal new product and technology to various workloads in hyperscale data center so that the centers will have the best total cost of ownership. Besides, we work with partners possessing key technology and global software manufacturers closely for the rapid introduction of the latest technology to respond fast-growing market demands. We devote actively to the collaborative development related to the network functions virtualization infrastructure (NFVI) and hope to extend server products to wider application areas. We continue working with network communities, telecom operators, equipment providers, and the third-party service developers to provide open or optimal solutions to working partners or customers and speed up their time in developing, deploying, or upgrading network.

The Impact of the External Competitive Environment, Regulatory Environment, and Macroeconomic Conditions

Looking into the future, there are still uncertainties in global economy. We are still facing the risks in the overall supply chain. However, the new normal after the epidemic continues pushing the demand of digital transformation. Various applications and services related to 5G, edge computing, AI, and big data to metaverse is increasing. The cloud data center industry will continue growing. The focus of operation in Wiwynn is as below:

1. Diverse global layout: Wiwynn Malaysia Factory has started by the end of 2021, and it is estimated to be completed in 2023. Besides, we also plan to continue expanding our service stations all over the world in the next two or three years to achieve the scale of 5 to 6 times of current own capacity in order to maintain operating stability and flexibility as well as spread risks.
2. Continue deepening digital transformation: Wiwynn plans to introduce the intelligent manufacturing technology to our own factories and make them smart factories as well as continues devoting actively to construct digital capabilities and culture among all our employees. Through the activities of Hackathon and Digital Festival, we encourage employees to widely apply relevant skills. We use Robotic Process Automation (RPA) established creatively by employees to enhance working efficiency.
3. Implement corporate sustainable operation: We create green factories, actively use renewable energy, continue promoting Ocean Hugs marine environment and ecology shared good scheme, make good use of resources to protect the environment, and strengthen the communication with stakeholders. Centered on human beings, we provide a safe and healthy working environment to our employees and comply with the blueprint of corporate governance promoted by the competent authority.

We carry the core values of “excellence”, “forward-looking”, “teamwork”, and “agile” carried by Wiwynn to march forward in a steady pace, create the maximal shareholder value, and pursue a future of sustainable development.

Chairman: Simon Lin

II. Company Profile

2.1 Date of Incorporation: March 03, 2012

2.2 Brief Account of the Company (the latest three fiscal years and until the day of the printed annual report)

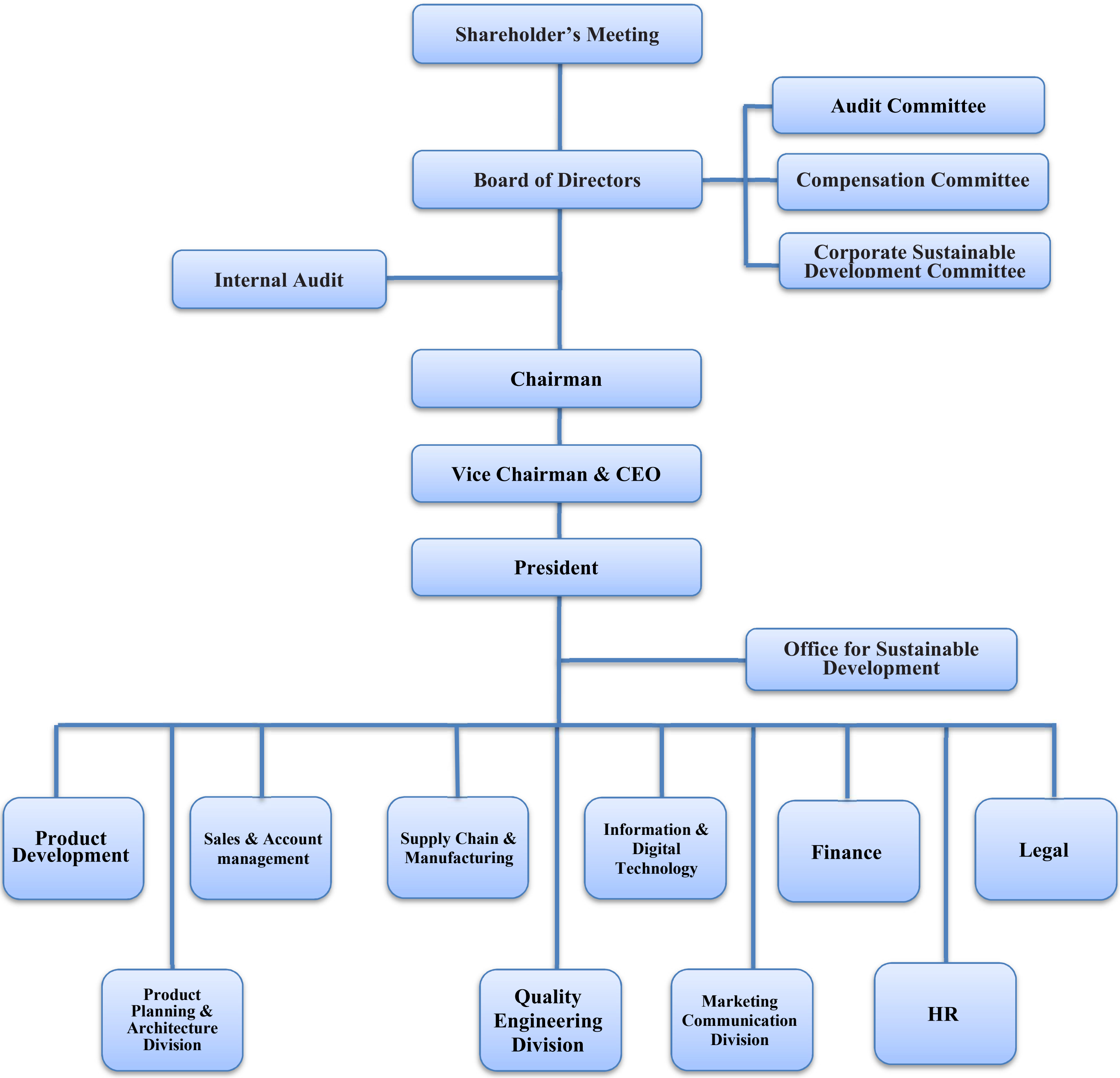
Year	Milestones
2020	1. Dealt with capital increase by new share issuance for employee stock option in NT$2,180,000. The paid-in capital increment was NT$1,748,318,000. 2. Awarded healthy workplace certification mark assessed by Health Promotion Administration, MOHW. The Company adopted a systematic approach for the promotion of workplace health improvement to make sure employees receiving good protection. In the future, we will continue promoting a stable and healthy development of the enterprise. 3. Wiwynn Tainan Branch Office passed the certification of Authorized Economic Operator (AEO). 4. Dealt with capital increase by new share issuance for employee stock option in NT$90,000. The paid-in capital after increment was NT$1,748,408,000. 5. Published our first corporate sustainability report (ESG Report). 6. Established Corporate Governance Officer. 7. The Company obtained twA in Credit Rating and issued unsecured corporate ordinary bond in the amount of NT$5 billion. 8. Our EP100 product and 5G software solution led the collaboration among manufacturers and completed 2nd Global O-RAN ALLIANCE Plugfest test to spend up product interoperability development among manufacturers in the industrial ecological chain. 9. The Company became the first information service provider in Taiwan to directly purchase green power from electricity providers through power purchase agreement (PPA) to achieve complete environmental. 10. The Company responded to the biggest software company in the world to introduce blockchain technology and jointly establishes cloud service supply chain innovative platform.
2021	1. Enhanced the timeliness and transparency of information and announced the pre-auditing profit and loss for Q4 of 2020 and for 2020 in January. 2. Established Corporate Sustainable Development Committee. 3. Invested in LiquidStack to establish strategic partner relationship in order to speed up the development of liquid cooling technology. 4. Approved seasoned equity offering to our Malaysia branch company, Wiwynn Technology Service Malaysia SDN. BHD. through the resolution of Meeting of Board of Directors. 5. Launched new generation servers, Edge Server ES200 and Cloud Server SV310G4 and SV5100G4, to enhance the operational performance of the cloud and edge data center in order to grasp the business opportunities in the flourishing could and edge application area. 6. Awarded the 1st Digital Transformation Awards and became the pioneer and model of enterprise comprehensive digital transformation. 7. Selected Malaysia to establish the whole rack server assembly plant, and it is our first self-run production base in Asia Pacific. Intelligent manufacturing skills will be introduced to the construction of the new plant, and we aim for the highest standard of green building index in Malaysia to create a green factory. It considers both the sustainable development of the

Year	Milestones
	environment and production efficiency to set up an index for high standard for the industry. 8. Our General Manager, Shun-Lai Chang, was awarded 2021 Outstanding ICT Elite Award.
2022	1. Approved seasoned equity offering to our Malaysia branch company, Wiwynn Technology Service Malaysia SDN. BHD. and American branch company, Wiwynn International Corporation through the resolution of Meeting of Board of Directors.

III. Corporate Governance Report

3.1 Organization

3.1.1 Organizational Chart



3.1.2 Department Functions

Department	Functions
Internal Audit	Prepare an annual audit plan to assist managers in evaluating and improving risk management and confirming the designed internal control system is effective and actual implementation of the design, so as to assist the Audit Committee to supervise the implementation of the internal control system and corporate governance by managers in order to achieve organizational goals.
Office for Sustainable Development	Affairs related to environment, society, corporate governance, and corporate sustainable development.
Product Development	New technology development, product develop and management.
Product Planning & Architecture Division	Define competitive product strategy, roadmap plan and architecture to achieve organization goals based on customer demand, market trend, technology innovation and company growth strategy.
Sales & Account Management	Explore new market and identify target customers, provide suggestions on product strategy, build sales channel, and establish new deployment and service flows. Set and execute the marketing and sales plans, order processing, account collection and production/sales coordination. Implement price strategies to respond to market and customer demands.
Supply Chain & Manufacturing	Implement and execute production plans, including procurement of raw materials & finished products, cost control & inventory management, supply chain plans & management, and global logistics. Manage own factories and contractors, after-sales services and product failure analysis.
Quality Engineering Division	Plan and execute the system-level and rack-level design quality validations. Provide after-sales technology support, quality analysis, and improvement plans.
Information & Digital Technology	Plan, implement and manage enterprise information systems and information technology infrastructure. Plan, implement and execute security policy and information security control mechanism.
Marketing Communication Division	Manage corporate brand image and external media communication, including website, social media, media channels, and the third-party organizations or associations. Plan and execute marketing events, including production of video and publicity materials for products and PR purposes, product presentation, advertisement, and online and offline activities. News collection and industrial analysis.
Finance	Manage finance accounting, tax, budgeting, treasury affairs.
Human Resource	Build up human resource relevant management systems, overall manpower planning and development, employee welfare, and promotion and maintenance of employee communication systems. Plan and implement recruitment, hiring, educational training, promotion, assessment, retirement, lay-off and general affairs related businesses as well as execute general affairs.
Legal	Review the Company's commercial contracts and legal documents to provide legal opinions and negotiation support. Manage the Company's dispute resolution procedures. Manage the application, protection and license matters of the Company's intellectual property. Provide business units legal advice on regulation compliance and change. Plan and implement legal trainings to all employees. Manage corporate privacy policy.

3.2 Directors, Supervisors and Management Team

3.2.1 Directors

April 1, 2022

Title	Nationality/ Place of Incorporation	Name	Gender	Age (years old)	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remarks
								Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	R.O.C	Wistron Corporation	-	-	2020. 6.15	3	2012. 2.20	78,418,129	44.85%	65,895,129	37.69%	0	0%	0	0%	—	—	None	None	None	None
		Wistron Corporation Representative : Simon Lin	Male	61-70	2020. 6.15	3	2012. 2.20	-	-	5,094,111	2.91%	0	0%	0	0%	Bachelor of National Chiao Tung University President of Acer Inc.	Note1	None	None	None	None
Vice Chairman	R.O.C	Emily Hong	Female	61-70	2020. 6.15	3	2015. 5.22	2,613,624	1.49%	3,138,624	1.80%	487,968	0.28%	0	0%	The Alumni Association of Executives Program, Graduate School of Business Administration, National Chengchi University Bachelor of Political Science, National Taiwan University General Manager of Enterprise Product Group and Cloud Business Group in Wistron Corp. Vice General Manager in Acer Inc.	Note2	None	None	None	None
Director	R.O.C	Wistron Corporation	-	-	2020. 6.15	3	2012. 2.20	78,418,129	44.85%	65,895,129	37.69%	0	0%	0	0%	—	—	None	None	None	None
		Wistron Corporation Representative : Frank Lin	Male	61-70	2020. 6.15	3	2012.2.20 First Appointment 2014.7.22 Change Authorized Representative	-	-	205,980	0.12%	0	0%	0	0%	Bachelor of Accounting, Feng Chia University Chief Financial Officer of Acer Inc.	Note3	None	None	None	None
Director	R.O.C	Sunlai Chang	Male	61-70	2020. 6.15	3	2017. 5.31	738,235	0.42%	538,235	0.31%	282,000	0.16%	0	0%	PhD., University of Maryland, College Park. Bachelor of Science in Mechanical Engineering, National Taiwan University Director of Mechanical Design, Enterprise Business Group in Wistron Corp.	Note4	None	None	None	None

Title	Nationality/ Place of Incorporation	Name	Gender	Age (years old)	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remarks
								Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director	R.O.C	Steven Lu	Male	51-60	2020. 6.15	3	2019. 6.25	340,455	0.19%	340,455	0.19%	202,000	0.12%	0	0%	Master of Business Administration, The Fuqua School of Business, Duke University Bachelor and Master of Science in Computer Science & Information Engineering, National Taiwan University Senior Manager of Enterprise Business Group in Wistron Corp. Senior Director of Server and Storage Group in Acer Inc.	Note5	None	None	None	None
Independent Director	R.O.C	Charles Kau	Male	61-70	2020. 6.15	3	2020. 6.15	0	0%	0	0%	0	0%	0	0%	Master of Chemical Engineering, North Carolina State University Chairman of Inotera Memories, Inc. General Manager of Nanya Technology Corporation	Note6	None	None	None	None
Independent Director	R.O.C	Simon Zeng	Male	61-70	2020. 6.15	3	2018. 1.17	0	0%	0	0%	0	0%	0	0%	PhD in Accounting, Drexel University MBA in Finance, Drexel University Bachelor of Business Administration, National Taiwan University Executive Vice President of Mega Financial Holding Corp. Chairman of Mega Bills Finance Co., LTD. Executive Vice President of China Development Financial Holding Corp. and President of China Development Industrial Bank	Note7	None	None	None	None

Title	Nationality/ Place of Incorporation	Name	Gender	Age (years old)	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remarks
								Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Independent Director	R.O.C	Cathy Han	Female	51-60	2020. 6.15	3	2018. 1.17	0	0%	0	0%	0	0%	0	0%	MBA, University of Connecticut Senior Vice President of Principal Investment Department, China Development Industrial Bank Executive Vice President of Business Development Department, CDIB Capital Group Supervisor of CDIB Capital Management Corporation Supervisor of CDIB Capital Healthcare Ventures Limited Director of CDIB Private Equity (China) Corporation	Note8	None	None	None	None
Independent Director	R.O.C	Victor Cheng	Male	71-80	2020. 6.15	3	2019. 6.25	0	0%	0	0%	0	0%	0	0%	SJD, Stanford University Bachelor, School of Law, Soochow University Professor, National Taiwan University of Science and Technology Professor, School of Law, Shih Hsin University Director and Dean, Institute of Intellectual Property, Shih Hsin University Legal supervisor in Acer Inc.	Note9	None	None	None	None

Note 1: Chairman & CSO of Wistron Corporation, Director of Gamania Digital Entertainment Co., Ltd., Independent Director of Taiwan IC Packaging Corp., Independent Director of Elan Microelectronics Corp., Chairman of Wistron Digital Technology Holding Company, Independent Director of Powerchip Semiconductor Manufacturing Corp.

Note 2: Vice Chairman & CEO of Wistron Corporation. Other position in Subsidiary is specified on page 111.

Note 3: Chief of Staff Officer of Wistron Corporation, Director of Wistron NeWeb Corp., Director of Wistron ITS Corp., Director of Changing Information Technology Inc., Director of IP Fund Six, Director of Join-Link International Technology Co., Ltd., Director of Maya International Co., Ltd., Director of Wistron Medical Tech Holding Company, Director of Wistron Digital Technology Holding Company, Director of Wistron Medical Tech Corporation, Director of Pell Bio-Med Technology Co., Ltd., Director of Hartec Asia Pte. Ltd., Director of Hukui Biotechnology Corporation, Chairman of Wise Cap Limited Company, Chairman of WLB Ltd., Chairman of WiseCap (Hong Kong) Limited, Chairman of B-Temia Asia Pte. Ltd., Supervisor of aEnrich Technology Corp.

Note 4: President of Wiwynn Corporation and Director of LiquidStack Holding B.V. Other position in Subsidiary is specified on page 111.

Note 5: Senior Vice President of Wiwynn Corporation. Other position in Subsidiary is specified on page 111.

Note 6: Independent Director of Hauman Technologies Corporation.

Note 7: Chairman of Hopewell Asset Management, Inc., Chairman of Hopewell Investments, Inc., Chairman of Capstone Investments, Inc., Chairman of Formacell Inc., Independent Director of E&E Recycling, Inc., Director of Jinwen University of Science and Technology.

Note 8: Supervisor of CDIB Capital Innovation Advisors Corporation, Independent Director of Macroblock Inc, and Independent Director of Apacer Technology Inc.

Note 9: Supervisor of Apex Material Technology Corp., Director of Throughtek Co., Ltd., Independent Director of Yodn Lighting Corp., Director of Kinsus Interconnect Technology Corp, and Director of Baifenbai Angle Consultation Company.

Major shareholders of the institutional shareholders

April 19,2022

Name of Institutional Shareholders	Major Shareholders	%
WISTRON CORPORATION	Yuanta Taiwan Dividend Plus ETF	3.21 %
	Taipei Fubon Bank Trust Account	2.15 %
	Acer Incorporated	1.89 %
	Lin Hsien-Ming	1.40 %
	Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Funds	1.39 %
	Mitsubishi UFJ Morgan Stanley Securities Co.,Ltd.-Equity Trading Division (Proprietary Trading Desk)	1.37 %
	King's Town Bank	1.34 %
	Fubon Life Insurance Co., Ltd.	1.31 %
	JPMorgan Chase Bank N.A.， Taipei Branch in custody for Vanguard Total International Stock Index Fund， a series of Vanguard Star Funds	1.28 %
	J.P. Morgan Securities PLC	1.03 %

Major shareholders of the Company’s major institutional shareholders

April 12,2022

Name of Institutional Shareholders	Major Shareholders	%
ACER INCORPORATED	Hung Rouan Investment Corp.	2.42%
	Cathay MSCI Taiwan ESG Sustainability High Dividend Yield ETF Fund under the custody of Taishin Bank	1.87%
	Fubon Taiwan high dividend 30 ETF	1.43%
	VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUNDS	1.32%
	JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1.23%
	Stan Shih	1.15%
	Yo-Juang Investment Corp.	1.10%
	iShares ESG Aware MSCI EM ETF	0.95%
	Acer GDR	0.94%
	JPMorgan Chase Bank N.A. Taipei Branch in custody for Universities Superannuation Scheme Limited	0.81%

March, 31,2022

Name of Institutional Shareholders	Major Shareholders	%
King's Town Bank	Chen-Chih, Tai	6.98%
	Tien-Tsan, Tsai	6.49%
	Hsinray Investment Co., Ltd.	4.93%
	Jincheng Construction Co., Ltd.	4.33%
	Tiangang Investment Co., Ltd.	3.51%
	Mercuries Life Insurance Co. Ltd.	3.23%
	Tianye Investment Company	3.09%
	Hsien-Tsung, Wang	2.61%
	Yi-Ying, Chen	2.12%
	CTBC Bank Trust Account for King's Town Bank Employee Stock Ownership Trust	1.72%

Name of Institutional Shareholders	Major Shareholders	%
Fubon Life Insurance Co., Ltd.	Fubon Financial Holding Co.	100.00%

Professional qualifications and independence analysis of directors

April 1, 2022

Criteria Name	Professional Qualification and Work Experience	Independence Criteria	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Chairman Simon Lin	Other than the post of Chairman in our Company, Mr. Simon Lin is also the Chairman and CSO of Wistron Corporation (hereinafter referred to as "Wistron"). Before the establishment of Wistron, Mr. Simon Lin took several important posts in Acer Group, including the General Manager of Acer Incorporated. Simon Lin was awarded "Outstanding Marketing Manager Award" by Chinese Professional Management Association in 1989. In 1996 and 2000, he received Distinguished Alumni Award from Chiao Tung University and National Tainan First Senior High School respectively. In 2008, he was awarded "Audience Selected Annual Best CEO in Asia" in the Asia Best Business Leaders Awards of that year by CNBC Asia. In 2011, he received "EY Entrepreneur of The Year" from Ernst & Young, which praises outstanding entrepreneurs who lead the enterprise to continuous growth and successful operation with wisdom and determination. In 2013, he was awarded "National Excellence and Achievement Award" by Chinese Professional Management Association. In 2020, he received the special honor of ITRI Laureate. Besides, Mr. Simon Lin does not involve with anything specified in Article 30, Company Act.	They are not independent directors, and their state of independence is not required.	3 (Note1)
Vice Chairman Emily Hong	Ms. Emily Hong is currently CEO in Wiwynn Corporation. Before Wiwynn, she was the Vice Chairman & CEO of Product and Business Division in Wistron Corporation. During her experience in the information industry for more than 20 years, her abundant experiences in international affairs, global business operation and management, IT and technology product design, and production and marketing strategies planning help her establishing essential and long-term partnership of mutual trust with famous IT enterprises in the world as well as public and private sectors. In 2019, she received "ERSO Award" and was recognized as a person who achieve excellent contribution in the semiconductor, electronics, and information communication industries in Taiwan. Besides, Ms. Emily Hong does not involve with anything specified in Article 30, Company Act.		None
Director Frank Lin	Mr. Frank Lin was the Financial Manager at Acer Incorporated before being promoted to the post of Chief Financial Officer. After the establishment of Wistron, he took the post of CFO and then the Chief of Staff at Wistron. His outstanding performance in financial analysis and operational management won him the recognition of R,O.C. Outstanding Financial Leader Award in 1996. Besides, Mr. Frank Lin does not involve with anything specified in Article 30, Company Act.		None
Director Sunlai Chang	Dr. Sunlai Chang is the current President of Wiwynn Corporation (hereinafter referred to as Wiwynn) and in charge of the departments of product development, business, supply chain & manufacturing, product structure, quality engineering, and business automation. Before the establishment of Wiwynn, he was the Chief Mechanical Designer at Product and Business Division in Wistron as well as in charge of product storage department at the same time. Dr. Chang has more than 20-year produce development experience in automation, national defense, semiconductor equipment, and IT software industries. After joining Wiwynn, he successfully established and led the product development team o carry out technology research as well as build working relationship with multiple teams. He works hard to deliver the most advanced equipment to the customers of data centers. In 2021, he received the recognition of Outstanding Information Talent Award. Besides, Dr. Sunlai Chang does not involve with anything specified in Article 30, Company Act.		None
Director Steven Lu	Mr. Steven Lu is the current Senior Vice President of Wiwynn Corporation. He has more than 25-year experience in the server, storage, and communications industries. He used to take important posts in well-known ODM companies, including Acer, MiTAC, Sercomm, and Wiwynn. Besides, Mr. Steven Lu does not involve with anything specified in Article 30, Company Act.		None
Independent Director Charles Kau	Mr. Charles Kau used to be the President of Micron Technology Taiwan, Inc. and the General Manager of Nanya Technology Corporation. He has more than 30 years of experience in the DRAM industry. He is an important promoter for the development of relevant technology industries and is called the Father of DRAM in Taiwan in the industry. Besides, Mr. Charles Kau does not involve with anything specified in Article 30, Company Act.	The detail of the independence of the four independent directors are as below: 1. Either the independent director, their spouses, or their relatives within the second degree of kinship are not the director, supervisor, or employee of our Company or our affiliates. 2. Either the independent director, their spouses, or their relatives within the second degree of kinship (or use other people's names) hold	1 (Note 2)
Independent Director Simon Zeng	Dr. Simon Zeng used to be the Vice General Manager of Mega Financial Holding Company Ltd., President of Mega Bills Finance Co., Ltd, Senior Vice General Manager of China Development Financial Holding Corporation, and General Manager of China Development Industrial Bank. He has abundant experiences in accounting, finance, consultation, and academic research. Besides, Mr. Simon Zeng does not involve with anything specified in Article 30, Company Act.		1 (Note 3)
Independent Director Cathy Han	Ms. Cathy Han used to be the Vice General Manager of Business Development Division in CDIB Capital Group as well as the supervisor and the director for many companies under the group of China Development Financial Holding Corporation. She was also the independent director for many listed companies. She has abundant knowledge and experience related to investment, corporate governance, and financial analysis. Besides, Ms. Cathy Han does not involve with anything specified in Article 30, Company Act.		2 (Note 4)

Independent Director Victor Cheng	Dr. Victor Cheng used to be the Legal Supervisor at Acer, full-time professor at Graduate Institute of Patent in National Taiwan University of Science and Technology, full-time professor & Dean of School of Law and the Head of Graduate Institute of Intellectual Property in Shih Hsin University. He is very well known in academic and industrial circles and is the leading expert of intellectual property right in Taiwan. Besides, Dr. Victor Cheng does not involve with anything specified in Article 30, Company Act.	any share of our Company. 3. Are not the director, supervisor, or employee in companies with special relationship of our Company. 4. Not providing commercial, legal, financial, and accounting services to our Company or our affiliates within the past two years.	1 (Note 5)

Note1: Taiwan IC Packaging Corp., Elan Microelectronics Corp, Powerchip Semiconductor Manufacturing Corp.
Note2: Hauman Technologies Corp.
Note3: E&E Recycling, Inc.
Note4: Macroblock Inc., Apacer Technology Inc.
Note5: YODN Lighting Corp.

The Diversity and Independence of Board of Directors

1. Diversity

   Our Company establishes a policy of diverse members of Board of Directors in Article 20 of "Corporate Governance Best Practice Principles", and the provision is as below.

   The composition of Board of Directors should consider member diversity, and an appropriate policy on diversity based on the company's business operations, operating dynamics, and development needs be formulated and include, without being limited to, the following two general standards:

   (1) Basic requirements and values: gender, age, nationality, and culture.
   (2) Professional knowledge and skills: professional background (such as law, accounting, industry, finance, marketing, or technology), professional skills and industrial experience.

   All members of the board shall have the knowledge, skills, and experience necessary to perform their duties. To achieve the ideal goal of corporate governance, the board of directors shall possess the following abilities:

   (1) Ability to make operational judgments.
   (2) Ability to perform accounting and financial analysis.
   (3) Ability to conduct management administration.
   (4) Ability to conduct crisis management.
   (5) Knowledge of the industry.
   (6) An international market perspective.
   (7) Ability to lead.
   (8) Ability to make policy decisions.

   All of directors in our Company possess above abilities. Our Chairman, Mr. Simon Lin, is a business leader who leads Wiwynn Corporation to grow continuously. He possesses sharp observation and clear judgment and decision-making abilities. Our Vice Chairman & CEO, Ms. Emily Hong is an entrepreneur who is brave in taking challenges and adventures. She has abundant global business operation and management experience as well as possesses innovative thinking style and strong leadership. Our Director, Frank Lin, has profound knowledge and experience in finance and corporate governance as well as is highly sensitive towards numbers. Director & President, Dr. Sunlai Chang, has professional background in mechanical engineering. He presents excellent leadership and flexible thinking when leading our R&D team for product development. Director & Senior Vice President, Mr. Steven Lu, has professional background in information engineering and business management. He has great insight in product development, product management, and the response to rapid industrial changes.

   Among our independent directors, Mr. Charles Kau is known as the father of DRAM in Taiwan in the industrial circle. He possesses professional abilities of forward-looking and familiar with global economy. Mr. Simon Zeng has a PhD degree in accounting and has professional background in accounting, financial analysis, banking, and investment. Mr. Victor Cheng has the background in law and is especially good at technology patent and intellectual property rights. Ms. Cathy Han has worked in the banking industry for a long time and possesses the professional background of investment, corporate governance, and financial analysis. Each of our independent directors will be able to provide our Company professional suggestions from different aspects.

   We have nine directors in the company. Three of them are the employees of our Company, four are independent directors, and the term of each independent director should not exceed consecutive three terms.

   All of the directors in the company all have the nationality from Taiwan. In terms of gender, we have two female directors and seven male directors. As for age, one director is above 71 years old, six directors are between 61-70 years old, and two are less than 60 years old.

   Our Company has achieved the management goal of establishing four independent directors and the directors with concurrent post of managers in the company must be less than one third of the total number of directors. In the future, we will continue developing towards a diverse Board of Directors.

2. Independence

   We have nine directors in the company, and four of them are independent directors with a ratio of 44%. After confirming the family table and declaration form with directors, we did not find any of the relationship of a spouse or relatives within second degree of kinship among directors.

3.2.2 Management Team

April 1, 2022

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remarks
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Vice Chairman & CEO	R.O.C	Emily Hong	Female	2012. 04.02	3,138,624	1.80%	487,968	0.28%	0	0%	1.The Alumni Association of Executives Program, Graduate School of Business Administration, National Chengchi University 2.Bachelor of Political Science, National Taiwan University 3.General Manager of Enterprise Product Group and Cloud Business Group in Wistron Corp. 4.Vice General Manager in Acer Inc.	Note	None	None	None	None
President	R.O.C	Sunlai Chang	Male	2012.04.02	538,235	0.31%	282,000	0.16%	0	0%	1.PhD., University of Maryland, College Park. 2.Bachelor of Science in Mechanical Engineering, National Taiwan University 3.Director of Mechanical Design, Enterprise Business Group in Wistron Corp.	Note	None	None	None	None
Senior Vice President	R.O.C	Steven Lu	Male	2014.07.16	340,455	0.19%	202,000	0.12%	0	0%	1.Master of Business Administration, The Fuqua School of Business, Duke University 2.Bachelor and Master of Science in Computer Science & Information Engineering, National Taiwan University 3.Senior Manager of Enterprise Business Group in Wistron Corp. 4.Senior Director of Server and Storage Group in Acer Inc.	Note	None	None	None	None
Vice President	R.O.C	Robin Wang	Male	2016.05.03	354,905	0.20%	47,214	0.03%	0	0%	1.EMBA, Ateneo de Manila University 2.Bachelor of Mechanical Engineering, National Taiwan University of Science and Technology 3.Manufacturing Direct of Enterprise Products Group in Wistron Corp. 4.Procurement Manager, Plant Manager, General Manager of Overseas Plant in Acer Inc.	Note	None	None	None	None
Vice President	R.O.C	Joe Chiao	Male	2016.05.03	522,722	0.30%	0	0%	0	0%	1. The Alumni Association of Executives Program, Graduate School of Business Administration, National Chengchi University 2. Bachelor of Computer Science, National Chiao Tung University 3..Chief of Applied Computer Dept., Chief of Server Dept., Senior Executive Assistant to the General Manager in Wistron Corp.	Note	None	None	None	None
Chief Financial Officer	R.O.C	Harry Chen	Male	2012.04.02	621,495	0.36%	0	0%	0	0%	1.Bachelor, Accounting, Tunghai University 2.Senior manager of Financial Strategy Planning in Wistron Corp.	Note	None	None	None	None

Note: Other position in Subsidiary is specified on page 111.

3. 3 Remuneration of Directors, Independent Directors, Supervisors, President, and Vice President

3.3.1 Remuneration of Directors and Independent Directors

Unit: NT$ thousand

Title		Name	Remuneration: Base Compensation (A): The company	Remuneration: Base Compensation (A): All companies in the consolidated financial statements	Remuneration: Severance Pay (B): The company	Remuneration: Severance Pay (B): Companies in the consolidated financial statements	Remuneration: Directors Compensation(C): The company	Remuneration: Directors Compensation(C): Companies in the consolidated financial statements	Remuneration: Allowances (D): The company	Remuneration: Allowances (D): Companies in the consolidated financial statements	Ratio and amount of Total Remuneration (A+B+C+D) to Net Income (%): The company	Ratio and amount of Total Remuneration (A+B+C+D) to Net Income (%): Companies in the consolidated financial statements	Relevant Remuneration Received by Directors Who are Also Employees: Salary, Bonuses, and Allowances (E): The company	Salary, Bonuses, and Allowances (E): Companies in the consolidated financial statements	Severance Pay (F): The company	Severance Pay (F): Companies in the consolidated financial statements	Employee Compensation (G): The company: Cash	Employee Compensation (G): The company: Stock	Employee Compensation (G): Companies in the consolidated financial statements: Cash	Employee Compensation (G): Companies in the consolidated financial statements: Stock	Ratio and amount of Total Compensation (A+B+C+D+E+F+G) to Net Income (%): The company	Ratio and amount of Total Compensation (A+B+C+D+E+F+G) to Net Income (%): Companies in the consolidated financial statements	Remuneratio n from ventures other than subsidiaries or from the parent company
Director	Chairman	Wistron Corporation	0	0	0	0	19,800	19,800	270	270	20,070 0.23%	20,070 0.23%	28,532	28,532	434	434	56,100	0	56,100	0	105,136 1.22%	105,136 1.22%	130,000
		Wistron Corporation Representative : Simon Lin																					
	Vice Chairman	Emily Hong																					
	Director	Wistron Corporation																					
		Wistron Corporation Representative : Frank Lin																					
	Director	Sunlai Chang																					
	Director	Steven Lu																					
Independent Director	Independent Director	Charles Kau	0	0	0	0	7,650	7,650	275	275	7,925 0.09%	7,925 0.09%	0	0	0	0	0	0	0	0	7,925 0.09%	7,925 0.09%	0
	Independent Director	Simon Zeng																					
	Independent Director	Cathy Han																					
	Independent Director	Victor Cheng																					

1.Please describe the policy, system, standard, and structure of remuneration to independent directors, and the correlation between duties, risk, and time input with the amount of remuneration: The remuneration of independent dir of the company is based on the "Compensation Principles of Directors and Functional Committee", and additional allowances are given in consideration of the duties of individual independent directors participating in the functi committee.

2.In addition to the above remuneration, director remuneration shall be disclosed as follows when received from companies included in the consolidated financial statements in the most recent year to compensate directors for thei services (such as taking the post of non-employee consultant for the Company, Companies in the consolidated financial statements, or re-investment businesses) : None.

Remarks: The remuneration disclosed in this table is subject to a distinction from the concept of income under the Income Tax Act, so the purpose of this table is for information disclosure and not for tax purposes.

Remuneration Table

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	Companies in the consolidated financial statements (H)	The company	Parent Company and all the reinvestment businesses (I)
Less than NT$ 1,000,000	2；Note 1	2；Note 1	2；Note 1	
NT$1,000,000 ~ NT$1,999,999	1；Note 2	1；Note 2	1；Note 2	1；Note 2
NT$2,000,000 ~ NT$3,499,999	6；Note 3	6；Note 3	3；Note 5	3；Note 5
NT$3,500,000 ~ NT$4,999,999				
NT$5,000,000 ~ NT$9,999,999	1；Note 4	1；Note 4	1；Note 4	1；Note 4
NT$10,000,000 ~ NT$14,999,999			1；Note 6	1；Note 6
NT$15,000,000~ NT$29,999,999			1；Note 7	1；Note 7
NT$30,000,000 ~ NT$49,999,999				1；Note 8
NT$50,000,000 ~ NT$99,999,999			1；Note 9	1；Note 9
Greater than or equal to NT$100,000,000				1；Note 10
Total	10	10	10	10

Note 1: Representative: Simon Lin, Representative: Frank Lin,
Note 2: Victor Cheng
Note 3: Emily Hong, Sunlai Chang, Steven Lu, Charles Kau, Simon Zeng, Cathy Han,
Note 4: Wistron Corporation
Note 5: Charles Kau, Simon Zeng, Cathy Han
Note 6: Steven Lu
Note 7: Sunlai Chang
Note 8: Representative: Frank Lin,
Note 9: Emily Hong
Note 10: Representative: Simon Lin

3.3.2 Remuneration of Supervisors: Not applicable as the Company has already established an Audit Committee.

3.3.3 Remuneration of the President and Vice Presidents

Unit: NT$ thousand

Title	Name	Salary(A)		Severance Pay (B)		Bonuses and Allowances (C)		Employee Compensation (D)				Ratio and amount of total compensation (A+B+C+D) to net income (%)		Remuneration from ventures other than subsidiaries or from the parent company
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
Vice Chairman & CEO	Emily Hong	14,265	14,265	776	776	23,888	23,888	70,950	0	70,950	0	109,879 1.27%	109,879 1.27%	None
President	Sunlai Chang													
Senior Vice President	Steven Lu													
Vice President	Robin Wang													
Vice President	Joe Chiao													

Remarks: The remuneration disclosed in this table is subject to a distinction from the concept of income under the Income Tax Act, so the purpose of this table is for information disclosure and not for tax purposes

Remuneration Table

Range of Remuneration	Name of President and Vice President	
	The company	Companies in the consolidated financial statements (E)
Less than NT$ 1,000,000		
NT$1,000,000 ~ NT$1,999,999		
NT$2,000,000 ~ NT$3,499,999		
NT$3,500,000 ~ NT$4,999,999		
NT$5,000,000 ~ NT$9,999,999		
NT$10,000,000 ~ NT$14,999,999	3；Nota 1	3；Note 1
NT$15,000,000~ NT$29,999,999	1；Note 2	1；Note 2
NT$30,000,000 ~ NT$49,999,999		
NT$50,000,000 ~ NT$99,999,999	1；Note 3	1；Note 3
Greater than or equal to NT$100,000,000		
Total	5	5

Note 1: Steven Lu, Robin Wang, Joe Chiao
Note 2: Sunlai Chang
Note 3: Emily Hong

3.3.4 If any of the following applies to the company, it shall disclose the individual remuneration paid to each of its top five management personnel: It is not applicable due to there is no following situation involved.

1. The company that has posted after-tax deficits in the parent company only financial reports or individual financial reports within the three most recent fiscal years: None.
2. The company listed on the Taiwan Stock Exchange (TWSE) or the Taipei Exchange (TPEx) is ranked in the lowest tier in the corporate governance evaluation for the most recent fiscal year, or in the most recent fiscal year or up to the date of publication of the annual report for that year, the company's securities have been placed under an altered trading method, suspended from trading, delisted from the TWSE or the TPEx, or the Corporate Governance Evaluation Committee has resolved that the company shall be excluded from evaluation: The evaluation result of corporate governance at Wiwynn Corporation in 2021 was 6%-20%.

3.3.5 Employees' Profit Sharing paid to Executive Officers

December 31, 2021
Unit: NT$ thousand

	Title	Name	Employee Compensation - in Stock	Employee Compensation - in Cash	Total	Ratio of Total Amount to Net Income (%)
Executive Officers	Vice Chairman & CEO	Emily Hong	0	76,690	76,690	0.89%
	President	Sunlai Chang				
	Senior Vice President	Steven Lu				
	Vice President	Robin Wang				
	Vice President	Joe Chiao				
	Chief Financial Officer	Harry Chen				
	Accounting Officer	Wenifred Wen				

3.3.6 Separately compare and describe total remuneration, as a percentage of net income stated in the parent company only financial reports or individual financial reports, as paid by this company and by each other company included in the consolidated financial statements during the past 2 fiscal years to directors, general managers, and assistant general managers, and analyze and describe remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure:

1. Analysis of the net profit after tax, as a percentage of net income stated in the parent company only financial reports or individual financial reports, as paid by the Company and by each other company included in the consolidated financial statements to directors, general managers, and assistant general managers:

Item / Title	Total compensation, as a percentage of net income stated in the parent company only financial reports or individual financial reports			
	2020 (Note 1)		2021 (Note 2)	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
Directors and Independent Directors	0.30%	0.30%	0.32%	0.32%
President and Vice Presidents	1.22%	1.22%	1.27%	1.27%

Note 1: It was calculated based on the net profit after tax of NT$8,609,657,000 stated in 2020 parent company only financial reports.

Note 2: It was calculated based on the net profit after tax of NT$ 8,648,012,000 stated in 2021 parent company only financial reports.

2. The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with risks and business performance:

Payment policy of remuneration for the directors in the Company shall be handled according to Article 21 of “Articles of Incorporation” for the Company. If the Company has net profit as a result of the yearly accounting closing, (profit means the profit before tax, excluding the amounts of employees’ and directors’ compensation), the company shall appropriate an amount no more than 1% of the profit as the compensation in cash to the directors.

The procedures of establishing compensation to the directors and managers in the Company are based on “management rules for salary system and structure to directors and managers, and their management performance evaluation” as the accordance for assessment. Compensation to directors considers the authority, number of attendances, and other performance evaluation of individual director for the final approval. Salary to President and Vice Presidents is based on the business performance and target conversion rate of the team managed as well as referred to the payment standard from other manufacturers in the same trade plus the position, the responsibility undertaken, and association to the future risk for reasonable decision.

Relevant performance assessment and the reasonableness of compensation have been approved by Compensation Committee and Board of Directors before implementation. The compensation system will be review timely based on the actual operational conditions and relevant legal regulations in order to seek the balance between the sustainable operation and risk control in the Company.

3.4 Implementation of Corporate Governance

3.4.1 Board of Directors Operations

A total of 6 (A) meetings of the Board of Directors were held in 2021. The attendance of directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【B/A】 (Note 1)	Remarks
Chairman	Wistron Corporation Representative: Simon Lin	6	0	100 %	
Vice Chairman	Emily Hong	6	0	100 %	
Director	Wistron Corporation Representative: Frank Lin	6	0	100 %	
Director	Sunlai Chang	6	0	100 %	
Director	Steven Lu	6	0	100 %	
Independent director	Charles Kau	6	0	100 %	
Independent director	Simon Zeng	6	0	100 %	
Independent director	Cathy Han	6	0	100 %	
Independent director	Victor Cheng	6	0	100 %	

Note1: The actual attendance rate (%) shall be calculated by the number of meeting and number of attendances in person during the post.

Other mentionable items:

Attendance of Independent directors at Board meeting in 2021

●:Attendance in Person ○:By Proxy

	1st	2nd	3rd	4th	5th	6th
Charles Kau	●	●	●	●	●	●
Simon Zeng	●	●	●	●	●	●
Cathy Han	●	●	●	●	●	●
Victor Cheng	●	●	●	●	●	●

1. If any of the following circumstances occurs, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the company's response should be specified:
   (1) Matters referred to in Article 14-3 of the Securities and Exchange Act.: Not applicable as the Company has already established an Audit Committee.
   (2) Other matters involving objections or expressed reservations by independent directors which were recorded or stated in writing that require a resolution by the board of directors: None.
2. If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified:

Meeting	Date	Subject Matter	Participation in Deliberation
1st Board Meeting of 2021	2021.01.19	Item 1: Business performance bonus granting proposal for managers, except CEO of the Company, in the second half year of 2020. Item 2: Operating performance granting proposal for the CEO of the Company in the second half year of 2020.	Directors, Mr. Sunlai Chang and Mr. Steven Lu, were the stakeholders for item 1. They did not participate in the discussion and voting for the topics based on the principle of avoiding conflict of interest. Director, Ms. Emily Hong, was the stakeholder for item 2. She did not participate in discussion and voting for the topics based on the principle of avoiding conflict of interest. After excluding directors with interest avoidance, all the items were approved by all the attended directors without any objection after the inquiry from the chairman.

2nd Board Meeting of 2021	2021.03.08	Item 2: Annual salary adjustment proposal for managers, except CEO of the Company, in 2021. Item 3: Operating performance bonus granting pre-approval proposal for mangers, except CEO of the Company, in 2021. Item 4: Proposal of employee bonus ratio and amount for managers, except CEO of the Company, in 2020. Item 5: Annual salary adjustment proposal for CEO of the Company in 2021. Item 6: Annual operating performance bonus pre-approval proposal for CEO of the Company in 2021. Item 7: Proposal of employee bonus ratio and amount for CEO of the Company in 2020.	Directors, Mr. Sunlai Chang and Mr. Steven Lu, were the stakeholders for item 2-item 7. They did not participate in the discussion and voting for the topics based on the principle of avoiding conflict of interest. Director, Ms. Emily Hong, was the stakeholder for item 5-7. She did not participate in discussion and voting for the topic based on the principle of avoiding conflict of interest. After excluding directors with interest avoidance, all the items were approved by all the attended directors without any objection after the inquiry from the chairman.
5th Board Meeting of 2021	2020.08.07	Item 1: Business performance bonus granting proposal for managers, except CEO of the Company, in the first half year of 2021. Item 2: Operating performance granting proposal for the CEO of the Company in the first half year of 2021.	Directors, Mr. Sunlai Chang and Mr. Steven Lu, were the stakeholders for item 1. They did not participate in the discussion and voting for the topics based on the principle of avoiding conflict of interest. Director, Ms. Emily Hong, was the stakeholder for item 2. She did not participate in discussion and voting for the topics based on the principle of avoiding conflict of interest. After excluding directors with interest avoidance, all the items were approved by all the attended directors without any objection after the inquiry from the chairman.

3. Implementation Status of Board Evaluations

Type	Evaluation Cycle	Evaluation Period	Evaluation Scope	Evaluation Methodology	Evaluation Content
Board of Directors	Once a year	2021.01.01~2021.12.31	Cover the evaluation of the board as a whole and individual director	The internal evaluation of the board and self-evaluation by individual board members	The criteria for evaluating the performance of the Board of Directors covered the following five aspects: 1.Participation in the operation of the Company. 2.Improvement of the quality of decision made by the Board of Directors. 3.Composition and structure of the Board of Directors. 4.Election and continuing education of the directors.

					5.Internal control. The criteria for evaluating the performance of the board members covered the following six aspects: 1.Alignment of the goals and missions of the Company. 2.Awareness of the duties of a director. 3.Participation in the operation of the Company. 4.Management of internal relationship and communication. 5.The director's professionalism and continuing education. 6.Internal control.
Audit Committee	Once a year	2021.01.01~ 2021.12.31	Cover the evaluation of the Audit Committee as a whole and individual member	The internal evaluation of the Audit Committee and self-evaluation by individual committee members	The criteria for evaluating the performance of the Audit Committee covered the following five aspects: 1.Participation in the operation of the Company. 2.Awareness of the duties of the Audit Committee. 3.Improvement of quality of decisions made by the Audit Committee. 4.Makeup of the Audit Committee and election of its members. 5.Internal control.
Compensation Committee	Once a year	2021.01.01~ 2021.12.31	Cover the evaluation of the Compensation Committee as a whole and individual member	The internal evaluation of the Compensation Committee and self-evaluation by individual committee members	The criteria for evaluating the performance of the Compensation Committee covered the following five aspects: 1.Participation in the operation of the Company. 2.Awareness of the duties of the Compensation Committee. 3.Improvement of quality of decisions made by the Compensation Committee. 4.Makeup of the Compensation Committee and election of its members. 5.Internal control.

4. Measures taken to strengthen the functionality of the board of the year and evaluation of implementation: Company has completed the performance evaluation on the board and functional committees according to "Method of Evaluating Performance of the Board of Directors" at quarter 1 in 2022. The evaluation results on Board of Directors, Audit Committee, and Compensation Committee at the Company in 2021 were all "exceeding the standard" (with a score of more than 90 points).

3.4.2 Audit Committee Operations or the Participation of Supervisor in the Operation of Board of Directors

The Audit Committee in the Company consists of 4 independent directors, and please refer to Page 12 to 13"professional qualifications and independence analysis of directors" for their professional qualification and experience. The operation of the committee shall be handled according to "Organic Regulations of Audit Committee" in the Company and relevant laws. A regular meeting will be held every quarter before the meeting of the board to review the implementation of internal control and internal audit as well as material financial business behavior. The committee is responsible for communicating and opinion exchanging with internal auditing officers and certified public accountants to make sure the supervision on company operation and risk control. The items reviewed and audited in 2021 mainly include:

- Financial statement review
- Material loans of funds
- Appointment (discharge) of certified public accountants, their remuneration, and independence assessment
- Effectiveness assessment of internal control system
- Material asset transaction

Operations of the Audit Committee

A total of 5 (A) Audit Committee meetings were held in 2021. The attendance of the independent directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%)【B/A】(Note 1)	Remarks
Independent director	Charles Kau	5	0	100 %	
Independent director	Simon Zeng	5	0	100 %	
Independent director	Cathy Han	5	0	100 %	
Independent director	Victor Cheng	5	0	100 %	

Note1: The actual attendance rate (%) shall be calculated by the number of meeting and number of attendances by the independent director during the post.

Other mentionable items:

1. If any of the following circumstances occurs, the dates of meetings, sessions, contents of motion, resolutions of the Audit Committee and the Company's response to the Audit Committee's opinion should be specified:
   (1) Matters referred to in Article 14-5 of the Securities and Exchange Act: Please refer to the important resolutions of the board from page 58 to 61.
   (2) Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors: None.
2. If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None.
3. Communications between the independent directors, the Company's chief internal auditor and CPAs (e.g. the material items, methods and results of corporate finance or operations, etc.)
   (1) The internal auditing officer in the Company reports auditing business to the Audit Committee at least once every quarter. The audit reports and follow-up reports should be submitted based on the progress of auditing plan to the chairman for approval, and then be delivered to the independent directors for reviewing. Communication and discussion will be carried out immediately if there is any doubt or instruction after being reviewed by the independent directors. The direction and key auditing items of auditing plan for the second half of the year shall be established (including risk evaluation) by the end of every year. A workshop should be held for discussion in advance to obtain the opinions from the independent directors. Internal audit unit shall communicate with the independent directors at normal time by email, phone, or face-to-face discussion based on demands. The communication between the independent directors and the internal auditing officer in the Company is good.
   (2) The Company will invite the certified public accounts attend meetings at Audit Committee at least four times a year to communicate or discuss quarterly and annual financial report review or audit result, key auditing items, annual auditing plan, internal audit at subsidiaries, important accounting standards or interpretative letters, and updated securities management regulations and tax regulations. The communication between the independent directors in the Company and certified public accountant is good.

Attendance of Supervisors at Board Meetings:

Not applicable as the Company has already established an Audit Committee.

3.4.3 Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and the Reasons

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Illustration</th></tr>
<tr><td>1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies”?</td><td>v</td><td></td><td>The Company has established the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies”. It was approved by the board. The information of the provisions has been disclosed on the Company’s website(http://www.wiwynn.com/zh-hanu/) and Taiwan Stock Exchange Market Observation Post System.</td><td>No discrepancy</td></tr>
<tr><td>2. Shareholding structure & shareholders’ rights</td><td></td><td></td><td></td><td></td></tr>
<tr><td>(1) Does the company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure?</td><td>v</td><td></td><td>The Company has set up a contact window to deal with investor relation and stock affairs as well as to handle the suggestions from shareholders and the response to shareholders’ doubts. Legal affair unit will handle disputes and lawsuits that involve with shareholders. Relevant handling procedures will follow the internal operational procedure.</td><td>No discrepancy</td></tr>
<tr><td>(2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?</td><td>v</td><td></td><td>The Company has the information on the updated main shareholders and their controller through the register of shareholders issued from stock transfer agent.</td><td>No discrepancy</td></tr>
<tr><td>(3) Does the company establish and execute the risk management and firewall system within its conglomerate structure?</td><td>v</td><td></td><td>The Company has established relevant regulations for risk control and firewall mechanism, including “Methods for Supervising and Managing Subsidiaries”, “Procedures for Transaction Among Related Parties, Specific Company, and Companies in the Enterprise Group”, “Procedures for Governing Loaning of Funds and Marking of Endorsements”, and “Procedures for Governing the Acquisition and Disposal of Assets”.</td><td>No discrepancy</td></tr>
<tr><td>(4) Does the company establish internal rules against insiders trading with undisclosed information?</td><td>v</td><td></td><td>The Company has established “Regulation of Insider Trading” and “Procedures for Handling Material Inside Information” to forbid insiders from trading securities using information not disclosed to the market. In addition, educational promotion of relevant laws will be provided to directors and managers irregularly. Relevant information provided to the current directors of the Company in 2021 is as below:
<table>
<tr><th>Object</th><th>Content</th></tr>
<tr><td>All the current directors</td><td>Our Company currently has 9 directors in post, and three-hour educational training course “Corporate Governance Blueprint 3.0 and Responsibilities of Directors” was delivered on October 29th, 2021. The content includes insider transaction check list and relevant case studies. In addition, we explained the most common violation of regulation when insiders transfer equity to our employees on March 19th and November 8th, 2021 respectively. We remind insiders the period of time to suspend transaction on the company shares before Board Meeting, revenue announcement, and the release of significant news.</td></tr>
</table></td><td>No discrepancy</td></tr>
</table>

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
3. Composition and Responsibilities of the Board of Directors				
(1) Does the Board develop and implement a diversified policy for the composition of its members and specific goal of management?	v		A policy of diversity in the composition of board members has specified in the "Corporate Governance Practice Principles". In order to make sure the composition of the board members is diverse, so that to strengthen the function of the board, a reelection was carried out at Ordinary Shareholders' Meeting in 2020 to recruit a forward-looking technical talent, Mr. Charles Kau, as an independent director. Meanwhile, the seat for female directors was maintained at least two (included) seats. These achieved the goal of diversification effectively. Besides, the board elected Ms. Emily Hong as Vice Chairman on June 15th, 2020 to deepen the engagement of decision making by female directors. Our Company has achieved the management goal of establishing four independent directors and the directors with concurrent post of managers in the company must be less than one third of the total number of directors. In the future, we will continue developing towards a diverse Board of Directors.	No discrepancy

State of implementation of diversification among board members

			Simon Lin	Emily Hong	Frank Lin	Sunlai Chang	Steven Lu	Charles Kau	Simon Zeng	Cathy Han	Victor Cheng
Basic composition	Gender		Male	Female	Male	Male	Male	Male	Male	Female	Male
	Concurrently serve as employees			V		V	V				
	Age	Under 40									
		41-60					V			V	
		Over 61	V	V	V	V		V	V		V
	Seniority of Independent Directors							Under 3 years			
Industrial background	Finance, Banking, Law								V	V	V
	Venture Capital/ Advisor		V	V	V	V	V	V	V	V	V
	Communication Network		V	V	V	V	V	V			
	Computer and Peripheral		V	V	V	V	V	V			V
Professional skills	Accounting and Financial analysis		V	V	V	V	V	V	V	V	
	Information Technology		V	V		V	V	V			
	Risk Management Capability		V	V	V	V	V	V	V	V	V
	Business Operation Capability		V	V	V	V	V	V	V	V	V

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(2) Does the company voluntarily establish other functional committees in addition to the Compensation Committee and the Audit Committee?	v		Other than the establishment of the Compensation Committee and Audit Committee, according to law, the Company also set up Corporate Sustainable Development Committee on March 8th, 2021. Vice Chairman & CEO, Ms. Emily Hong, takes the post of the chairperson with President Mr. Shulai Chang and Senior President Mr. Steven Lu as members and Independent Director Mrs. Cathy Han as the supervisor. The committee is in charge of sustainable risk identification and management as well as assist the board to implement risk supervision and control mechanism.	No discrepancy
(3) Does the company establish a standard to measure the performance of the Board and implement it annually, and are performance evaluation results submitted to the Board of Directors and referenced when determining the remuneration of individual directors and nominations for reelection?	v		The Company established “Regulations for Evaluating Performance of Board of Directors” with the approval by the board on March 16th, 2018. It was revised on November 6th, 2019 with the approval from the board to include functional committees into the scope of performance evaluation. The performance evaluation shall be carried out by internal evaluation of the board, self-evaluation of the director, internal evaluation of the functional committees, or other proper methods. The Board of Director (including functional committees) in the Company shall carry out performance evaluation once every year. The period of evaluation is from January 1st to December 31st of the year. The performance evaluation of the year shall be implemented based on evaluation procedures and evaluation indicators. It shall be completed by the end of quarter 1 next year, and the evaluation results shall be sent to each functional committee and the board for report. In addition, the evaluation result will be used as the reference for compensation and reelection of the director according to “Management Method for Compensation System, Structure, and Business Performance Evaluation on Directors and Managers”. The Company has completed 2021 board performance evaluation and submitted to the meeting of the board on February 25th, 2022 as well as each functional committee for report. The score of 2021 board performance evaluation is 99 points with Audit Committee scored 97 on performance evaluation and Compensation Committee scored 99. The result is “exceeding standard” (above 90 points).	No discrepancy
(4) Does the company regularly evaluate the independence of CPAs?	v		The Company will evaluate the independence of the certified public accountants at least once every year. The evaluation report on the entrusted certified public accountants and their independence has been approved by the Audit Committee and the board on February 25th, 2022. Other than reviewing the reasonableness of the auditing fee,	No discrepancy

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			the regulations for independence include personal independence of all the members in the accountants' office (financial interests, financing guarantees, employment relationship), business relationship with customers, auditor partner rotating system, and non-auditing service as well as whether there is any violation on the matters specified in The Bulletin of Norm of Professional Ethics for Certified Public Accountant of the Republic of China No.10. Certified public accountants and the office they work with are requested to provide relevant data and declaration. The evaluation confirms the relevant requirements in independence specified in Norm of Professional Ethics for Certified Public Accountant have been satisfied.	
4. Does the company appoint a suitable number of competent personnel and a supervisor responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their functions, assisting directors and supervisors with compliance, handling work related to meetings of the board of directors and the shareholders' meetings, and producing minutes of board meetings and shareholders' meetings)?	v		In order to cooperate with the competent authority for the promotion of corporate governance blueprint to root our corporate governance, the board approved the establishment of Corporate Governance Officer on August 7th, 2020 and assigned the highest manager at financial unit, Mr. Harry Chen for the post to be in charge of matters related to corporate governance as well as assist directors to implement business and exercise the function of supervision as the communication bridge between the board and each business unit & the competent authority. The state of business implementation in 2021 is as below: 1. Handling matters related to the meetings of the board and shareholders according to law: (1) Set up an agenda for the meeting of the board and send out the notice seven days before the meeting (except extraordinary meeting) as well as provide sufficient meeting information to directors. The topics with interest, avoidance shall be reminded in advance, and the meeting minute shall be produced and distributed to directors within twenty days after the meeting. (2) Register the date of the shareholders' meeting in advance according to law and produce meeting notice, annual report, handbook for the meeting, and meeting minute within the legal deadline. (3) Articles revision or registration change for the reelection of directors. (4) Invite certified public accountants to attend the meeting or arrange relevant personnel to attend the board meeting according to the demand of the topics. 2. In charge of handling the requests from directors, providing information required to directors to implement business, and responding to the demands from directors properly and timely. 3. Set up training plans and courses and arrange directors' further study.	No discrepancy

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Illustration</th></tr>
<tr><td></td><td></td><td></td><td>4. Assist the board to establish the target of performance so that to strengthen the efficiency of the operation of the board as well as implement performance evaluation of the board.
5. Assist directors for regulatory compliance:
(1) Assist the operations of the board and shareholders’ meeting to meet the regulations of relevant laws and code of corporate governance.
(2) Assist and remind directors the legal regulations that they shall comply with when implementing business.
6. Symmetric and transparent information: In charge of releasing the important messages from resolutions at meetings, ensure the legality and correctness of the content, and protect the symmetric information for the transaction done by the investors.
7. Hold investor conference irregularly to maintain investor relationship and strengthen the communication channels with investors.
8. Other matters based on the articles of incorporation or contract.
The Corporate Governance Officer of the Company completed the following training in 2021:
<table>
<tr><th rowspan="2">Institution</th><th rowspan="2">Name of the course</th><th colspan="2">Training period</th><th rowspan="2">Training hours</th></tr>
<tr><th>From</th><th>To</th></tr>
<tr><td>Taiwan Corporate Governance Association</td><td>Corporate governance blueprint 3.0 and responsibilities of directors</td><td>2021/10/29</td><td>2021/10/29</td><td>3hr</td></tr>
<tr><td>Taiwan Corporate Governance Association</td><td>Risk Management Strategies for Business Operation and New Supervision by Public Opinions</td><td>2021/10/29</td><td>2021/10/29</td><td>3hr</td></tr>
<tr><td>Taiwan Academy of Banking and Finance</td><td>Corporate goverance and enterprise sustainable management workshop (the 17th session)</td><td>2021/10/27</td><td>2021/10/27</td><td>3hr</td></tr>
<tr><td>Financial Supervisory Commission</td><td>The 13th Taipei Corporate Governance Forum</td><td>2021/09/01</td><td>2021/09/01</td><td>3hr</td></tr>
</table></td><td></td></tr>
<tr><td>5. Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?</td><td>v</td><td></td><td>The Company maintains smooth communication channels with government/ competent authority, customers, suppliers, correspondent banks, shareholders/investors, and employees as well as complies with its due legal rights and interests.
The Company sets up a stakeholder zone on the official website to provide a</td><td>No discrepancy</td></tr>
</table>

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			communication channel for stakeholders and properly respond the important corporate social responsibility topics that are concerned by stakeholders.	
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	v		The Company entrusts Stock Transfer Department, Yuanta Securities Co., Ltd. to handle affairs related to shareholders' meetings.	No discrepancy
7. Information Disclosure				
(1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance?	v		The Company discloses the financial business and corporate governance related information on the official website as well as update the information timely.	No discrepancy
(2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	v		The Company has spokesman and deputy spokesman to be in charge of releasing and explaining company information externally. We implement spokesman system and appoint dedicated personnel to collect and disclose company information. In addition, the Company discloses information related to finance, business, and corporate governance on the official website in both English and Chinese to enhance information transparency. When an investor conference is held, we will put the relevant information on the official website at the same time for investors to check.	No discrepancy
(3) Does the company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit?		v	The Company publishes and declares monthly revenue, quarterly and annual financial reports within deadline according to relevant legal regulations. In the future, we will evaluate actual business situation and arrange schedule for relevant operation to deal with matters related to announcement and declaration.	As explained on the left
8. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	v		(1) Rights of and care for employees: The Company has complete employee welfare measures, advanced study, training, and retirement system in place as well as carry out health examination regularly to care employees' health. The Company works hard to establish a friendly working environment and devotes to enhance harmonious employee relationship. We listen to our employee through regular employee communication sessions and establish an absolutely confidential employee complaint channel to maintain the rights of employees. (2) Investor relationship: The Company entrusts professional stock transfer agent to handle affairs related to shareholders and assigns a dedicated person to deal with investor relationship and suggestions from shareholders. (3) Supplier relationship: The Company maintains good interaction with suppliers and develops them as our long-term strategic partners.	No discrepancy

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			(4) Rights of stakeholders: The Company sets up a stakeholder zone on the official website to provide our stakeholders, including employees, suppliers, customers, banks, and shareholders, communication channels to maintain due rights and interests. (5) Implementation of advanced study carried out directors in most recent fiscal year:	

Title	Name	Date	Host	Name of course	Training hours
Chair man	Simon Lin	2021/ 10/29	Taiwan Corporation Governance Association	Corporate governance blueprint 3.0 and responsibilities of directors	3
				Risk Management Strategies for Business Operation and New Supervision by Public Opinions	3
		2021/ 07/02	Securities and Futures Institute	Corporate governance and securities legal regulations	3
Vice Chair man	Emily Hong	2021/ 10/29	Taiwan Corporation Governance Association	Corporate governance blueprint 3.0 and responsibilities of directors	3
				Risk Management Strategies for Business Operation and New Supervision by Public Opinions	3
Director	Frank Lin	2021/ 12/07	Taiwan Stock Exchange, Cathay Financial Holdings, CommonWealth Magazine	2021 Cathay sustainable finance and climate change summit forum	3
		2021/ 10/29	Taiwan Corporation Governance Association	Corporate governance blueprint 3.0 and responsibilities of directors	3
				Risk Management Strategies for Business Operation and New Supervision by Public Opinions	3

Evaluation Item	Yes	No	Abstract Illustration						Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
					2021/ 09/01	Financial Supervisory Commission	The 13th Taipei Corporate Governance Forum	6	
					2021/ 08/18	Securities and Futures Institute	Listed companies' integrity management regulations and corporate social responsibility	3	
			Director	Sunlai Chang	2021/ 10/29	Taiwan Corporation Governance Association	Corporate governance blueprint 3.0 and responsibilities of directors	3	
							Risk Management Strategies for Business Operation and New Supervision by Public Opinions	3	
			Director	Steven Lu	2021/ 10/29	Taiwan Corporation Governance Association	Corporate governance blueprint 3.0 and responsibilities of directors	3	
							Risk Management Strategies for Business Operation and New Supervision by Public Opinions	3	
			Independent Director	Charles Kau	2021/ 10/29	Taiwan Corporation Governance Association	Corporate governance blueprint 3.0 and responsibilities of directors	3	
							Risk Management Strategies for Business Operation and New Supervision by Public Opinions	3	
			Independent Director	Simon Zeng	2021/ 10/29	Taiwan Corporation Governance Association	Corporate governance blueprint 3.0 and responsibilities of directors	3	
							Risk Management Strategies for Business Operation and New Supervision by Public Opinions	3	
			Indepen	Cathy	2021/	Taiwan	Corporate governance	3	

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	

dent Director	Han	10/29	Corporation Governance Association	blueprint 3.0 and responsibilities of directors	
				Risk Management Strategies for Business Operation and New Supervision by Public Opinions	3
Independent Director	Victor Cheng	2021/ 10/29	Taiwan Corporation Governance Association	Corporate governance blueprint 3.0 and responsibilities of directors	3
				Risk Management Strategies for Business Operation and New Supervision by Public Opinions	3

(6) Implementation of risk management policy and risk evaluation standards:
A. The important topics in the Company related to the major policy on operation, investment, endorsement and guarantee, lending funds, and financing have all been evaluated and analyzed by proper competent department. Relevant personnel monitor well-organized and constructive control environment through training, management principles, and operational procedures.
B. Audit unit sets up annual auditing plan for evaluation and is in charge of implementation. The results shall be reported to Audit Committee to monitor the execution of each risk management and realize supervision mechanism.
C. Audit Committee is responsible for evaluating the effectiveness of the internal control policy and procedure of the Company (including the control measures in finance, operation, risk management, information security, and regulatory compliance) as well as reviews the regular reports from audit department, certified public accountants, and management level for the appropriateness of relevant risk management framework.
(7) Implementation of customer policy:
The Company aims to deliver products and services that are with zero defect and with competitiveness to our customers on time. Other than becoming the best technology service provider to our customers, we anticipate achieving win-win situation with our customers in the business cooperation.
(8) State of liability insurance taken out by the company for directors and supervisors:

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Illustration</th></tr>
<tr><td></td><td></td><td></td><td>The Company has taken out liability insurance for all of the directors and important staff. After renewal every year, it will be submitted to the latest meeting (November 3rd, 2021) of board for report. The detail of the insurance is shown in the table below:
<table><tr><th>Insurance company</th><th>Insured amount</th><th>Duration (from-to)</th></tr><tr><td>AIG, Insurance Company of North America, Fubon Insurance Co., Ltd., Taiwan Fire & Marine Insurance Company, Ltd., Cathay Century Insurance Co., Ltd., Nan Shan General Insurance Company, Shinkong Insurance Co., Ltd.</td><td>US$60 million in total</td><td>From: September 25th, 2021
To: September 25th, 2022</td></tr></table>(9) Information security management
Focusing on the three key management dimensions of confidentiality, availability, and complete correctness, Wiwynn implements information security management through four executable architectures, including “organization”, “personnel”, “operation”, and “system”, as well as discusses information security policy regularly. It is reported to the Board of Directors at least once a year. The latest submission to the board is February 25th, 2022.
A. Executing architectures and goals of sustainability
a. Organization: Strengthening the operation of information security organization.
b. Personnel: Continuing strengthening the promotion and educational training of information security awareness .
c. Operation: Continuing various information security exercises/ checks and passing external information security audit/ certification.
d. System: Strengthening information security protection/ monitoring mechanism as well as the security of using software.
B. Implementation results in 2021
a. Organization:
There are six dedicated departments established in the Division of Information Management, including the Information Security Technology Office set up in 2020. The top manager at the Division of Information Management in our Company is responsible for policy making and adjustment. One dedicated information security</td><td></td></tr>
</table>

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			officer will be assigned to promote cross-department implementation as well as select and establish information security solutions. The organization coordinates with the human resource unit for educational training on information security and executes assessment of information security effectiveness through irregular internal and external audits. A dedicated Information Security Office is established in the Division of Information Management to integrate and coordinate the maintenance of information security between the Company and oversea subsidiaries, maintain information security in subsidiaries, manage core business security and disaster exercise, strengthen cloud application service security management, supervise users complying with information security measures, build customized security management system, monitor system platform security, and introduce various information security defending systems. b. Personnel: (a) Continue strengthening training rate on information security education (100%). (b) Promote interactive information security promotional activities. c. Operation: (a) Implement backup and recovery exercise as well as phishing email exercise. (b) Carry out vulnerability scanning every month; we achieved 100% timely recovery rate. (c) Pass AEO and external information security audit/ certification. d. System: (a) Introduce the third-party information security rating mechanism to detect the vulnerable information security exposed externally in time. (b) Implement USB external storage device control system only but forbidden to use USB storage devices. (c) Use NAC network management system to strengthen management on network personnel and access devices. (10) Intellectual property right management	

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Illustration</th></tr>
<tr><td></td><td></td><td></td><td>Our Company establishes an intellectual property strategy that combines with company operational goals and R&D resources. From strengthening defending ability to gradually activating intellectual properties, we encourage innovation and R&D, strengthen IP portfolio, enhance employees’ knowledge and risk awareness towards intellectual property, and boost competitiveness through investment and cooperation authorization.
In addition, to continue enhancing the management of intellectual property right, we report to the board at least once every year. The latest submission date to the board is January 18th, 2022.
A. The implementation of intellectual property in 2021
a. Introduced “Taiwan Intellectual Property Management System (TIPS)” and passed level A verification. The validity is from December 31st, 2021 to December 31st, 2022.
b. Established “Intellectual Property Management Handbook”.
c. Set up “Patent Management Regulation” and “Trademark Management Regulation”.
d. Completed whole employee training of “Company Intellectual Property Strategy and Intellectual Property Right Introduction”.
e. Completed educational training on business know-how of the Company.
f. Established the patent management regulation, including rewarding provisions.
g. Held patent management meeting regularly.
B. Goals for intellectual property management in 2022
a. Promoting and passing TIPS Level A re-verification to continue advancing employees’ protection awareness on intellectual properties.
b. Encouraging innovation and R&D to ensure the number of patent applications increasing every year.</td><td></td></tr>
</table>

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
9. Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measures: · On March 8th, 2021, the Company established "Corporate Sustainable Development Committee". CEO of our Company was assigned to be the chairperson, and one independent director was entrusted for supervision for sustainable risk identification and management, assist the board to implement risk supervision and control mechanism. At least two meetings should be held every year and one report to the board at least once a year for the results. The latest submission date to the board was on January 18th, 2022. · Our Company submitted the implementation and results of information security and intellectual property right in 2021 to the Board of Directors on February 25th, 2022 and January 18th 2022 respectively for the regular discussion of information security policy in order to establish an intellectual property development strategy that combines company operational goals and R&D resources. We introduced "Taiwan Intellectual Property Management System (TIPS)" and passed level A verification. The validity is from December 31st, 2021 to December 31st, 2022. · To strengthen the timeliness and transparency of information, our Company voluntarily disclosed our profits and losses in Q4, 2021 and the whole year of 2020 in January, 2021. · Our 2020 Sustainability Report has been verified by British Standards Institution (BSI) Taiwan Branch according to the standard of AA1000 AS V3 and obtained the third-party independent warranty declaration.				

3.4.4 Composition, Responsibilities and Operations of the Compensation Committee

1. Information of Compensation Committee Members

April 1st, 2022

<table>
<tr><th>Title</th><th>Criteria / Name</th><th>Professional qualification and experience</th><th>State of independence</th><th>Number of Other Public Companies in Which the Individual is Concurrently Serving as an Compensation Committee Member</th></tr>
<tr><td>Independent Director (Convener)</td><td>Charles Kau</td><td rowspan="3">The members of Compensation Committee in our Company are all from the independent directors in the company. Please refer to the relevant content of “directors’ professional knowledge and state of independence” on page 12 to 13.</td><td rowspan="3">The members of Compensation Committee in our Company are all from the independent directors in the company. They all meet the regulation specified on “ Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” Please refer to the content of “directors’ professional knowledge and state of independence” on page 12 to 13.</td><td>1 (Note 1)</td></tr>
<tr><td>Independent Director</td><td>Cathy Han</td><td>2 (Note 2)</td></tr>
<tr><td>Independent Director</td><td>Victor Cheng</td><td>1 (Note 3)</td></tr>
</table>

Note 1: Hauman Technologies Corp.
Note 2: Macroblock Inc., Apacer Technology Inc.
Note 3: Yodn Lighting Corp.

2. Operations of the Compensation Committee

The Compensation Committee of the Company consists of 3 independent directors and holds at least two meetings a year. The Committee performs the duty faithfully with the due care of a good administrator and submits suggestions to the board for discussion.

(1) Function and power of the Compensation Committee:
- Reviewing “Organizational Regulations for Compensation Committee” and making recommendations for amendments.
- Establish and regularly discuss the policies, systems, standards, and structure of performance evaluation and remuneration for directors and managers.
- Regularly evaluate and establish the remuneration for directors and managers.

(2) The Compensation Committee performs the function and power above, and they shall follow the principles below:
- Ensure the arrangement of remuneration in the Company meets relevant legal regulations and is attractive to excellent talents.
- With respect to the performance assessment and remuneration of directors and managerial personnel of the Company, it shall refer to the typical pay levels adopted by peer companies and take into consideration the reasonableness of the correlation between remuneration and individual performance, the Company's business performance, and future risk exposure.
- It shall not produce an incentive for the directors or managerial officers to engage in activity to pursue remuneration exceeding the risks that the Company may tolerate.
- It shall take into consideration the characteristics of the industry and the nature of the Company's business when determining the ratio of bonus payout based on the short-term performance of its directors and senior management and the time for

payment of the variable part of remuneration.

· Members of the Compensation Committee must not participate in the discussion and vote for the decision on the remuneration related to them.

(3) Attendance of Members at Compensation Committee Meetings

The term of office of the Compensation Committee is from June 15, 2020 to June 14, 2023. A total of 3 (A) Compensation Committee meetings were held in 2021. The attendance of the members was as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%)【B/A】(Note 1)	Remarks (Note 2)
Convener	Charles Kau	3	0	100%	Newly elected on June 15th, 2020
Committee Member	Cathy Han	3	0	100%	Re-elected on June 15th, 2020
Committee Member	Victor Cheng	3	0	100%	Newly elected on June 15th, 2020

Note 1: The actual attendance rate (%) shall be calculated by the number of meeting and number of attendances in person during the post.

Note 2: Re-election of all directors at General Shareholder's Meeting on June 15th, 2020, the members of the committee be reappointed by the board meeting on the same day.

Other mentionable items:

1. If the board of directors declines to adopt or modifies a recommendation of the Compensation Committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the Compensation Committee's opinion (eg., the remuneration passed by the Board of Directors exceeds the recommendation of the Compensation Committee, the circumstances and cause for the difference shall be specified): None.
2. Resolutions of the Compensation Committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.

3.4.5 Fulfillment of Sustainable Development and Deviations from the "Corporate Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies"

<table>
<tr><th rowspan="2">Item of Promotion</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Explanation</th></tr>
<tr><td>1. Does the Company establish a governance structure to promote sustainable development and a dedicated unit to promote sustainable development as well as the Board of Director in the Company authorizes high management level to handle it and the state of supervision by the Board of Directors?</td><td>v</td><td></td><td>On March 8th, 2021, Board of Directors of the Company approved the establishment of Corporate Sustainable Development Committee. The chairman of the committee is the Vice Chairman and CEO, Mrs. Emily Hong, President Mr. Sunlai Chang, Senior President Mr. Steven Lu, and the independent director Mrs. Cathy Han are the members. At least two meetings will be held every year, and the promotional result shall be reported to the board at least once every year.
The Board of Directors is the highest supervision unit is responsible for supervising the effectiveness of implementation.
<table>
<tr><th>Date of submission to the board</th><th>Content</th></tr>
<tr><td>November 3rd, 2021</td><td>1. Response to ESG sustainable risk.
2. Establishing Ocean Hugs to realize corporate social responsibility based on ocean and to implement circular economy with responsible production and consumption. Depositing sand and planting trees for forests to protect coastal lines and share good with ecological sustainability.</td></tr>
<tr><td>January 18th, 2022</td><td>1. The achievement of ESG in 2021 and the implementation direction for 2022.
2. Results of negotiation with stakeholders and important topics.
3. A series of activities for Ocean Hugs in 2022.</td></tr>
</table></td><td>No discrepancy</td></tr>
<tr><td>2. Does the company carry out risk evaluation on topics of environment, society, and corporate governance related to the operation of the Company based on materiality principle as well as establish relevant risk management policy or strategy?</td><td>v</td><td></td><td>Other than the operational office in Taiwan, Wiwynn Mexico S.A. de C.V.(hereinafter referred to as WYMX) has been included to the scope of risk evaluation in 2021. Our Company implements risk identification and management of sustainability on topics of environment, society, and corporate governance related to the operation of the Company through identification, materiality analysis, and confirmation. We also adjust strategies and goals for sustainability management based on the actual situation. The summary of relevant content is as below:
<table>
<tr><th>Topics</th><th>Content</th><th>Management strategy and executing goal</th></tr>
<tr><td>Environment</td><td>Green power
Sustainable products
Waste management</td><td>1. Strengthen energy deployment.
2. Fully comply with relevant rules of products with hazardous substance free, customer regulations, and IECQ QC080000 external certification.
3. Develop products and technology that save energy and reduce carbon to achieve the goal of low PUE and high energy conservation.
4. Follow WEEE guidance for product design</td></tr>
</table></td><td>No discrepancy</td></tr>
</table>

<table>
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<tr><th>Yes</th><th>No</th><th>Abstract Explanation</th></tr>
<tr><td></td><td></td><td></td><td><table>
<tr><td></td><td></td><td>to meet the principle of 3R.
5. Enhance the recycling and reutilization rate of waste and increase waste reutilization management step by step to strengthen recycling system.</td></tr>
<tr><td>Society</td><td>Customer security, client privacy, friendly workplace, occupational safety & hygiene, and supply chain management</td><td>1. Ensure product meeting safety regulations and certification and protect personal safety of personnel who operate equipment.
2. Strengthen information security operation, maintain confidentiality, completeness, and availability of information, and protect rights and interests of stakeholders.
3. Encourage suppliers to perform corporate social responsibility other than capable in quality, technology, and delivery in order to construct sustainable supply chain.</td></tr>
<tr><td>Corporate governance</td><td>Corporate governance, tax management, regulatory compliance</td><td>1. Continue deepening corporate governance policy to lay out a cornerstone of corporate sustainability.
2. Support various tax policies related to enterprise innovation, research and development, and economic growth promoted by the government.
3. Update with the information of law revision, review internal regulations, implement regulatory compliance, and reduce the risk of violation.</td></tr>
</table></td><td></td></tr>
<tr><td>3. Environmental issues</td><td></td><td></td><td></td><td></td></tr>
<tr><td>(1) Does the company establish proper environmental management systems based on the industrial characteristics?</td><td>v</td><td></td><td>The Company has implemented the management systems of ISO 14001:2015, IECQ QC 080000:2017 and ISO 50001:2018 to establish effective management system and continue advancing the standards and procedures of internal management.</td><td>No discrepancy</td></tr>
<tr><td>(2) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?</td><td>v</td><td></td><td>Our Company devotes to enhance product energy efficiency. The technology of two-phase immersion cooling formally entered the hyperscale data center in 2021, and we will continue develop high-efficient energy conservation & carbon reduction and cooling solutions. In addition, 40% of our products have been introduced recycled plastic materials. Among them, more than 89% products are replaced the plastic materials with recycled plastics.</td><td>No discrepancy</td></tr>
</table>

<table>
<tr><th rowspan="2">Item of Promotion</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Explanation</th></tr>
<tr><td>(3) Does the company evaluate the potential risks and opportunities in climate change with regard to the present and future of its business, and take appropriate action to counter climate change issues?</td><td>v</td><td></td><td>The Company uses TCFD as the framework for evaluation to respond the risks caused by climate change actively. We grasp the opportunity obtained during the transformation to low-carbon economy and further allocates the capital effectively to create the business operating capability with more resilience. Please refer to the description of the chapter “climate change strategy and energy management” in Wiwynn 2021 Sustainability Report for more details. The relevant summary is as below.
<table>
<tr><th>Category</th><th>Evaluation</th><th>Responding measures</th></tr>
<tr><td>Carbon reduction management</td><td>Corporate responsibility in greenhouse gas emission reduction</td><td>· Increase the investigating items for the scope 3 and set up emission data as the basis for management.
· Establish a survey mechanism on supplier’s responding to climate change.
· Reinforce carbon reduction management on the upstream suppliers and work with supply chain to find out opportunity for improvement.</td></tr>
<tr><td>Energy efficiency</td><td>Enhance energy utilization efficiency and strengthen product advantage</td><td>· Introduce ISO50001 to Taipei Headquarters.
· Investment in energy-saving technology.</td></tr>
<tr><td>Renewable energy</td><td>Diversified energy resources</td><td>· Enhance energy deployment.</td></tr>
<tr><td>Corporate resilience</td><td>Business continuity planning under climatic risks to create strong operating capability</td><td>· Set up business continuity planning.</td></tr>
</table></td><td>No discrepancy</td></tr>
<tr><td>(4) Does the company take inventory of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and implement policies on energy efficiency and carbon dioxide reduction, greenhouse gas reduction, water reduction, or waste management?</td><td>v</td><td></td><td>1. Greenhouse gas emission and its goal of management:
In order to slow climate change and fulfill the commitment of environmental protection, the Company sets greenhouse gas emission reduction as the long-term goal for continuous improvement. We use year 2020 as the base year and expect to reduce 30% of greenhouse gas emission in 2030. (A reduction in emissions relative to a production output of the Company.)
Unit: metric ton (CO_2e)
<table>
<tr><th rowspan="2">Item</th><th>2020</th><th colspan="2">2021</th></tr>
<tr><th>Taiwan</th><th>Taiwan</th><th>Mexico</th></tr>
<tr><td>Scope 1 + Scope 2 GHG emission</td><td>5,957</td><td>7,155</td><td>7,991</td></tr>
</table>
Note:
1. Calculation of the scope will be based on the right of control in operation, including Taipei Headquarters and Tainan Branch Office. Mexico area covers our subsidiary WYMX. WYMX started its operation from July 2021, and it is a subsidiary with production capacity. The data of emission is included from July 2021.</td><td>No discrepancy</td></tr>
</table>

Item of Promotion	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	

2. Investigation of ISO14064-1:2018 and its result.

Area		Investigation result in 2021
Taiwan	Taipei Headquarters	Completed the investigation.
	Tainan Branch Office (including Tainan Plant)	Completed the investigation
Mexico	WYMX	It is expected to have complete data in 2022 and start the investigation in 2023.

2. Water consumption and its goal of management:
The main water consumption is domestic water. The source of water is from running water, rainwater recycling, and underground water with no critical impact on the nature water source. The generated wastewater is only limited to general domestic wastewater. In 2021, our operational functions continued increasing, and our subsidiary in Mexico, WYMX, started its operation and is covered in the scope of disclosure. The number of our employees increased which caused the increase of domestic water consumption. We will continue working hard to implement our policy in water saving through the promotion.

Unit：M^3

Item	2020	2021	
Water consumption	Taiwan	Taiwan	Mexico
	41,754	47,065	77,168

Note:
1. The scope of statistics included Taipei Headquarters and Tainan Brach Office.
2. Mexico area covers our subsidiary WYMX. WYMX started its operation from July 2021, and it is a subsidiary with production capacity. The data of emission is included from July 2021.

3. Total weight of waste, its goal of management, and state of implementation:
In order to effectively manage the waste generated in the production and operating process, we entrust a qualified clearance and disposal organization to carry out procedures of waste disposal. We declare relevant data according to Waste Disposal Act to ensure the waste generated under the business operation of the Company meets the handling procedures for environment, safety, and health. The overall recoverability rate in both two years achieved more than 60% of the set management goal. In 2021, the total number of waste was increased, and the recycling and reutilization rate was decreased. It was mainly because the new material added for manufacturing process was not able to match effective recycling channel yet. We will continue finding out method of water reutilization, strengthen recycling system, and continue improving environmental performance.

<table>
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<tr><th>Yes</th><th>No</th><th>Abstract Explanation</th></tr>
<tr><td></td><td></td><td></td><td>
<table>
<tr><th colspan="2">Item</th><th>2020</th><th>2021</th></tr>
<tr><td rowspan="2">Total number of waste (ton)</td><td>Hazardous Waste</td><td>159.588</td><td>160.114</td></tr>
<tr><td>Non-hazardous waste</td><td>245.181</td><td>319.399</td></tr>
<tr><td colspan="2">Recycling and reutilization rate (%)</td><td>86.61</td><td>64.45</td></tr>
</table>
Note: The scope of statistics included Taipei Headquarters and Tainan Brach Office.
4. The Company will continue implementing the following measures related to the maintenance of environmental sustainability.
(1) Recycling
a. Waste resource: Waste resources shall be thrown in the recycling bin for cleaning personnel to carry out secondary detailed sorting out.
b. Business waste: It shall be collectively collected to grade A certified vendor for disposal every month.
(2) Energy and resource conservation
a. In 2021, we implemented six measures for energy conservation. These measures are estimated to be able to save electricity in 293,141 kWh every year, which is equivalent to reduce 149.2 metric tons of CO_2e emission. In overall, the effectiveness of energy saving and carbon reduction was enhanced compared to that in 2020.
b. Strengthen energy deployment and evaluate the diversity of renewable energy (such as wind power and biofuel).
c. Energy saving is promoted to all the employees in the company, including turning off the air-conditioning and light switch near the seat before going off work, put up slogan on the location where employees use water to promote water saving, and implement rainwater recycling in Tainan Plant.
</td><td></td></tr>
<tr><td>4. Social issues</td><td></td><td></td><td></td><td></td></tr>
<tr><td>(1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?</td><td>v</td><td></td><td>The Company follows labor laws and “International Bill of Human Rights” to establish “Regulations for Personnel Management”. We forbade any discriminatory behavior from differences in employees’ nationality, skin color, gender, sexual orientation, race, disability, pregnancy, religion, political opinion, or marital status. We also have human rights policies in place, including “Management Regulations for Anti-Discrimination”, “Prohibition of Using</td><td>No discrepancy</td></tr>
</table>

Item of Promotion	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
			Child Labor and Remedy for Misusing", and "Management Procedures, of Anti-Punishment, Forced Labor, and Prison Labor". In addition, the Company obtained golden certification on validated audit process certified by Responsible Business Alliance (hereinafter referred to as RBA) in 2020 and made the commitment to cooperate and comply with RBA code of conduct. The actual measures of human rights carried out in the Company are as below. Please refer to the description in the chapter of "Employee care and human rights management" in Wiwynn 2021 sustainability report. 1. We are committed to provide a safe and healthy working environment, arrange employees to receive health examination for health promotion, offer educational training for occupational safety, implement ISO45001 management system, establish health management center to provide healthcare to employees, and hold occupational safety and health committee regularly. 2. We establish "Prohibition of Using Child Labor and Remedy for Misusing" to effectively control no recruitment and no support in employment of child labors. 3. We establish "Management Regulations for Anti-Discrimination" to put an end to any form of discriminatory behavior in order to ensure equal job opportunity. 4. It is forbidden to implement illegal or inhumane disciplinary measures and behavior of forced labor to employees. Employees shall be respected for their willingness in overtime work and shall be provided overtime pay or compensatory leave. 5. Sexual harassment prevention shall be promoted on the TV wall in the company, and a complaint window for sexual harassment shall be established as well as provide dedicated email address and telephone hotline. 6. In order to assist employees maintaining physical and mental health and balance between work and life, the Company arrange "one-to-one doctor counseling" service regularly to offer employees the counseling related to health management, prophylactic health, and physical and mental problems, implement employee assistance program (EAP) to offer 24-hour employee assistance, and hold multiple activities like family day and social activity. **7.** We maintain smooth communication channels with employees, hold labor-management meeting for two-way conversation regularly as well as set up employee feedback, complaint mailbox or hotline for employees to reflect on	

<table>
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<tr><th>Yes</th><th>No</th><th>Abstract Explanation</th></tr>
<tr><td></td><td></td><td></td><td>problems at any time.</td><td></td></tr>
<tr><td>(2) Does the company have reasonable employee benefit measures (including salaries, leave, and other benefits) and reflect business performance or results on employee salaries?</td><td>v</td><td></td><td>The Company has “Employee Salary Policy” in place, and it was approved by Compensation Committee and Board of Directors before putting into implementation. The salary includes fixed items and variable items. The adjustment of the fixed items shall refer to the salary level in the same trade while the variable items shall be evaluated according to the Company business performance, responsibility, and personal performance for the reward of bonus. In addition, the Company also sets up Employee Relations Promotion Committee. The highest manager at human resource department is the chairman of the committee and employees from different departments are elected as members. At least three meetings shall be held every year to discuss various welfare measures related to employees, to maintain good communication between the company and the employees, and to create a harmonious and competitive corporate environment. For related welfare measures, please refer to pages 87-88 of the Annual Report (Labor relations).</td><td>No discrepancy</td></tr>
<tr><td>(3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?</td><td>v</td><td></td><td>The Company has implemented ISO 45001:2018 occupational safety and health management system to carry out effectiveness assessment on PDCA according to the management procedures of ISO 45001. We are committed to provide employees a safe and healthy working environment. The state of implementation of the relevant measures is as below:
1. Environmental examination and maintenance:
<table>
<tr><th>Item</th><th>Frequency</th></tr>
<tr><td>CO2 concentration and lighting test in the office area</td><td>At least once every half a year</td></tr>
<tr><td>Noise test in the lab area in Taipei Headquarters</td><td>Continuous monitoring</td></tr>
<tr><td>Testing methanol, isopropyl alcohol, tin, and noise at the production line area in Tainan Plant to control the actual situation in the operating environment and evaluate the status of exposure.</td><td>At least once every half a year</td></tr>
<tr><td>Low voltage distribution board test</td><td>Once every year</td></tr>
<tr><td>Fire safety equipment test</td><td>At least once every year</td></tr>
<tr><td>Air-conditioning maintenance in the office area and R&D testing area</td><td>Once every month for self-contained air-conditioning unit and once every half a year for central air-conditioning.</td></tr>
<tr><td>Disinfection operation at the public areas in the office building in Taipei</td><td>Once every month</td></tr>
</table></td><td>No discrepancy</td></tr>
</table>

Item of Promotion	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
			2. Management of chemicals: In order to manage chemicals properly, the Company has a dedicated area to place explosion-proof racks. The interval between racks is maintained in a safe distance. Chemicals with hazard are clearly labeled and adopted necessary communication measures as well as prepared safety data sheet for checking. Name and volume of the chemicals on the chemicals control card are clearly remarked in order to control the maximum storage amount in the rack. Moreover, safety equipment is also available, such as shower and eyewash, to make sure the timely protective measures are available when the operating personnel for chemicals exposed in the hazardous risk. 3. Employee health examination: Employee health examination is held once every year. Other than general health examination, 310 employees who are qualified for the examination under labor insurance in receiving special health examination due to the noise work or exposure in ionizing radiation operations have all completed special health examination in 2021. 4. Educational training: (1) The participation number for educational training related to occupational safety in 2021 was 6,887 people with total training hours of 10,981 hours, including internal and external educational training courses (fire safety seminar, using AED, personnel practical training on using fire extinguisher, traffic safety promotional course, reinforcement of hazard communication on chemicals competency workshop. (2) All the employees in Tainan Branch Office and Mexico Plant were given disaster exercise. There was no event of occupational diseases and no deaths of workers caused by occupational disasters in 2021. 1 case in Taipei Operations HQ, 4 cases in Tainan Branch, and 16 cases in WYMX were reported. The total injury index FSI was below 0.65 with a majority of injuries in cuts, burns, bruises, contusion, etc. An immediate medical care was given at the moment when accidents happened. In addition, correction measures were carried out through interviews with relevant personnel, such as advocacy through meetings and training to raise employees' awareness have to fulfill our commitment in workplace safety.	
(4) Does the company provide its employees with career development and competence training sessions?	v		The Company values the multiple trainings to cultivate talents with different competencies. We provide professional competency and core management	No discrepancy

<table>
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<tr><th>Yes</th><th>No</th><th>Abstract Explanation</th></tr>
<tr><td></td><td></td><td></td><td>competency trainings through seven key training systems (including new employee training system, professional training system, management training system, internal lecturer training system, quality training system, environment-safety-health and energy management training system, and general training system). Employees can enhance professional and management abilities through on-the-job training and the resources of internal & external training courses.
In order to help employees to develop themselves as generalists, the Company arranges job rotation according to personal willingness to promote the flow of talents internally. There were 47 employees applying internal transfer in 2020, and 11 of them were transferred to different departments.
The Company also holds English courses irregularly and offers English test twice a year for colleagues to test their ability regularly. The total training hours and personnel received training during the educational training for employees in 2021 are summarized as below:
Taiwan
<table><tr><th>Item</th><th>Total participant (people)</th><th>Total training hours</th><th>Average training hours</th></tr><tr><td>Indirect Labor</td><td>1,298</td><td>42,645.31</td><td>32.85</td></tr><tr><td>Direct Labor</td><td>784</td><td>15,500.88</td><td>19.77</td></tr><tr><td>Subtotal</td><td>2.082</td><td>58,146.19</td><td>27.93</td></tr></table>Mexico
<table><tr><th>Item</th><th>Total participant (people)</th><th>Total training hours</th><th>Average training hours</th></tr><tr><td>Indirect Labor</td><td>7,544</td><td>32,085.95</td><td>4.25</td></tr><tr><td>Direct Labor</td><td>4,343</td><td>26,526.03</td><td>6.11</td></tr><tr><td>Subtotal</td><td>11,887</td><td>58,611.98</td><td>4.93</td></tr></table></td><td></td></tr>
<tr><td>(5) Do the company's products and services comply with relevant laws and international standards in relation to customer health and safety, customer privacy, and marketing and labeling of products and services, and are relevant consumer protection and grievance procedure policies implemented?</td><td>v</td><td></td><td>The Company complies with domestic legal rules and that in sales territories and international standards for customer health and safety, customer privacy, marketing and labeling on products and services provided.
The Company values customer health and safety and continues paying attention on the feedback from customer after using the product in order to implement that into product design at the early stage. We follow international regulations and verification mechanism approved by the safety certification in different countries, optimize product design, and enhance the convenience and security on customer operation and maintenance. In terms of customer privacy, we comply with all the confidential contracts and information signed with</td><td>No discrepancy</td></tr>
</table>

Item of Promotion	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
			customers. The confidential work is carried out through business secret protective measures and well-prepared information security policies to avoid damage on the rights of customers. Documents related to products and projects are managed with the establishment of access permission. Non-project related personnel must not browse and download the information. The Company manages customer feedback based on quality management system and carries out necessary improvement. When receiving customer complaints, PM or business personnel shall understand the problems addressed by the customer first and then transfer the problem to customer service unit for handling. Customer service unit shall determine the type of customer complaint and coordinate with relevant responsible unit to handle the problem in the shortest time until it is resolved in order to protect customer rights and interests.	
(6) Does the company implement supplier management policies, requiring suppliers to observe relevant regulations on environmental protection, occupational health and safety, or labor and human rights? If so, describe the results.	v		A "Supplier Evaluation Team" that consists of units from design and R&D, purchasing, and supplier quality management is responsible for supplier development and evaluation based on "Operating Procedures for Purchase Management" to implement new supplier evaluation. The evaluating items include quality, engineering design, environmental protection, and social responsibility management. New suppliers must sign on integrity policy letter, Wiwynn Commitment to the RBA Code of Conduct, supplier's social responsibility assessment sheet, declaration of non-use of hazardous substances, and conflict minerals free statement. Supplier risk evaluation shall be carried out based on the five RBA dimensions every year, and audit plans on suppliers performing corporate sustainability and social responsibility shall be established. Any failure or defect shall be requested to be improved within specific time to ensure the implementation of each requirement. On-site audit and evaluation were carried out on 33 suppliers in 2021, and the defects found in the audit were mainly in the dimensions of human rights and safety and hygiene. Auditing staff have communicated, supervised, and confirmed the improvement on relevant defects in the year.	No discrepancy
5. Does the company reference internationally accepted reporting standards or guidelines, and prepare reports that disclose non-financial information of the company, such as corporate social responsibility reports? Do the reports above obtain assurance from a third-party1verification unit?	v		The Company has issued non-financial reports every year since 2020. The 2021 "Sustainability Report" followed GRI standards issued by Global Reporting Initiative for preparation and used core options as the principle of disclosure in the report. Wiwynn 2021 Sustainability Report has been verified according to the standard of AA1000 AS V3 by British Standards Institution (BSI) Taiwan Office and obtained independent third-party assurance statement (please refer to 2021 Sustainability Report appendix).	No discrepancy
6. Describe the difference, if any, between actual practice and the sustainable development principles, if the company has implemented such principles based on the Corporate Social				

Item of Promotion	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
Responsibility Best Practice Principles for TWSE/TPEx Listed Companies: The Company has established "Corporate Social Responsibility Practice & Regulation" according to "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" for compliance, and there is no difference between the actual operation and the regulations established.				
7. Other useful information for explaining the status of corporate social responsibility practices: (1) Launching Ocean Hugs: Focus on ocean for the implementation of corporate social responsibility. We fulfill circular economy with responsible production and consumption as well as deposit sand and plant trees to protect coastal lines in order to achieve the goal of sustainable sharing good with the ecology. (a) Promoting public welfare and caring underprivileged groups: ・Participated in the charity program of "spreading seeds of reading and offering a great future to children" hosted by Global Views Educational Foundation and donated more than 1,000 magazines and monthly journals to 100 schools all over Taiwan. It is estimated that more than 1000 student benefited from it. ・Caring underprivileged groups and cooperated with three charity groups to carry out activities or purchase gifts for Chinese New Year. The statistics reveals that we purchased more than 2000 charity gifts in 2021, and the total amount was more than NT$600,000. (b) Cooperation between industry and university to link students to workplace: ・The Company works with colleges and universities in Taiwan to provide intern project in order to offer students a stage to learn and to develop. In 2021, the areas of internship covered R&D, business, quality engineering, laws, and human resource departments to help excellent intern students linking to the workplace.				

3.4.6 Fulfillment of Ethical Corporate Management and Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"

Evaluation Item	Implementation Status			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
1. Establishment of ethical corporate management policies and program				
(1) Does the company have a Board-approved ethical corporate management policy and stated in its regulations and external correspondence the ethical corporate management policy and practices, as well as the active commitment of the Board of Directors and management towards enforcement of such policy?	v		The Company establishes "Ethical Corporate Management Best Practice Principles", "Procedures for Ethical Management and Guidelines for Conduct", and "Codes of Ethical Conduct". They have been approved by the board and the policy of ethical management is disclosed in the internal regulations, annual report, and the Company website to make sure suppliers, customers, or other business-related institutions and personnel clearly understand our philosophy and regulations in ethical management. The directors and senior management in the Company have issued a statement of compliance with the ethical management policy and require in the terms of employment that employees comply with such policy.	No discrepancy
(2) Does the company have mechanisms in place to assess the risk of unethical conduct, and perform regular analysis and assessment of business activities with higher risk of unethical conduct within the scope of business? Does the company implement programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies?	v		The Company has established an evaluation mechanism for unethical conducts in the internal regulations of " Procedures for Ethical Management and Guidelines for Conduct " and " Codes of Ethical Conduct " to analyze and assess regularly the business activities within the business scope which are at a higher risk of being involved in unethical conduct as well as establish prevention programs accordingly, covering the prevention measures for the behaviors specified in Article 7-2 of "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies".	No discrepancy
(3) Does the company provide clear operating procedures, code of conduct, disciplinary actions, and appeal procedures in the programs against unethical conduct? Does the company enforce the programs above effectively and perform regular reviews and amendments?	v		The Company established the operating procedures, guidelines for conduct, punishment for violation, and complaint system for the prevention of unethical conducts in the internal regulations of " Ethical Corporate Management Best Practice Principles ", " Procedures for Ethical Management and Guidelines for Conduct", and " Codes of Ethical Conduct " and will revise it in compliance relevant legal rules or the actual demand of company operation. Our "Code of Ethical Management", "Operating Procedures for Ethical Management and Guidelines for Conduct", and "Code of Ethics" have been approved the revision by the board on January 18th, 2022, December 24th, 2019 and March 20th, 2020 respectively.	No discrepancy

2. Fulfill operations integrity policy				
(1) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	v		The Company establishes relevant assessment mechanism through internal regulations, including evaluating the legality and ethical management record of the dealing objects. If the objects of business interaction or cooperation involve with the facts of unethical conducts or violate relevant legal rules, the contract will be terminated or cancelled immediately, and the relevant provisions will be entered in individual business contract.	No discrepancy
(2) Does the company have a unit responsible for ethical corporate management on a full-time basis under the Board of Directors which reports the ethical corporate management policy and programs against unethical conduct regularly (at least once a year) to the Board of Directors while overseeing such operations?	v		In order to strengthen the management of ethical management, the Company establishes "Ethical Corporate Management Best Practice Principles" with approval from the board of directors and sets up Department of Human Resource Management as the dedicated unit to be in charge of the establishment of ethical management policies and prevention programs and supervision of the implementation. The department reports to the board of directors regularly (at least once a year), and no violation was found so far. The state of implementation of ethical management in the Company in 2021 is as below, and it has been reported to the board of director on January 18th, 2022. 1. Supplier commitment: Supplier's ethical policy letter is listed as one of the elements in selecting new suppliers for the Company. Current suppliers must also sign to commit that they will not conduct any behavior that involves direct or indirect offering, bribery, improper gifts, entertainment, and other conveyance of unjust interests to the employees or relatives and friends of the employees in the Company. In 2021, we issued 236 copies of "Supplier's Ethical Management Letter" and recovered 236 letters effectively with a conversion rate of 100%. 2. Educational training: To ensure employees fully understand relevant regulations, the Company carries out online "ethical conduct code educational training" to new employees as the threshold of passing the probation. There were 810 new employees participated in "ethical conduct code educational training" in 2021, and 802 of them completed the training with a completion rate of 99%. 3. External audit and continuous promotion in the regulations of receiving gifts. (1) We passed external customer audit in 2021 and carried out social, environment and ethics, and corruption risk evaluation internally through RBA's self-assessment questionnaire (SAQ). The evaluation revealed no critical risk, and we will continue mitigating the risks to effectively control potential risks. (2) In order to maintain the highest standard of the ethical conduct, we strictly forbid any form of bribery. The regulations of receiving gifts were restated before the three traditional festivals on January 6th, June 17th, and September 11th, 2021 respectively through internal emails and employee information portal to all the employees in Wiwynn.	No discrepancy

(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	v		The Company establishes the policy of conflict of interests' prevention in the internal regulations of "Ethical Corporate Management Best Practice Principles", "Procedures for Ethical Management and Guidelines for Conduct", and "Codes of Ethical Conduct". Proper channels for statement have been provided based on the status of the stakeholders. The state of implementation of conflict of interests' avoidance for the meeting topics at the board of directors in the Company in 2021 was disclosed on page 22-23 in the annual report. Any director who is the interested party of the topics for discussion will take an initiative to avoid participating in discussion and voting to strictly follow the policy of conflict of interests' prevention.	No discrepancy
(4) Does the company have effective accounting and internal control systems in place to implement ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit the systems accordingly to prevent unethical conduct, or hire outside accountants to perform the audits?	v		The Company has established effective accounting systems and internal control systems as well as ensure the design of the internal control system and its implementation continue being effective based on the items for effectiveness judgment of internal control system specified in "Regulations Governing Establishment of Internal Control Systems by Public Companies". In addition, the audit unit in the Company uses the annual self-assessment result from each unit of implementation as the basis of risk evaluation and establish audit plans as well as carry out regular audit. All of the financial statements in the Company have been audited by certified public accountants to ensure the fairness of each statement.	No discrepancy
(5) Does the company regularly hold internal and external educational trainings on operational integrity?	v		The Company continues promoting the importance of ethical management through new employee training, internal educational training, and various meetings. "Introduction of RBA Code of Conduct" and "Code of Ethical Conduct Educational Training" are the compulsory courses for new employees. Besides, "Introduction of RBA Code of Conduct" is also the key item of re-training every year, and all employees must receive the training. We carried out online training on ethical conduct to all the employees in 2021, and there were 1,875 participants with total training hours of 1,133 hours. There were 908 employees receiving RBA courses with total training hours of 763.9 hours.	No discrepancy

3. Operation of the integrity channel				
(1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up? (2) Does the company have in place standard operating procedures for investigating accusation cases, as well as follow-up actions and relevant post-investigation confidentiality measures? (3) Does the company provide proper whistleblower protection?	v v v		The Company specifies concrete whistleblowing systems and reporting channels in "Procedures for Ethical Management and Guidelines for Conduct", "Codes of Ethical Conduct", and the ethical policy letter. It is explained below: (1) If the reported matter involves with general employees, it shall be submitted to the manager at the department, the highest manager at administrative and human resource unit, or the highest manager at the audit unit. (2) If the reported matter involves with directors or senior managers, it shall be submitted to the highest manager at the audit unit or the independent director. The manager or personnel who are submitted the report as above shall investigate the facts immediately. If necessary, request assistance from other relevant departments. The Company sets up the standard operating procedures for investigation on the reported matters received in "Procedures for Ethical Management and Guidelines for Conduct", and "Codes of Ethical Conduct". The case officer in charge of handling the reported matter shall keep the identity of the whistleblower and the reported content confidential with written statement. In order to adopt proper measures to protect the whistleblower, the Company also established "Whistleblower Protection and Counter Retaliation Management Procedure" to promise protecting the whistleblower in good faith or those who participate in the investigation from improper handling due to the reported matter or from being retaliated.	No discrepancy No discrepancy No discrepancy
4. Strengthening information disclosure				
(1) Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?	v		The Company has disclosed the content of code of ethical management and the effectiveness of implementation on the annual report, the Company website, and Market Observation Post System.	No discrepancy
5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the policies and their implementation. The Company has established "Ethical Corporate Management Best Practice Principles" based on "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" for compliance, and there is no difference between the actual operation and the code established.				
6. Other important information to facilitate a better understanding of the company's ethical corporate management policies (e.g., review and amend its policies). The Company carries out social, environmental, and ethical risk evaluation based on the self-assessment questionnaire (SAQ) designed by RBA. In 2021, the Company achieved an average score more than 90 points in SAQ assessment score; all items were in low risk (≧85 points are regarded as low risk). Other than SAQ annual assessment, out Tainan Branch obtained golden certification on the validated audit process implemented by the third-party verification institution in 2021 and completed defect improvement in 2021. Relevant information was disclosed transparently in RBA-Online platform.				

3.4.7 Corporate Governance Guidelines and Regulations:

Please refer to Wiwynn's website at http://www.wiwynn.com/zh-hant/ and Taiwan Stock Exchange Market Observation Post System (http://newmops.twse.com.tw).

3.4.8 Other Important Information Regarding Corporate Governance: None.

3.4.9 The section on the state of implementation of the company's internal control system shall furnish the following:

1. Statement on Internal Control:

Wiwynn Corporation
Statement on Internal Control

Date: February 25, 2022

Based on the findings of a self-assessment, Wiwynn Corporation (Wiwynn) states the following with regard to its internal control system during the year 2021:

1. Wiwynn’s board of directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system. The required system has been established accordingly. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency of our reporting, and compliance with applicable rulings, laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and Wiwynn takes immediate remedial actions in response to any identified deficiencies.
3. Wiwynn evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of internal Control Systems by Public Companies (herein below, the Regulations). The criteria adopted by the Regulations identify five key components of managerial internal control:(1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities. Each component contains several items. Please refer to the provisions specified in “the Handling Regulations.”
4. Wiwynn has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
5. Based on the findings of such evaluation, Wiwynn believes that, as of December 31, 2021, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.
6. This Statement is an integral part of Wiwynn’s annual report and prospectus and is publicly disclosed. Any falsehood, concealment, or other illegality in the content made public will entrail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This statement was approved by the Board of Directors in their meeting held on February 25, 2022, with none of the nine attending directors expressing dissenting opinions. All attending directors have affirmed the content of this Statement.

Wiwynn Corporation

Chairman: Simon Lin (signature)

Vice Chairman & CEO: Emily Hong (signature)

President: Sunlai Chang (signature)

2. Where a CPA has been hired to carry out a special audit of the internal control system, furnish the CPA audit report: None.

3.4.10 If there has been any legal penalty against the company or its internal personnel, or any disciplinary penalty by the company against its internal personnel for violation of the internal control system, during the most recent fiscal year or during the current fiscal year up to the publication date of the annual report, where the result of such penalty could have a material effect on shareholder equity or securities prices, the annual report shall disclose the penalty, the main shortcomings, and condition of improvement: None.

3.4.11 Resolutions of the General Shareholders' Meeting and the Board of Directors' Meeting

1. Resolutions of the General Shareholders' Meeting

Date	Major resolutions	Implementation status
2021.6.16	1. Ratification of 2020 Business Report and Financial Statements.	It was approved as proposed.
	2. Ratification of the proposal for distribution of 2020 profits.	It was approved as proposed. According to the resolution of the board of directors meeting on March 8th, 2021, the Chairman was authorized to set up July 23rd, 2021 as the ex-dividend date and the cash dividend per share distributed in NT$32 to be issued fully before August 10th, 2021.
	3. Ratification of amendments to the "Rules and Procedures of Shareholders' Meeting."	It was approved as proposed. The revised provisions have been published on the company website and implemented according to the procedures after revision.
	4. Ratification of amendments to the "The Election Regulations of Directors."	It was approved as proposed. The revised provisions have been published on the company website and implemented according to the procedures after revision.
	5. Ratification of the removal of the non-compete restrictions on directors in our Company and their corporate representatives.	It was approved as proposed. The revised provisions have been published on the company website and implemented according to the procedures after revision.

3. Material resolutions of board of directors meeting

Name of meeting	Date	Major resolutions	Compensation Committee		Audit Committee	
			Agenda	Resolutions	Compliance with Article 14-5 of the Securities and Exchange Act	Resolutions
1st Board Meeting of 2021	2021.01.19	1. Approved the preliminary proposal of annual business performance bonus in the second half of 2020 for managers except for CEO of the Company.	v	Approved as proposed		
		2. Approved the preliminary proposal of annual business performance bonus in the second half of 2020 for CEO in the Company.	v	Approved as proposed		
		3. Approved the business operation proposal of the Company for 2021.			v	Approved as proposed
		4. Approved the proposal right-of-use real estate assets from the Company's stakeholder, Wistron NeWeb Corporation.			v	Approved as proposed
		5. Approved the ratification of endorsements of custom duties.				
		6. Approved the proposal of credit application from the bank.				
2nd Board Meeting Of 2021	2021.03.08	1. Approved the proposal of distributing employee salary and director remuneration in 2020.	v	Approved as proposed		
		2. Approved the preliminary proposal of 2021 salary adjustment for managers except CEO of the Company.	v	Approved as proposed		
		3. Approved the preliminary proposal of 2021 annual performance bonus for managers except CEO of the Company.	v	Approved as proposed		
		4. Approved the proposal of employee salary ratio and suggested amount in 2020 for managers except CEO of the Company.	v	Approved as proposed		
		5. Approved the proposal of annual salary adjustment in 2021 for CEO of the Company.	v	Approved as proposed		
		6. Approved the preliminary proposal of 2021 annual performance bonus for CEO of the Company.	v	Approved as proposed		
		7. Approved the proposal of employee salary ratio and suggested amount in 2020 for CEO of the Company.	v	Approved as proposed		
		8. Approved the amendment of some provisions in "Remuneration Principle for Directors and Functional Committee""	v	Approved as proposed		
		9. Approved the proposal of 2020 Business Report of the Company.			v	Approved as proposed
		10. Approved the individual and consolidated financial reports in 2020 of the Company.			v	Approved as proposed
		11. Approved the proposal of 2020 earning distribution of the Company.			v	Approved as proposed

		12. Approved the proposal of amendments to the "Rules and Procedures of Shareholders' Meeting" of the Company.			
		13. Approved the proposal of amendments to the "The Election Regulations of Directors" of the Company.			
		14. Approved the proposal of the removal of the non-compete restrictions on directors in our Company and their corporate representatives.			
		15. Approved the proposal of schedule for 2021 Shareholder's Meeting, including date, location, and purpose.			
		16. Approved the proposal of commissioning KPMG as the certified accountants for auditing 2021 Financial Statements of the Company.			v	Approved as proposed
		17. Approved the proposal of 2020 "Statement on Internal Control" of the Company.			v	Approved as proposed
		18. Approved the proposal of capital increment of US$15 million on the subsidiary, Wiwynn Technology Service Malaysia SDN.BHD (WYMY in short).			v	Approved as proposed
		19. Approved the proposal of "Regulations for Corporate Sustainable Development Committee" of the Company.			
		20. Approved the proposal of different loans to banks.			
3rd Board Meeting of 2021	2021.05.07	1. Approved the proposal of the Company's 2021 Q1 consolidated financial statements.			v	Approved as proposed
		2. Approved the proposal of loan applications to the bank.			
4th Board Meeting of 2021	2021.06.17	1. Approved the postponed date and location of 2021 Shareholder's Meeting.			
		2. Approved the after-event report of equipment for business purposed shared between the Company and the subsidiary as well as between subsidiaries.			
		3. Approved the proposal of loan applications to the bank.			
5th Board Meeting of 2021	2021.08.03	1. Approved the proposal of 2021 first half year performance bonus issuance to other managers in the Company excluding CEO.	v	Approved as proposed		
		2. Approved the proposal of 2021 first half year performance bonus issuance for CEO of the Company.	v	Approved as proposed		
		3. Approved the proposal of 2020 director remuneration payment.	v	Approved as proposed		
		4. Approved the proposal of the company's 2021 Q2 consolidated financial statements.			v	Approved as proposed
		5. Approved the proposal of loan applications to the bank.				

6th Board Meeting of 2021	2021.11.03	1. Approved the proposal of the Company's 2021 Q3 consolidated statements			v	Approved as proposed
		2. Approved the proposal of the Company's 2022 annual audit plan			v	Approved as proposed
		3. Approved the capital loan provided by the Company to the subsidiary, Wiwynn International Corporation (WYUS in short).			v	Approved as proposed
		4. Approved the proposal of factoring application to ING Bank N.V.				
		5. Approved the proposal of loan applications to the bank.				
1st Board Meeting of 2022	2022.01.18	1. Approved the proposal of 2021 second half year business performance bones to other managers in the Company excluding CEO.	v	Approved as proposed		
		2. Approved the proposal of 2021 second half year business performance bonus to CEO in the Company.	v	Approved as proposed		
		3. Approved the proposal of the Company's 2022 annual business plan.			v	Approved as proposed
		4. Approved the proposal of amendment to the provisions of "Ethical Conduct Standards".				
		5. Approved the proposal of amendment to the provisions of "Corporate Governance Best Practice Principles".				
		6. Approved the proposal of amendment to the provisions of "Corporate Social Responsibility Practice Principles" and renamed it as "Sustainable Development Practice Principles".				
		7. Approved the after-event report of equipment for business purposed shared between the Company and the subsidiary as well as between subsidiaries.				
		8. Approved the proposal of loan applications to the bank.				
2nd Board Meeting of 2022	2022.02.25	1. Approved the proposal of 2021 employee bonus and director reward distribution.	v	Approved as proposed		
		2. Approved the proposal of 2021 employee bonus ratio and amount to other managers in the Company excluding CEO.	v	Approved as proposed		
		3. Approved the proposal of 2022 annual salary adjustment for other managers in the Company excluding CEO.	v	Approved as proposed		
		4. Approved the preliminary proposal of 2022 annual business performance bonus to other managers in the Company excluding CEO.	v	Approved as proposed		
		5. Approved the proposal of 2021 employee bonus ratio and amount to CEO of the Company.	v	Approved as proposed		
		6. Approved the proposal of 2022 annual salary adjustment for CEO of the Company.	v	Approved as proposed		

		7. Approved the preliminary proposal of 2022 annual business performance bonus to CEO of the Company.	v	Approved as proposed		
2nd Board Meeting of 2022	2022.02.25	8. Approved the Company's 2021 business report.			v	Approved as proposed
		9. Approved the Company's 2021 individual financial statements and consolidated financial statements.			v	Approved as proposed
		10. Approved the implementation of seasoned equity offering to issue common stock for participating in issuance of depository receipt or through seasoned equity offering for common stock issuance and/or seasoned equity offering for common stock issuance via private placement and/ or issuance new shares via private placement.			v	Approved as proposed
		11. Approved the proposal of amendment to the provision of "Article of Incorporation" of the Company.				
		12. Approved the proposal of amendment to the provision of "Procedures for Acquisition of Disposal of Assets" of the Company.			v	Approved as proposed
		13. Approved the cancellation of limitation on non-competition for the directors and their legal representatives.				
		14. Approved the date, location, and reasons for 2022 general shareholders' meeting.				
		15. Approved the proposal of using the service of KPMG Taiwan as certified public accountants for 2022 financial statements audit in the Company.			v	Approved as proposed
		16. Approved the proposal of 2021 "Internal Control System Declaration" in the Company.			v	Approved as proposed
		17. Approved the capital increase in US$400,000,000 to the subsidiary, Wiwynn International Corporation (in short, WYMY).			v	Approved as proposed
		18. Approved the capital increase in US$28,000,000 to the subsidiary, Wiwynn Technology Service Malaysia SDN. BHD. (in short, WYMY)			v	Approved as proposed
		19. Approved the after-event report of equipment for business purposed shared between the Company and the subsidiary as well as between subsidiaries.				
		20. Approved the proposal endorsement and guarantee to the subsidiary, Wiwynn Mexico S.A. de C.V. (WYMX in short).			v	Approved as proposed
		21. Approved the proposal of loan applications to the bank				

3.4.12 During the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, a director or supervisor has expressed a dissenting opinion with respect to a material resolution passed by the board of directors, and said dissenting opinion has been recorded or prepared as a written declaration, disclose the principal content thereof: None.

3.4.13 Summary of resignations and dismissals, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, of the company's chairperson, general manager, chief accounting officer, chief financial officer, chief internal auditor, chief corporate governance officer, and chief research and development officer: None.

3.5 Information Regarding the Company's Audit Fee and Independence

3.5.1 Audit Fee:

Unit: NT$ Thousand

<table>
<tr><th>Accounting Firm</th><th>Name of CPA</th><th>Period Covered by CPA's Audit</th><th>Audit Fee</th><th>Non-audit Fee</th><th>Total</th><th>Remark</th></tr>
<tr><td rowspan="2">KPMG</td><td>TANG, CHIA-CHIEN</td><td rowspan="2">2021/01~ 2021/12</td><td rowspan="2">6,990</td><td rowspan="2">1,258</td><td rowspan="2">8,248</td><td rowspan="2">Non-audit fee is mainly for the services of taxation audit and verification.</td></tr>
<tr><td>HUANG, MING-HUNG</td></tr>
</table>

(1) **When the company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons shall be disclosed:** None.

(2) **When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10 percent or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefor shall be disclosed:** None.

3.6 Information on replacement of certified public accountant: None.

3.7 The Company's president, general manager, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm, the name and position of the person, and the period during which the position was held, shall be disclosed: None.

3.8 Any transfer of equity interests and/or pledge of or change in equity interests by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent during the most recent fiscal year and during the current fiscal year up to April 1st, 2022.

1. Changes in Shareholding of Directors, Managers and Major Shareholders

Unit: Shares

Title	Name	2021		2021(As of April 1)	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	Wistron Corporation Representative : Simon Lin	(254,000)	0	0	0
Vice Chairman	Emily Hong	525,000	0	0	0
Director	Wistron Corporation Representative : Frank Lin	(26,000)	0	0	0
Director	Sunlai Chang	(200,000)	0	0	0
Director	Steven Lu	0	0	0	0
Independent Director	Charles Kau	0	0	0	0
Independent Director	Simon Zeng	0	0	0	0
Independent Director	Cathy Han	0	0	0	0
Independent Director	Victor Cheng	0	0	0	0
Vice President	Robin Wang	(75,000)	0	0	0
Vice President	Joe Chiao	(116,000)	0	0	0
Chief Financial Officer	Harry Chen	0	0	(260,000)	0
Accounting Officer	Yiyun Wen	(7,000)	0	0	0
The Shareholder holding greater than 10 percent	Wistron Corporation	(4,523,000)	0	(8,000,000)	0

2. Shares Trading with Related Parties:

Name	Reason for Transfer	Date of Transaction	Transferee	Relationship between Transferee and Directors, Supervisors, Managers and Major Shareholders	Shares	Transaction Price (NT$)
Emily Hong	Gift	2021/05/10	Chengke Zeng	Spouse	300,000	N/A
Sunlai Chang	Gift	2021/6/21	Jyunyi Lin	Spouse	200,000	N/A

3 Shares Pledge with Related Parties: None.

3.9 Relationship among the Top Ten Shareholders

April 1st, 2022

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Wistron Corporation Representative: Simon Lin	65,895,129	37.69%	0	0%	0	0%	Simon Lin	Chairman of Wistron Corporation	None
2022 the First New Labor Retirement Reserve Fund Discretionary Investment Special Account Entrusted to Nomura Holdings, Inc.	5,944,000	3.40%	0	0%	0	0%	None	None	None
Liben Investment Co., Ltd. Representative: Frank Lin	5,738,927	3.28%	0	0%	0	0%	Wise Cap Limited	Wise Cap Limited's affiliates	None
Simon Lin	5,094,111	2.91%	0	0%	0	0%	Wistron Corporation	Chairman	None
Wise Cap Limited Representative: Frank Lin	4,320,513	2.47%	0	0%	0	0%	Wistron Corporation	Wistron Corporation 's affiliates	None
Emily Hong	3,138,624	1.80%	487,968	0.28%	0	0%	None	None	None
Federated Hermes Global Emerging Market Equity Fund by Federated Hermes Inc. Entrusted to HSBC	2,599,000	1.49%	0	0%	0	0%	None	None	None
UBS Europe SE Investment Account Entrusted to Citibank Taiwan, Ltd.	2,027,721	1.16%	0	0%	0	0%	None	None	None
Chunghwa Post Co., Ltd.	1,926,000	1.10%	0	0%	0	0%	None	None	None
Cavert Emerging Markets Equity Fund Investment Account by Cavert World Value Fund Company entrusted to Standard Chartered International Commercial Bank	1,694,000	0.97%	0	0%	0	0%	None	None	None

3.10 Direct or Indirect Ownership of Shares by the Company and Director, Supervisor, Manager of the Company on the Affiliated Enterprises as well as the Consolidated Shareholding Ratio:

December 31, 2021
Unit: thousand of shares, %

Affiliated Enterprises (Note)	Ownership by the Company		Direct or Indirect Ownership by Directors/Supervisors/Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
Wiwynn Technology Service Japan, Inc. (WYJP)	-	100.00%	0	0%	-	100.00%
Wiwynn International Corporation (WYUS)	169,010	100.00%	0	0%	169,010	100.00%
Wiwynn Technology Service Hong Kong Limited (WYHK)	400	100.00%	0	0%	400	100.00%
Wiwynn Korea Ltd. (WYKR)	20	100.00%	0	0%	20	100.00%
Wiwynn Technology Service Malaysia SDN. BHD. (WYMY)	35,214	100.00%	0	0%	35,214	100.00%
Wiwynn Mexico S.A. de C.V.(WYMX)	180,297	100.00%	0	0%	180,297	100.00%
Wiwynn Technology Service Kun Shan Ltd. (WYKS)	-	100.00%	0	0%	-	100.00%
LiquidStack Holding B.V. (LiquidStack)	1,000	20.00%	0	0%	1,000	20.00%

Note: Long-term Investments Accounted for Using Equity Method of the Company.

IV. Company Shares and Fund Raising
4.1 Capital and Shares
4.1.1 Source of capital stock
1.Issued Shares

Units: Expressed in Thousand of New Taiwan Dollars ("NTD") and Thousand of Shares, with the exception of issue price in dollars of New Taiwan Dollars(“NTD”)

Month/ Year	Par Value (NT$)	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount	shares	Amount	Sources of Capital	Capital Increased by Assets Other than Cash	Approval Date and Reference No.
2012/03	10	30,000	300,000	9,500	95,000	Established with registered capital of NT$95,000,000	0	Date: 2012.03.03 Ref. No.1015012100 of registration approved by New Taipei City Government Economic Development Department
2012/11	10	30,000	300,000	10,000	100,000	Capital increase by cash of NT$5,000,000	0	Date: 2012.11.05 Ref. No.1015069070 of registration approved by New Taipei City Government Economic Development Department
2014/07	18.1	150,000	1,500,000	30,000	300,000	Capital increase by cash of NT$200,000,000	0	Date: 2014.07.15 Ref. No.1035164614 of registration approved by New Taipei City Government Economic Development Department
2014/09	10	150,000	1,500,000	36,000	360,000	Capital increase by retained earnings of NT$60,000,000	0	Date: 2014.09.25 Ref. No.1035182248 of registration approved by New Taipei City Government Economic Development Department
2015/08	10 17.4	150,000	1,500,000	42,025	420,245	Capital increase by retained earnings of NT$54,000,000 Capital increase by employee bonus of NT$6,245,000	0	Date: 2015.08.18 Ref. No.1045173275 of registration approved by New Taipei City Government Economic Development Department
2016/07	10	150,000	1,500,000	58,834	588,343	Capital increase by retained earnings of NT$168,098,000	0	Date: 2016.07.11 Ref. No.10501159110 of registration approved by MOEA
2016/10	20	150,000	1,500,000	88,834	888,343	Capital increase by cash of NT$300,000,000	0	Date: 2016.10.20 Ref. No.10501244580 of registration approved by MOEA
2017/04	10.6	150,000	1,500,000	88,970	889,703	Capital increase by employee stock option of NT$1,360,000	0	Date: 2017.04.24 Ref. No.10601049520 of registration approved by MOEA
2017/07	10 10.6	150,000	1,500,000	102,317	1,023,174	Capital increase by retained earnings of NT$133,251,000 Capital increase by employee stock option of NT$220,000	0	Date: 2017.07.21 Ref. No.1060109988 of registration approved by MOEA
2017/09	10 21.7	150,000	1,500,000	105,449	1,054,494	Capital increase by employee stock option of NT$570,000 Capital increase by employee stock option of NT$30,750,000	0	Date: 2017.09.13 Ref. No.10601131740 of registration approved by MOEA
2017/12	10 21.7	150,000	1,500,000	106,077	1,060,774	Capital increase by employee stock option of NT$340,000 Capital increase by employee stock option of NT$5,940,000	0	Date: 2017.12.26 Ref. No.10601175320of registration approved by MOEA
2018/03	120 10 21.7	150,000	1,500,000	126,330	1,263,304	Capital increase by cash in NT$200,000,000 Capital increase by employee stock option of NT$1,130,000 Capital increase by employee stock option of NT$1,400,000	0	Date: 2018.03.31 Ref. No.10701030510 of registration approved by MOEA
2018/05	10 21.7	150,000	1,500,000	126,440	1,264,404	Capital increase by employee stock option of NT$720,000 Capital increase by employee stock option of NT$380,000	0	Date: 2018.05.14 Ref. No.10701052230 of registration approved by MOEA
2018/07	10	150,000	1,500,000	126,465	1,264,654	Capital increase by employee stock option of NT$250,000	0	Date: 2018.07.27 Ref. No.10701087750 of registration approved by MOEA
2018/08	10	250,000	2,500,000,	151,985	1,519,847	Capital increase by retained earnings of NT$255,193,000	0	Date: 2018.08.21 Ref. No.10701099220 of registration approved by MOEA
2019/01	10 18.1	250,000	2,500,000,	152,029	1,520,287	Capital increase by employee stock option of NT$230,000 Capital increase by employee stock option of NT$210,000	0	Date: 2019.01.15 Ref. No.10701165000 of registration approved by MOEA
2019/04	248 10 18.1	250,000	2,500,000,	174,511	1,745,107	Capital increase by cash of NT$188,100,000 Capital increase by employee stock option of NT$2,470,000 Capital increase by employee stock option of NT$34,250,000	0	Date: 2019.04.16 Ref. No.10801037160 of registration approved by MOEA
2019/05	10 18.1	250,000	2,500,000,	174,543	1,745,427	Capital increase by employee stock option of NT$20,000 Capital increase by employee stock option of NT$300,000	0	Date: 2019.05.17 Ref. No.10801053940 of registration approved by MOEA
2019/12	10 17.3	250,000	2,500,000,	174,614	1,746,137	Capital increase by employee stock option of NT$130,000 Capital increase by employee stock option of NT$580,000	0	Date: 2019.12.09 Ref. No.10801165460 of registration approved by MOEA
2020/01	17.3	250,000	2,500,000,	174,637	1,746,367	Capital increase by employee stock option of NT$230,000	0	Date: 2020.01.15 Ref. No.10901003070 of registration approved by MOEA
2020/04	10 17.3	250,000	2,500,000,	174,832	1,748,317	Capital increase by employee stock option of NT$400,000 Capital increase by employee stock option of NT$1,550,000	0	Date: 2020.04.13 Ref. No.10901055270 of registration approved by MOEA
2020/06	17.3	250,000	2,500,000,	174,841	1,748,407	Capital increase by employee stock option of NT$90,000	0	Date: 2020.06.01 Ref. No.10901081840 of registration approved by MOEA

2. Type of Stock

Share Type	Authorized Capital				Remark
	Issued Shares		Un-issued Shares	Total Shares	
	Listed	Non-listed			
Common Shares	174,840,791(listed)	0	75,159,209	250,000,000	None

3. Information for Shelf Registration: None.

4.1.2 Status of Shareholders

April 1,2022

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	5	18	120	4,340	737	5,220
Shareholding (shares)	8,932,000	3,878,701	79,969,108	21,676,615	60,384,367	174,840,791
Percentage	5.11%	2.22%	45.74%	12.40%	34.53%	100.00%

4.1.3 Shareholding Distribution Status

1. Common Shares:

April 1,2022

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	2,969	244,975	0.14%
1,000 ~ 5,000	1,418	2,496,556	1.43%
5,001 ~ 10,000	207	1,577,176	0.9%
10,001 ~ 15,000	107	1,359,661	0.78%
15,001 ~ 20,000	69	1,225,951	0.7%
20,001 ~ 30,000	83	2,125,097	1.22%
30,001 ~ 40,000	51	1,778,474	1.02%
40,001 ~ 50,000	35	1,596,723	0.91%
50,001 ~ 100,000	93	6,405,539	3.66%
100,001 ~ 200,000	76	10,499,612	6.01%
200,001 ~ 400,000	54	15,008,366	8.58%
400,001 ~ 600,000	29	14,118,609	8.08%
600,001 ~ 800,000	7	4,751,495	2.72%
800,001 ~ 1,000,000	4	3,743,593	2.14%
1,000,001 or over	18	107,908,964	61.71%
Total	5,220	174,840,791	100.00%

2. Preferred Shares: None.

4.1.4 List of Major Shareholders

April 1,2022

Shareholder's Name	Shareholding	
	Shares	Percentage
Wistron Corporation	65,895,129	37.69%
2022 the First New Labor Retirement Reserve Fund Discretionary Investment Special Account Entrusted to Nomura Holdings, Inc.	5,944,000	3.40%
Liben Investment Co., Ltd.	5,738,927	3.28%
Simon Lin	5,094,111	2.91%
Wise Cap Limited	4,320,513	2.47%
Emily Hong	3,138,624	1.80%
Federated Hermes Global Emerging Market Equity Fund by Federated Hermes Inc. Entrusted to HSBC	2,599,000	1.49%
UBS Europe SE Investment Account Entrusted to Citibank Taiwan, Ltd.	2,027,721	1.16%
Chunghwa Post Co., Ltd.	1,926,000	1.10%
Cavert Emerging Markets Equity Fund Investment Account by Cavert World Value Fund Company entrusted to Standard Chartered International Commercial Bank	1,694,000	0.97%

4.1.5 Market Price, Net Worth, Earnings, and Dividends per Share

Unit: NT$

Items			2020	2021	2022 (As of March 31)
Market Price per Share		Highest Market Price	888.00	1,150.00	1,135.00
		Lowest Market Price	565.00	682.00	888.00
		Average Market Price	735.57	909.29	981.31
Net vaule per Share		Before Distribution	140.21	156.54	(Note 2)
		After Distribution(Note 1)	108.21	131.54	-
Earnings per Share		Weighted Average Shares (thousand shares)	174,812	174,841	-
		Earnings Per Share	49.25	49.46	(Note 2)
Dividends per Share	Cash Dividends		32	25	-
	Stock Dividends	-	-	-	-
		-	-	-	-
	Accumulated Undistributed Dividends		-	-	-
Return on Investment		Price / Earnings Ratio	14.94	18.38	-
		Price / Dividend Ratio	22.99	36.37	-
		Cash Dividend Yield Rate	4.35%	2.75%	-

Note 1: The proposal for distribution of 2021 profits was approved by the Board of Directors on April 18th, 2022 but has not yet been approved by the shareholders' meeting Approval.

Note 2: Up to the printing date of the company annual report, the quarterly report for Q1 in 2022 has not been reviewed by CPAs.

4.1.6 Dividend Policy and Implementation Status

1. Dividend Policy Specified in the Articles of Incorporation
   (1) If the Company has net profit as a result of the yearly accounting closing, the Company shall pay all taxes and duties and offset its losses in precious years, then set aside a legal capital reserve at ten percent (10%) of the net profit, until the accumulated legal capital reserve has equaled the total capital of the Company; then set aside special capital reserve in accordance with relevant laws or regulations or as requested by the authorities in charge before appropriating not less than ten percent (10%) of the remaining balance plus undistributed earnings in begin of period are available for distribution as dividends to shareholders. The Board of Directors is responsible for proposing the distribution for approval in the shareholders' meeting.
   (2) In consideration that the Company is in a capital and technology-intensive industry and in consideration of the Company's expansion and for its continual and steady growth, a long-term investment plan needs to be adopted, therefore, the Company adopts the residual dividend policy as its dividend policy. Dividends paid by cash shall not be less than ten percent (10%) of the total dividends.
2. Proposed Distribution of Dividend
   (1) The distributable surplus in 2021 is NT$13,709,466,550, and it is planned to issue cash dividend of NT$4,371,019,775 to shareholders. The undistributed surplus by the end of the period is NT$9,338,446,775.
   (2) The proposal of 2021 annual surplus distribution has been approved by the board of directors on April 18th, 2022. The chairman will determine the ex-dividend date after it is approved by the resolution of general shareholder's meeting on May 31st, 2022.
3. **If a material change in dividend policy is expected, provide an explanation:** None.

4.1.7 Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting:

It is not applicable because the Company only issued cash dividend in 2021 and the financial forecast for 2022 is not published.

4.1.8 Compensation of Employees and Directors

1. Information Relating to Compensation of Employees and Directors in the Articles of Incorporation:

   If the Company has net profit as a result of the yearly accounting closing, (profit means the profit before tax, excluding the amounts of employees' and directors' compensation) such profit will be distributed in accordance with the following, but the Company's accumulated losses shall have been covered.
   (1) No less than five percent (5%) of profit as employees' compensation. The employees' compensation may be distributed in the form of shares or in cash. The qualification requirements of employees, including the employees from the Company's controlling companies or subsidiaries, who are entitled to receive compensation, shall be determined by the Board of Directors.
   (2) No more than one percent (1%) of profit as the compensation in cash to the directors.
2. The basis for estimating the amount of employee, director, and supervisor compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:

   If there would be any differences between the estimated amounts in the financial statements and the actual amounts approved by the Board of Directors, it shall be accounted for as a change in accounting estimate and recognized as profit or loss in 2022.
3. Information on any approval by the board of directors of distribution of compensation:
   (1) The amount of employee compensation distributed in cash was NT$574,000,000 and the

amount of director compensation was NT$27,450,000. It has no difference with the expense recognized in 2021 financial statements.

(2) The amount of any employee compensation distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee compensation: None.

4. The actual distribution of employee and director compensation for the previous fiscal year, and, if there is any discrepancy between the actual distribution and the recognized employee and director compensation, additionally the discrepancy, cause, and how it is treated:

Unit: NT$

Item	Board Resolution Amount (NT$)	Actual Distribution Amount (NT$)
Employees' Compensation in Cash	571,500,000	571,500,000
Directors' Compensation in Cash	25,025,040	25,025,040
Total	596,525,040	596,525,040

Note: There is no difference between the BOD's proposed amount of compensation to be distributed to employees and directors and the amount listed in the financial statements.

4.1.9 Treasury Stock: None.

4.2 Issuance of Corporate Bonds

1. Corporate Bonds

Type of Corporate Bond		1st Unsecured Corporate Bond issue in 2020	1st Unsecured Corporate Bond issue in 2021
Issue date		2020.10.20	2021.08.06
Denomination		NT$1,000,000	NT$1,000,000
Issuing and transaction location		TPEx (OTC)	TPEx (OTC)
Issue price		Issue by denomination	Issue by denomination
Total price		NT$5,000,000,000	NT$ 4,450,000,000
Coupon rate		0.83%	0.63%
Duration		5 years Maturity: 2025.10.20	5 years Maturity: 2026.08.06
Guarantee agency		None	None
Consignee		Bank SinoPac	Bank SinoPac
Underwriting institution		Taishin International Bank	Yuanta Securities Co., Ltd.
Certified lawyer		Handsome Attomeys-at-Law Lawyer: Mr. PENG, YI-CHENG	Handsome Attomeys-at-Law Lawyer: Mr. PENG, YI-CHENG
CPA		KPMG CPA: Mr. TANG, CHIA-CHIEN	KPMG CPA: Mr. TANG, CHIA-CHIEN Mr. HUANG, MING-HUNG
Repayment method		50% respectively for the 4th and 5th year.	50% respectively for the 4th and 5th year.
Outstanding principal		NT$5,000,000,000	NT$4,450,000,000
Terms of redemption or advance repayment		None	None
Restrictive clause		None	None
Name of credit rating agency, rating date, rating of corporate bonds		Name of credit rating agency: Taiwan Ratings Rating date: 2020.09.01 Rating of Corporate Bonds: twA	Name of credit rating agency: Taiwan Ratings Rating date: 2020.09.01 Rating of Corporate Bonds: twA
Other rights attached	As of the printing date of this annual report, converted amount of (exchanged or subscribed) ordinary shares, GDRs or other securities	Not applicable	Not applicable
	Issuance and conversion (exchange or subscription) method	None	None
Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on existing shareholders' equity		None	None
Transfer agent		None	None

2. Convertible Bonds: None.
3. Exchangeable Bonds: None.
4. Shelf Registration for Issuing Bonds: None.
5. Corporate Bonds with Warrants: None.

4.3 Issuance of Preferred Shares: None.

4.4 Issuance of Global Depositary Shares: None.

4.5 Employee Stock Options: None.

4.6 Issuance of new restricted employee shares: None.

4.7 Issuance of new shares in connection with mergers or acquisitions or with acquisitions of shares of other companies: None.

4.8 Implementation of the company's capital allocation plans: None.

V. Operational Highlights

5.1 Business content

5.1.1 Scope of business

1. Major content of business in the Company

The main business items in the Company include the research, development, design, testing, and sales of the following products, semi-products & the peripheral equipment, and components:

(1) Computers and Computing Peripheral Equipment
(2) Data Storage Media
(3) Electric Appliance and Audiovisual Electric Products
(4) Computer Software
(5) Concurrent operation of importing and exporting trade related to the business in the Company.
(6) Management Consulting Services
(7) Software Design Services
(8) Data Processing Services

2.Percentage of business revenue

Unit: NT$ thousand, %

Year / Type of Product	2020		2021	
	Revenue	Ratio (%)	Revenue	Ratio (%)
Hyperscale data center	186,927,647	100.00%	192,625,942	100%

3. Current product (service) items in the Company

The Company is a supplier of cloud computing infrastructure solution and provides hyperscale data centers, high-quality computing and storage equipment as well as system integration solutions. Currently, our main products and service items are as listed below:

(1) 21” Product Series
A. Multi-node Sever: SV7220G3, SV7221G2
B. Storage Sever: SV7000G2
C. All-flash NVMe Storage: ST7200
D. Storage: ST7000G2
E. Open Rack Accessory: SR1200G2

(2) 19” Product Series
A. Multi-node Sever: SV302A, SV302G3
B. Multi-purpose Sever: SV310G4, SV305A, SV300G3
C. Edge Computing Platform: EP100, ES200
C. All-flash NVMe Storage: ST5100
D. Rack Accessory: SR2000G2

(3) Server Accessory
A. OCP Mezzanine Network Card: NM10GR, NM1GR
B. PCIe 3.0 Storage and Expansion Card: P08M2, P16M4, P16RC

(4) Software & Services
A. Equipment (Cloud-in-a-Box): P08M2
B. System Software: Cluster Manager

4. Scheduled new products (services)

(1) Cloud computing server development

(2) Application technology related to cloud
(3) Solution related to artificial intelligence
(4) Solution related to rack
(5) Solution related to system integration

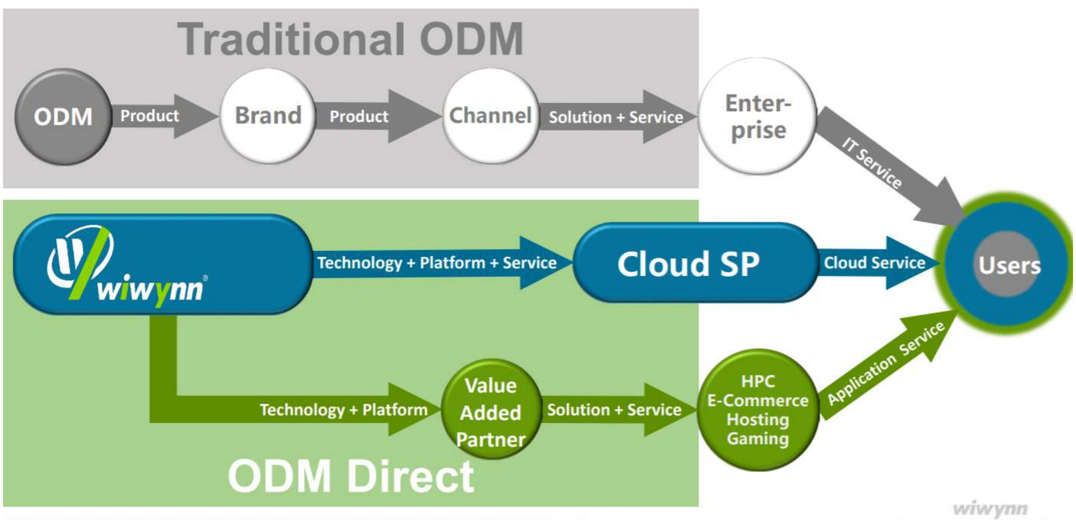
5.1.2 Industry Overview

1. Current industry status and development

Along with the enhancement of hardware & software technology and the development of internet in recent years, the demands on virtual platforms and cloud storage & computing from enterprises continue increasing. The service of could computing starts to be widely accepted. The development and innovation of various cloud services, like social media and streaming platforms, continue developing and bring changes to people's lifestyle. The movement restriction caused by the epidemic of COVID-19 further pushes the dependence on cloud services among enterprises and consumers as well as the rapid growth on the demand of network traffic and computing. The demands in cloud computing platforms and various internet services brings the important business opportunities for cloud service providers (CSP) like Meta (formerly known as Facebook), Apple, Amazon, Google, Microsoft, Twitter, and Uber. At the same time, it also brings the demands on huge amount of data transmission, storage, and servers.

In addition, 5G service has promoted the growth of data transmission along with the development of technology in artificial intelligence and high-efficiency computing, it will continue driving cloud service providers to expand capital expenditure and investment for the establishment of data center. Therefore, it will push the demand of constructing large-scale data centers. Cloud computer has become one of the important global topics.

International hyperscale data centers possess the demand of IT equipment for data center and the capability of carrying out development and design. In recent years, they have developed new business model of ODM-Direct Sales instead of working with server OEMs or system integrators. ODM-Direct Sales can enter the market in the shortest time with the high flexibility and agility to changes. It offers better scalability and provides excellent performance for workload optimization to hugely reduce the total cost of ownership (TCO). Benefited from the expansion of hyperscale data center promoted by the increasing demand on cloud services, the ratio of shipment with the model of "ODM-Direct Sales" in global markets is enhancing every year. The illustration of business model of ODM and of ODM Direct is shown as below:

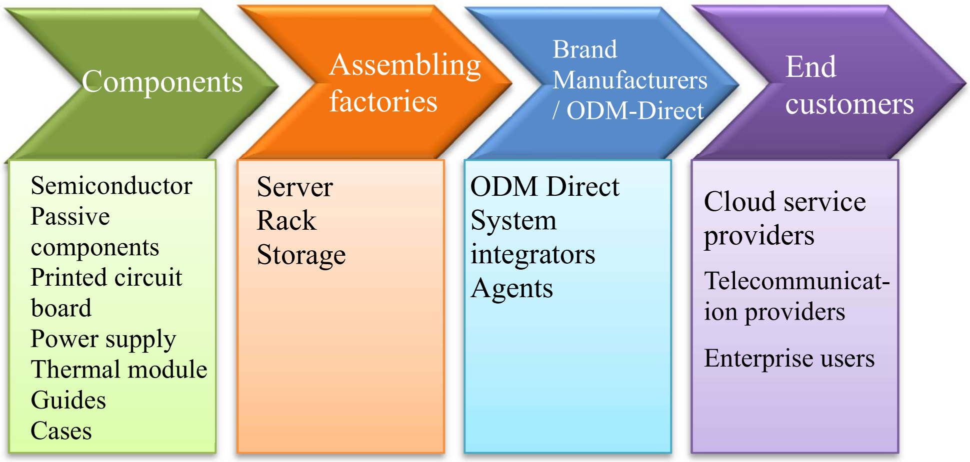


Wiwynn provides IT equipment and rack system integration service to hyperscale data centers. With abundant experience accumulated from working with the industry and the excellent R&D team, we provide services to world-leading cloud service providers in an innovative business model. The Company has devoted to Open Compute Project (OCP) for a long time and actively participated in product design and engineering workshop to satisfy the demands in computing performance, storage capacity, power efficiency, and cooling effectiveness demanded by our data center customers. We have obtained the business results gradually. Other than our visibility is hugely enhanced, the quality of our products also receives recognition from our customers all over the world.

Look into future, cloud industry will still present high growth. With the mature of 5G technology, new applications in self-driving cars, internet of things, and smart cities will be flourishing through the high-speed transmission characteristics of the 5G network. The enormous data volume will definitely further boost the edge computing and the hardware demand in cloud computing data center, and will continue investing dynamics for growth in relevant industries. Wiwynn will carry on developing innovative software and hardware products to serve the customers of world-leading data centers and become their important working partners.

2. Industry value chain

Analysis of industry value chain in cloud servers: The diagram of industry value chain structure among components in upstream, system assembling in midstream, and brand manufacturers and ODM Direct in downstream is shown as below:



3. Development trends and competitions of products

With excellent virtualization services and high scalability, cloud computing architecture can support more workloads than traditional data centers. Therefore, more and more enterprises transfer their core businesses to cloud data center. It promotes the rapid growth of cloud traffic.

In order to significantly enhance management flexibility, international cloud data centers develop towards "software-defined" technologies. With the software-defined technologies, the infrastructure of the whole cloud data center is not controlled by manpower and hardware; instead, it is monitored by software. The resources of computing, storage, network connection, security setup, and availability setup are managed centrally, abstracted, and fully automatic to rapidly adapt to the workloads required and provide cloud application services in the most efficient way. On the other hand, under the concept of open-source & sharing, "The Open Group" (such as Open Compute Project, OpenStack and Open Network Foundation) speeds up the efficiency of cloud industry technology development and hugely reduces the cost for project development. Meanwhile, it considers both compatibility and replaceability so that the target market for products will not be limited to regions and can be expanded globally. It has become the important strategic development direction for marketing cloud computing all over the world.

Currently, the industry is moving towards cloud while the devices are developed in different forms. Cloud computing deconstructs the structure of IT industry value chain and activates the era of competition focusing on software and hardware integration, high added value and service transformation and upgrading. Moreover, power supply and cooling technology have always been the key elements to lower the total cost of ownership (TCO) for data centers. To maintain the competitiveness of products, we not only invest resources on product innovation and develop products with features of energy saving and modular design. We also implement high system integration and testing capability to enhance added value in order to expand product differentiation. Only by providing customers comprehensive solutions, we can stand out in the competitive and environment that varies from minute to minute.

In addition, along with the mature of cloud services, the new technology of edge computing for next generation extended cloud services emerges as the times require. Edge computing is a distributed computing architecture close to computer terminal and able to pre-process the data distributed in the terminal in the near-end equipment to achieve faster system feedback. With popular applications of internet of things under the trend of IoT in the future, application services must be deployed on facilities or network equipment that is even closer to the end users in order to locally control future business opportunities for cloud application.

The products in the Company are cloud servers that require a higher level of technology with high efficiency, high quality computing and storage as well as rack integration solutions. In order to meet the market demand advancing with the times, the Company actively invests in new technology to meet demands of next generation data centers. In term of product strategies, the Company works with key technology partners and collaborates closely with global leading software providers. All the products launched are equipped with the latest technology and matched with the latest series of CPUs. As the platinum member of OCP (Open Compute Project) and a solution provider, the Company also actively introduces OCP's design concept to the whole series products. No matter it is for 19-inch or 21-inch rack , it meets the advantage of high-power efficiency, simple, and easy maintenance that data centers can enjoy as well as satisfies their demands in computer efficiency, energy saving, and easy maintenance.

For the services to data centers, the Company provides various customized products and one-stop shopping system integration service. Moreover, we keep up with the trend of low energy consumption, high efficiency, and environmental protection. We provide the best workload performance and total cost of ownership (TCO) to data centers and assist them to use IT resources more efficiently and flexibly with optimized solutions.

In terms of product development for edge computing, the edge computing platform and server developed by the Company can be flexibly applied to various edge computing. On one hand, we can assist telecommunications providers to construct new generation Open RAN and central office with flexible and high-efficient architecture. On the other hand, we help cloud service suppliers to expand services from cloud to edge computing in order to satisfy different edge computing demands for low latency and big data processing in the era of 5G communication. Through virtual network and new deconstruction technology, we bring better scalability, flexibility, reliability, and agility to 5G network as well as speed up the development of product interoperability among all the manufacturers in the industry ecosystem.

5.1.3 Overview of technology and R&D

1. The expense of R&D invested by the Company in the most recent fiscal year and until the printing date of the annual report

Unit: NT$ thousand; %

Item	2020	2021
R&D expenses	2,179,233	2,459,313
Operating revenue	186,927,647	192,625,942
R&D expenses to Operating revenue (%)	1.17%	1.28%

2.Number of R&D personnel in the Company and their educational background:

Unit: person(s)

Educational background	2020	2021
PhD	7	7
Master	332	348
College/ University	241	261
Below senior high school (included)	2	16
Total	582	632

3. Technology of products successfully developed (in the most fiscal year and until the publication date of the annual report):

Year	R&D results	Description
2020	ES200 Edge Computing Server	The ES200 is a family of edge computing servers designed for telecom providers, offering a wide range of storage and I/O interface card configurations that can be customized for a number of different edge computing applications. With built-in Intel's 3rd generation Intel® Xeon® scalable processors with the function of Deep Learning Boost, the ES200 can run complex AI workloads with a variety of programs.
	SV305A Cloud Server based on the AMD EYPC platform	Developed exclusively for the optimization of web services and related applications, the SV305A is a lightweight and compact computing server with a single AMD EPYC 7003 series processor, offering a simplified design, better performance and overall TCO. It offers OCP NIC3.0 network bandwidth of up to 200Gbps, perfectly suited for network services that require higher IO bandwidth.
	The first two-phase immersion cooling solution that operates in the environment of hyperscale DC	This solution perfectly integrates an immersion cooling chamber with 36 OCP Project Olympus universal servers. The carefully designed control system simplifies management complexity and ensures safe operation and heat dissipation. The control system also provides stability in the operation of chambers and servers, while a chamber self-protection system addresses critical and unpredictable failures.

Year	R&D results	Description
2021 to March 31st, 2022	SV302A Dual-node high-density computing server	SV302A is a 1U dual-node high-density computer server. Each node server carries a 64-core AMD EPYC 7003 series processor. Therefore, when the two nodes on SV302A are inserted 1 64-core CPU, the total number of cores in the processor is high up to 128, making it a 1U x 86 server that has the highest core density. In addition, compared to the most servers with dual CPU slot design, the design of single slot CPU benefits more in cooling and power efficiency and further reduce the total cost of ownership. It makes SV302A suitable for both high-density computing in data centers and the demand of edge computing.
	SV7100G4 Modular high-density computing server	SV7100G4 follows the specification of Yosemite V3 of OCP (open compute project). The specification is exclusively constructed for Open Rack V2 infrastructure. It is a highly modular system and can be used to install server motherboard, expander board, substrate, power modules, and cooling fan into a 4OU Cubby Rack. Each Cubby carries 3 drawers, each drawer accommodates maximum 4 server motherboard, and the 4OU system contains 12 servers in total. Therefore, SV7100G4 can provide a most optimized and expandable system based on the increase of computing demands.
	SV310G4 Cloud server with streamlined design	The most optimized system infrastructure plays an essential role for cloud service provides to adapt hardware with better cost effectiveness on specific workload. The hardware specification of SV310G4 is designed based on such demand to reduce unnecessary components and waste as much as possible. Its design is very neat by only keeping necessary specification and reducing the source of heat generation to save the cooling cost. Due to the streamlined design, the power efficiency is maintained at the best state. It is an IT server that meets the requirements of green energy.

5.1.4 Long-term and short-term business development plans

1. Short-term business development plans
The Company will continue developing in the cloud industry and focus on strengthening customer relationship and product optimization as the priority for short-term business development in the company.

(1) Customer relationship: Strengthening existing customer relationship, continuing providing customers the best total cost of ownership (TCO) & solutions that optimize workload as well as delivering defect-free and competitive products and services to customers on time to pursue long-term and stable relationship.

(2) Product optimization and strategy:

A. High-performance computing: Assisting data centers to expand computing capability flexibly and rapidly to achieve high-performance cloud computing.
- Defining design rules and selecting solutions for the design of future high-speed signal channel products (DDR5, PCIe gen 5).

B. Power supply and high-efficiency thermal solution: In order to enhance the efficiency of energy consumption and further reduce electricity expense and operating cost of cooling system construction along with the advancing power level of cloud service as well as supporting processor and memory with higher performance, the optimal goal for IT infrastructure is to reduce power conversion frequency and the loss generated.
- Continuing developing power supply products with better low-power consumption and high energy for all purposes, such as two-stage 48V power supply solution with conversion design.
- Developing new high-efficiency thermal system, such as the conversion of heat dissipation system and immersion cooling system, and investing in immersion cooling system suppliers to collaborate in the planning and development of suitable immersion cooling system solutions for future cloud data centers.

C. "Software-defined" and application performance management:
The Company focuses on the application system and customizes the most suitable resource configuration according to different application systems. It is to define functions freely with the best proposal to carry out dynamic adjustment in order to assist IT personnel speed up deployment efficiency and use the limited time for the optimal application.
- Developing data center management solutions based on software-defined and resource pool sharing structure as well as importing big data and deep learning architecture to help data centers manage intellectual work.

D. Deep learning and artificial intelligence (AI): Developing a series of AI products that satisfy deep learning training and real-time inference. Through distributed and modularized design, multiple servers provide flexible graphics processing unit (GPU) configuration to reduce the cost for upgrading at the same time. We also provide many different types of AI server solutions. With three-in-one design of data, algorithm, and computing power, we focus on data, base on algorithm, and drive by computing power to assist customers analyzing data and use the result for decision analysis. Servers of specific purposes are provided to respond to the diverse demands in different fields. We provide different products for integrated model or independent model to process the non-image demands, such as speech processing of language translation, 3D space, and recommendation analysis. Moreover, we offer multiple thermal/cooling solutions on AI servers for customers to choose based on their demands as well as use AI processor chips that support diverse types of application and with higher efficiency to achieve AI server of high efficiency.

E. Development related to edge computing and 5G products: The Company devotes actively to the cooperation and development related to network function virtualization infrastructure (NFVI) with expectation of extending server products portfolio to a wider application field. Other than continuing the development of OCP openEDGE specification based product (based on the contribution of Nokia), we develop more in 5G and edge computing platform. The Company focuses on servers and works with chip suppliers intensively to develop different types of server products. For the development of edge servers, we use the next-generation chip to develop a series of short depth edge computing products with universal functions to help cloud service providers to easily deploy edge servers with function of telecommunication cloud computing in order to provide different customers variety of choices in different fields. Besides, edge servers with different types of chips are also developed based on the variety of demands in the market. The diversified platform design satisfies the application at each point between cell to central office (CO) as well as multiple NFV and the application demand of multi-access edge computing(MEC). We also work with system integrators to provide comprehensive Private 5G solutions.

F. While the server is extended to edge computing, the Company builds the components with AI computing on edge servers so that the edge server is able to implement the processing of applications related to AI. Moreover, the service of cloud center is pushed further advanced to edge computing to reduce the latency so that the cloud service can be closer to the end users.

G. The Company works with open community groups more closely and continues developing multiple hardware design orientation in OCP community. Through the continuous strengthening and maturing in open architecture, we expect ourselves to help telecommunication operators jump out of the vendor lock-in model in the past to make the system even more open in order to promote the advanced application fields on 5G infrastructure provided by the Company. Meanwhile, the Company also participates in the development of wired and wireless network function platform, including ONF, O-RAN and TIP, actively to invest resources and work with communities.

H. The Company will continue cooperating with network communities, telecommunication operators, equipment providers, and the third-party service developers to provide open or optimal solutions to working partners or customers in order to speed up the time required for developing, deploying, or upgrading network.

2. Mid-term and Long -term business development plans

(1) Marketing strategy

A. Continuing strengthening logistics and operating capability in product delivery to every corner in the world as well as providing complete after-sales service.

B. Other than global cloud service providers as our target customers, we continue developing potential customers to expand market share.

C. Cooperating with production and sales strategies to strengthen the integration ability of global supply chain to ensure sustainable competitiveness.

(2) Product strategy

A. Based on the experience accumulated in the past and solid technology, we continue strengthening product development ability and speed, production quality, and controlling ability in delivery.

B. Continuing developing customized and various service items required by customers.

C. Continuing innovation and developing R&D technology. We expand existing cloud products and the competitiveness of the technology with forward-looking technology and R&D of innovative application, implementation of product design, mass production investigation, and systematic management in order to satisfy the growing high-performance computing demand from data centers and ensure the competitive capability of our core technology and our customers' business.
D. Implementing the execution of the Company's quality policies; that is, "deliver defect-free and competitive products and services to customers on time" to provide customers high quality products and excellent technology and services in order to maintain market competitiveness.
E. Performing corporate social responsibility and friendly environment fully as well as collaborating with suppliers to refuse using hazardous substances to the environment and to produce products with low energy consumption.

(3) Operating and financial strategies

A. In cooperation of the growth of the Company's operating scale, the financial structure and company structure is enhanced through the variety of fund-raising channels in the capital market, and the Company is moving towards the development of a large-scale enterprise steadily.
B. Strengthening educational training and cultivating excellent talents to respond to the human resource required for the growth of the Company.
C. Creating the effect of multiplication through the work allocation, sales, and services in the re-invested companies.
D. Creating an excellent enterprise that meets corporate governance and implements integrity management.

5.2 Market and sales overview

5.2.1 Market analysis

1. Main selling (providing) area of products (services)

The Company's revenue by regions in the most recent two years and the state of ratio:

Unit: NT$ thousand

Region \ Year		2020		2021	
		Amount	Ratio	Amount	Ratio
Domestic		51,891	0.03%	159,445	0.08%
Export	America	142,551,214	76.26%	145,456,042	75.51%
	Europe	31,636,028	16.92%	31,064,576	16.13%
	Asia	10,397,898	5.56%	13,996,864	7.27%
	Other	2,290,616	1.23%	1,949,015	1.01%
	Sub-total	186,875,756	99.97%	192,466,497	99.92%
Total		186,927,647	100.00%	192,625,942	100.00%

2. Market Share

Up to Q4 in 2021, the Company's products have been shipped to more than 360 hyperscale data centers in the world. We continue standing firmly in the supply chain for primary data centers through the business model of ODM Direct Sales and. Along with the increasing investment in global data centers, the Company satisfies the demand of multiple workloads among large-scale cloud service providers with products of high performance and scalability. We will further grasp the business opportunity in edge computing.

According to the statistics in Q4 2021 done by Worldwide quarterly Server Tracker, International Data Corporation (IDC), the shipping volume of global servers in 2021 was around 13.54 million servers. Among them, the shipment volume of ODM-Direct servers was around 4.74 million servers. For the self-declaration on the shipment volume of servers in 2021 assessed by the Company, it accounted for 10% of shipment volume at global server market in 2021 and accounted for nearly 30% of shipment volume for global ODM-Direct.

The Company has devoted in the development in the industry for many years and has won favor among international large-scale cloud data centers. We are equipped with a certain competitiveness in the market and will continue developing products and the depth and width of our customer groups based on the foundation.

3. Future supply and demand as well as growth for the market

With the flourishing development in the application related to network and IoT, Applied Materials predicts the global data output volume in 2025 will be 100 times of that in 2018. It brings continuous growth on the demand and scale of global network and cloud data processing.

In response to the rapid growth of cloud application demand, cloud service providers also continue investing the construction of data center as well as expanding and upgrading IT equipment. According to the survey done by Synergy Research Group, up to Q3 2021, the number of hyperscale data centers in the world has increased double from 2016 to 700 centers. Worldwide Quarterly Cloud IT Infrastructure Tracker at International Data Corporation (IDC) also predicted in Q3, 2021 that the expenditure of global cloud IT infrastructure would grow from US$66.3 billion in 2020 to US$118.7 billion in 2025. The compound annual growth rate (CAGR) is 12％, which accounts for 67% of the total IT infrastructure expenditure.

With the commercial operation of 5G services carried out in different countries, it will bring huge number of innovative applications with the demands of high bandwidth and low latency. In the future, cloud service will be developed even more diversified under the flourishing development of 5G, internet of things, and AI. Huge amount of data will need to be processed at the location near the end users, so the demand of edge computing emerges as the times require. Large cloud service providers, like Microsoft, Amazon, and telecommunications are deploying their services in edge computing. IDC predicts the expenditure and shipment volume of edge infrastructure will reveal a compound annual growth rate of 18.7% between 2021 and 2025. It will achieve US$41.7 billion in 2025 and becomes another growth dynamic in addition to cloud and enterprises.

4. Competitive niches
   (1) R&D capability that is industry-leading and competitive:
   The Company understands market demand well, guides the trend of new product development with innovative technology, provides fully customized products to large-scale data centers, is equipped with high integrating and testing capability, offers data centers the best total cost of ownership (TCO), and IT solution that optimizes workload. We are deeply favored and recognized by customers in terms of quality and technology.
   (2) Strong and steady customer relationship:
   The Company continues developing products that are low energy consumption and meet high performance to satisfy customers' demands. We maintain good interaction with customers and become an important working partner for customers in cloud service business.
   (3) Close cooperation with suppliers:
   The Company maintains strategic alliance relationship of long-term cooperation with main material suppliers and continues keeping good interaction with suppliers to ensure the latest technology can be implemented rapidly and stable source and quality of supplier can be obtained in order to respond to the fast-growing market demand.
   (4) Global logistics service:
   The Company continues developing locally all over the world in the past few years. Up to now, our products have been shipped to more than 360 hyperscale data centers in the world. We provide a complete service process of solutions from product design, integration, optimization, deployment to after-sales service. The integrated one-stop service effectively enhances overall efficiency and productivity and offers customers precise, rapid, and close-to-demand solutions.

5. Advantages and disadvantages of development prospects and the coping strategies
   (1) Advantages
   A. Flourishing development in cloud industry
   Along with the development of technology in AI, internet of things, VR/AR, and 5G, the business opportunities on various cloud applications are unlimited. It will keep driving the flourishing development of cloud industry.
   B. Excellent R&D capability:
   The Company has always focused on research and development. Other than continuing budgeting R&D expense and introducing advanced technology, we also work hard in cultivating and recruiting excellent R&D talents. To enhance R&D capability and grasp essential technology, our Company established a R&D and Experiment Center in Tainan to carry out new product verification and trail (mass) production and strengthen our R&D capabilities in order to attract more business opportunities.
   C. Upstream and downstream working partners:
   The Company works with upstream and downstream suppliers closely to integrate with them for production application and technology to provide customers complete solutions.
   (2) Disadvantages

A. The market is getting more and more competitive, and the industry is changing rapidly.

Coping strategy:

- The Company continues developing the current market for large-scale data centers in depth, expanding business scale, and coordinating our ability in cooperation and integration with the expectation of achieving win-win situation with customers in terms of business cooperation.
- The Company continues working with partners of technology closely to ensure the technology competitiveness of our products and product launching schedules.
- The Company actively invests in the cooperation and development related to network functions virtualization infrastructure (NFVI) to extend our server products to a wider application field.

B. Excessive customer concentration.

Coping strategy:

- The customers are all world-leading large enterprises that provide stable demands to wide users in global markets. They maintain good working relationship with the Company. We have implemented proper control on relevant operating risks.
- We continue cooperating with network communities, cloud computing, telecommunication operators, equipment providers, and the third-party service developers to offer open or optimized solutions to our working partners or customers in order to speed up the time required for development, deployment or network upgrade. The Company carries a spirit of professionalism and service to provide our customers comprehensive solutions.

C. The main business is exporting, and the change of foreign exchange rate will affect the company's revenue and profits.

Coping strategy:

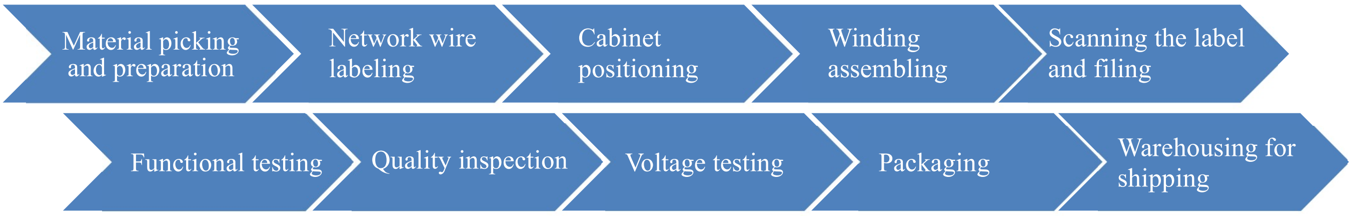
- The Company uses USD as the currency for procurement and sales, and it can offset the impact of changes in exchange rate on revenue and cost naturally.
- We pay attention on the real-time information of exchange rate. Through relevant foreign exchange rate hedging measures, we can properly avoid exchange rate risk.
- We adjust the allocation of foreign currency assets and liabilities as well as flexibly adjust the holding position of US dollar. Depending on the fund demand and exchange rate fluctuation, we will decide proper time for settlement of exchange, payment arrangement, and repayment of loan in foreign currency.

5.2.2 Important application of the main product and the manufacturing process

1. Important application of the main product

Main products	Application
Products for hyperscale data centers	IT equipment for commercial data computing and storage

2. Manufacturing processes of main products



5.2.3 Status of main material supply

Main materials	Sources	Status of supply
CPU	USA	Good
DRAM	USA, Korea	Good
HDD/SSD	USA	Good
Product for hyperscale data center	Taiwan	Good

5.2.4 A list of clients accounting for 10 percent or more of the Company's total procurement (sales) amount in either of the 2 most recent fiscal years, the amounts bought from (sold to) each, the percentage of total procurement (sales) accounted for by each, and an explanation of the reason for increases or decreases in the above figures.

1. Information of main suppliers in the most recent 2 fiscal years

Unit: NT$ thousand

Item	2020				2021				2022(As of March 31)			
	Company Name	Amount	Percent (%)	Relation with Issuer	Company Name	Amount	Percent (%)	Relation with Issuer	Company Name	Amount	Percent (%)	Relation with Issuer
1	Wistron Corporation	48,101,740	27.18	Parent Company	Wistron Corporation	54,737,558	26.82	Parent Company	(Note)			
2	Supplier B	34,256,933	19.36	None	Supplier C	36,921,855	18.09	None				
3	Supplier C	21,970,467	12.42	None	Supplier B	29,904,426	14.65	None				
4	Supplier A	11,927,568	6.74	None	Supplier D	11,411,285	5.59	None				
5	Others	60,686,748	34.30		Others	71,107,817	34.85					
6	Net Total Supplies	176,943,456	100.00		Net Total Supplies	204,082,941	100.00					

Note: Up to the printing date of the company annual report, the quarterly report for Q1 in 2022 has not been reviewed by CPAs.

The reason of the increases or decreases:

The purchase amount from Wistron Corporation increased in 2021, and it was mainly due to the increase of sales volume. The increase on the purchase amount from Supplier B, Supplier C and Supplier D was because they are suppliers appointed by the customers.

2. Information of main customers in the most recent 2 fiscal years

Unit: NT$ thousand

Item	2020				2021				2022 (As of March 31)			
	Company Name	Amount	Percent (%)	Relation with Issuer	Company Name	Amount	Percent (%)	Relation with Issuer	Company Name	Amount	Percent (%)	Relation with Issuer
1	Client A	39,101,575	20.92	None	Client A	37,899,605	19.68	None	(Note)			
2	Client F	16,659,613	8.91	None	Client K	9,328,619	4.84	None				
3	Client K	10,233,566	5.47	None	Client I	9,220,442	4.79	None				
4	Client H	9,236,067	4.94	None	Client F	8,956,059	4.65	None				
5	Client B	9,126,175	4.88	None	Client J	8,908,231	4.62	None				
	Others	102,570,651	54.88		Others	118,312,986	61.42					
	Net sales amount	186,927,647	100.00		Net sales amount	192,625,942	100.00					

Note: Up to the printing date of the company annual report, the quarterly report for Q1 in 2022 has not been reviewed by CPAs.

The reason of the increases or decreases:

Driven by the increase of data center establishment demanded by customers in 2021, the Company worked hard to expand the market, developed customers of large-scale data centers, and promoted the continuous growth of cloud server shipment performance; the revenue increased accordingly.

5.2.5 Table of production capacity in the most recent 2 fiscal years

Unit: PCS, NT$ thousand

Year / Production capacity / Major Products	2020			2021		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
Product for hyperscale data center	1,533,680	1,571,285	18,470,702	1,665,986	2,107,156	68,945,293

Note: Our subsidiary in Mexico started the expansion of operation in July, 2021 to increase the performance in production.

5.2.6 Table of sales in the most recent 2 fiscal years

Unit: Sets, NT$ thousand

Year / Sales Quantity/ Value / Major Products	2020				2021			
	Domestic sales		Exporting		Domestic sales		Exporting	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Product for hyperscale data center	2	4,863	33,468	186,875,756	0	0	35,045	192,466,497
Other	-	47,028	0	0	-	159,445	0	0
Total	2	51,891	33,468	186,875,756	0	159,445	35,045	192,466,497

5.3 Information of employees and staff in the most two fiscal years up to April 1st, 2022:

Year		2020	2021	2022 (As of April 1)
Number of Employees	Sales	46	55	57
	Engineering	582	632	667
	Operational support	181	450	481
	Direct personnel	906	784	918
	Total	1,715	1,921	2,123
Average Age		33.63	33.34	33.24
Average Years of Service		2.46	2.63	2.54
Education	PhD	0.47 %	0.52 %	0.52%
	Masters	29.39 %	29.88 %	28.31%
	Bachelor's Degree	50.61 %	51.54 %	52.71%
	Senior High School	19.42 %	17.86 %	17.90%
	Below Senior High School	0.11%	0.21%	0.57%

5.4 Information of environmental expenses

Any losses suffered by the Company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken: None.

5.5 Labor relations

5.5.1 List any employee benefit plans, continuing education, training, retirement systems, and the status of the implementation as well as the status of labor-management agreements and measures for preserving employees' rights and interests:

1. Employee benefit plans
   (1) Labor insurance, health insurance, and relevant insurances are handled according to regulations of local laws.
   (2) Employee group insurance (life insurance, casualty insurance, and medical insurance for the employee) is paid in full by the Company.
   (3) Cash benefits for three traditional festivals and weddings & funerals.
   (4) Various activities.
   (5) Subsidy for domestic and overseas travelling.
   (6) Employee health care (health promotion activities, maternal care)
   Other than establishing reasonable and competitive salary standards according to the situation of local labor market, the Company also includes the insurance based on the local regulations and bonus based on the overall business performance that the Company achieved to encourage employees making long-term efforts and growing with the Company.

2. Continuing education, training, retirement systems, and the status of the implementation
   (1) Continuing education and training
   The purpose of the training and development carried out by the Company is to continue enhancing manpower quality and work proficiency to create higher corporate value and achieve operating target and future development. In order to realize the goal and respond

to the labor demand due to the fast-growing business scale at the same time, the Company establishes a complete educational training structure in cooperation with occupational competence system to plan proper new employee training, professional training, various management trainings, environment-safety-health training, and courses related to corporate culture in order to strengthen complete training and continuing education channels for employees. Through the methods of face-to-face training and e-learning, employees' professional abilities and core competitiveness are enhanced.

In addition to the training of professional competence, the Company also arranges job rotation based on the employee's career plan and encourages employees to engage with learning in different aspects or self-learning. We work hard to enhance the overall quality of our employees and implement sound talent cultivation and development.

(2) Retirement systems

In order to enhance employees' engagement during the employment through stabilizing their life after retirement, the Company establishes employee retirement regulations according to Labor Standards Act and Labor Pension Act to specify the condition of retirement, the standard of retirement pension, application, and payment. Other than contributing 6% of salary as retirement pension for applicable employees every month based on the regulations of Labor Pension Act, the Company also establishes Supervisory Committee of Labor Retirement Reserve according to law to appropriate labor pension reserve every month based on "Regulations for the Allocation and Management of the Workers' Retirement Reserve Funds". The reserve funds will be deposited to legal appointed financial institution under the dedicated name of Supervisory Committee of Labor Retirement Reserve.

3. Measures for preserving employees' rights and interests

All the regulations related to employee's rights and interests in the Company follow the provisions of Labor Standards Act as the standard. The Company has established committee of promoting employee relationship and employee welfare committee. Employees can communicate with the Company for issues on various systems or working environment through the committees. Up to now, the labor-management relationship is good, and there is no dispute between labors and management.

The Company has established complete employee management systems and policies to specify the management regulations, employees' rights, obligation, and welfare. All the content will be reviewed and revised regularly to maintain employees' rights and interests.

5.5.2 Any losses suffered by the company in the most recent 2 fiscal years and up to the annual report publication date due to labor disputes (including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided.

Since the establishment of the Company, we have maintained good labor-management relationship. There is no loss caused by labor disputes.

5.6 Information security management

5.6.1 Risk management structure, policy, and specific management method for information security management as well as the resources invested

The Company has established information security policies, including “Information Operation Management Procedures”, “Confidential Data Management Methods”, “Software Management Regulations”, “Information Resource Security Management Policy”, and “Employee Information Security Code”. We also include relevant operating procedures to our internal control system and list them as the auditing items on the annual audit plan every year for further monitoring and control in order to concretely implement the protection of information security and fulfill information security risk supervision and management. To strengthen information security management, our Company continues promoting the following information security mechanism and measures:

1. Organization: There are six dedicated departments established in the Division of Information Management, including the Information Security Technology Office set up in 2020. The top manager at the Division of Information Management in our Company is responsible for policy making and adjustment. One dedicated information security officer will be assigned to promote cross-department implementation as well as select and establish information security solutions. The organization coordinates with the human resource unit for educational training on information security and executes assessment of information security effectiveness through irregular internal and external audits.

   A dedicated Information Security Office is established in the Division of Information Management to integrate and coordinate the maintenance of information security between the Company and oversea subsidiaries, maintain information security in subsidiaries, manage core business security and disaster exercise, strengthen cloud application service security management, supervise users complying with information security measures, build customized security management system, monitor system platform security, and introduce various information security defending systems.

2. Personnel:
   (1) Continue strengthening training rate on information security education (100%).
   (2) Promote interactive information security promotional activities.

3. Operation:
   (1) Implement backup and recovery exercise as well as phishing email exercise.
   (2) Carry out vulnerability scanning every month; we achieved 100% timely recovery rate.
   (3) Pass AEO and external information security audit/ certification.

4. System:
   (1) Introduce the third-party information security rating mechanism to detect the vulnerable information security exposed externally in time.
   (2) Implement USB external storage device control system only but forbidden to use USB storage devices.
   (3) Use NAC network management system to strengthen management on network personnel and access devices.

5.6.2 List any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to significant cyber security incidents, the possible impacts therefrom, and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided.

Up to the annual report publication date, our Company continues promoting various information security protection mechanism and establishes coping measures for the risks of information security. Therefore, there is no loss caused by signification information security incidents.

5.7 Important contracts

Nature of the contract	Counterparty	Period	Major Contents	Restrictions
Bank loan	Australia and New Zealand Banking Group Limited	2021/08/12~2022/07-31	Short-term loan	Note
Bank loan	United Overseas Bank	2021/12/31~2022/12/31	Short-term loan	Note
Bank loan	Mizuho Bank	2021/07/25~2022/07/25	Short-term loan	None
Bank loan	DBS Bank	2021/12/18~2022/12/18	Short-term loan	Note
Bank loan	Mega Bank	2021/07/04~2022/07/04	Short-term loan	Note

Note：Shared quota with Wiwynn International Corporation (WYUS).

VI.Financial Information

6.1 Most Recent 5-Year Concise Financial Information

6.1.1 Concise Consolidated Balance Sheet and Consolidated Statement of Comprehensive Income

1-1.Concise Consolidated Balance Sheet – Based on IFRS

Unit: NT$ thousand

Item \ Year		Most recent 5-Year Financial Information					2022 (As of March 31)
		2017	2018	2019	2020	2021	
Current assets		25,609,520	27,583,370	46,413,396	52,767,378	82,025,003	—
Net property, Plant and Equipment		51,568	125,543	718,167	951,781	1,038,420	—
Intangible assets		5,224	7,242	19,106	64,602	98,732	—
Other assets		206,622	487,887	996,557	940,404	1,575,303	—
Total assets		25,872,934	28,204,042	48,147, 226	54,724,165	84,737,458	—
Current liabilities	Before distribution	22,780,634	11,834,012	27,532,130	24,799,705	47,165,833	—
	After distribution(Note)	23,291,020	14,626,697	31,553,261	30,394,610	51,536,853	—
Non-current liabilities		75,854	5,593,243	396,231	5,410,537	10,201,599	—
Total liabilities	Before distribution	22,856,488	17,427,255	27,928,361	30,210,242	57,367,432	—
	After distribution(Note)	23,366,874	20,219,940	31,949,492	35,805,147	61,738,452	—
Equity attributable to owners of the Company		3,016,446	10,776,787	20,218,865	24,513,923	27,370,026	—
Common stock		1,060,775	1,520,288	1,746,368	1,748,408	1,748,408	—
Capital surplus		545,921	2,853,756	8,816,183	8,817,380	8,817,380	—
Retained earnings	Before distribution	1,417,887	6,229,893	9,602,400	14,186,029	17,235,258	—
	After distribution(Note)	652,308	3,437,208	5,581,269	8,591,124	12,864,238	—
Other equity		(8,137)	172,850	53,914	(237,894)	(431,020)	—
Treasury stock		—	—	—	—	—	—
Non-controlling interest		—	—	—	—	—	—
Stockholders' Equity	Before distribution	3,016,446	10,776,787	20,218,865	24,513,923	27,370,026	—
	After distribution(Note)	2,506,060	7,984,102	16,197,734	18,919,018	22,999,006	—

Source of information: Financial reports that were reviewed and verified by CPAs. Up to the printing date of the company annual report, the quarterly report for Q1 in 2022 has not been reviewed by CPAs.

Note: The 2021 earnings distribution has been approved by the Board of Directors on April 18th, 2022 but not approve by the Shareholder's Meeting yet.

1-2.Concise Consolidated Statement of Comprehensive Income – Based on IFRS

Units: Expressed in Thousand of New Taiwan Dollars ("NTD"), with the exception of earnings per share in dollars of New Taiwan Dollars ("NTD")

Item \ Year	Financial Summary for The Last Five Years					2022 (As of March 31)
	2017	2018	2019	2020	2021	
Operating revenue	85,674,525	181,064,815	163,600,423	186,927,647	192,625,942	—
Gross profit	4,242,170	10,647,156	11,348,552	15,301,129	15,621,181	—
Operations income	1,839,615	7,100,542	8,160,078	11,241,854	11,387,076	—
Non-operating income and expenses	(197,172)	(7,074)	(401,808)	(354,435)	(391,007)	—
Profit before tax	1,642,443	7,093,468	7,758,270	10,887,419	10,996,069	—
Net income for continuing operations	1,208,482	5,577,577	6,169,254	8,609,657	8,648,012	—
Income from discontinued operations, net of income tax effect	—	—	—	—	—	—
Net income	1,208,482	5,577,577	6,169,254	8,609,657	8,648,012	—
Other comprehensive income for the year, net of tax	(7,000)	180,995	(120,794)	(296,705)	(197,004)	—
Total comprehensive income for the year	1,201,482	5,758,572	6,048,460	8,312,952	8,451,008	—
Profit attributable to owners of the Company	1,208,482	5,577,577	6,169,254	8,609,657	8,648,012	—
Profit attributable to non-controlling interests	—	—	—	—	—	—
Total comprehensive income attributable to owners of the Company	1,201,482	5,758,572	6,048,460	8,312,952	8,451,008	—
Total comprehensive income attributable to non-controlling interests	—	—	—	—	—	—
EPS	11.70	38.00	36.42	49.25	49.46	—

Source of information: Financial reports that were reviewed and verified by CPAs. Up to the printing date of the company annual report, the quarterly report for Q1 in 2022 has not been reviewed by CPAs.

1-3. Concise Balance Sheet – Based on IFRS (For Parent-company-only)

Unit: NT$ thousand

Item / Year		Most recent 5-Year Financial Information					2022 (As of March 31)
		2017	2018	2019	2020	2021	
Current assets		17,822,988	20,602,994	32,389,682	43,569,551	51,558,609	—
Net property, Plant and Equipment		43,625	102,246	685,791	851,999	771,031	—
Intangible assets		5,224	7,242	19,106	64,602	98,732	—
Other assets		582,246	5,759,604	5,991,638	5,362,739	6,451,311	—
Total assets		18,454,083	26,472,086	39,086,217	49,848,891	58,879,683	—
Current liabilities	Before distribution	15,361,783	10,102,056	18,606,382	20,090,801	21,751,876	—
	After distribution(Note)	15,872,169	12,894,741	22,627,513	25,685,706	26,122,896	—
Non-current liabilities		75,854	5,593,243	260,970	5,244,167	9,757,781	—
Total liabilities	Before distribution	15,437,637	15,695,299	18,867,352	25,334,968	31,509,657	—
	After distribution(Note)	15,948,023	18,487,984	22,888,483	30,929,873	35,880,677	—
Equity attributable to owners of the Company		3,016,446	10,776,787	20,218,865	24,513,923	27,370,026	—
Common stock		1,060,775	1,520,288	1,746,368	1,748,408	1,748,408	—
Capital surplus		545,921	2,853,756	8,816,183	8,817,380	8,817,380	—
Retained earnings	Before distribution	1,417,887	6,229,893	9,602,400	14,186,029	17,235,258	—
	After distribution(Note)	652,308	3,437,208	5,581,269	8,591,124	12,864,238	—
Other equity		(8,137)	172,850	53,914	(237,894)	(431,020)	—
Treasury stock		—	—	—	—	—	—
Non-controlling interest		—	—	—	—	—	—
Stockholders' Equity	Before distribution	3,016,446	10,776,787	20,218,865	24,513,923	27,370,026	—
	After distribution(Note)	2,506,060	7,984,102	16,197,734	18,919,018	22,999,006	—

Source of information: Financial reports that were reviewed and verified by CPAs. Up to the printing date of the company annual report, the quarterly report for Q1 in 2022 has not been reviewed by CPAs.

Note: The 2021 earnings distribution has been approved by the Board of Directors on April 18th, 2022 but not approve by the Shareholder's Meeting yet.

1-4. Statement of Comprehensive Income – Based on IFRS (For Parent-company-only)

Units: Expressed in Thousand of New Taiwan Dollars ("NTD"), with the exception of earnings per share in dollars of New Taiwan Dollars("NTD")

Item \ Year	Financial Summary for The Last Five Years					2021 (As of March 31)
	2017	2018	2019	2020	2021	
Operating revenue	32,913,362	76,603,354	74,884,945	79,017,070	73,162,110	—
Gross profit	3,665,611	9,983,279	10,551,546	14,483,288	13,801,147	—
Operations income	1,527,373	6,563,966	7,732,151	10,801,869	10,660,016	—
Non-operating income and expenses	60,285	405,479	(25,006)	21,617	210,070	—
Profit before tax	1,587,658	6,969,445	7,707,145	10,823,486	10,870,086	—
Net income for continuing operations	1,208,482	5,577,577	6,169,254	8,609,657	8,648,012	—
Income from discontinued operations, net of income tax effect	—	—	—	—	—	—
Net income	1,208,482	5,577,577	6,169,254	8,609,657	8,648,012	—
Other comprehensive income for the year, net of tax	(7,000)	180,995	(120,794)	(296,705)	(197,004)	—
Total comprehensive income for the year	1,201,482	5,758,572	6,048,460	8,312,952	8,451,008	—
EPS	11.70	38.00	36.42	49.25	49.46	—

Source of information: Financial reports that were reviewed and verified by CPAs. Up to the printing date of the company annual report, the quarterly report for Q1 in 2022 has not been reviewed by CPAs.

6.1.2 Auditors' Opinions from 2017 to 2021

Year	Accounting Firm	CPA		Audit Opinion
2017	KPMG	CHEN, YA-LING	CHAN, CHIA-HSIN	Unqualified opinion
2018	KPMG	CHEN, YA-LING	CHAN, CHIA-HSIN	Unqualified opinion
2019	KPMG	CHEN, YA-LING	CHAN, CHIA-HSIN	Unqualified opinion
2020	KPMG	TANG, CHIA-CHIEN	HUANG, MING-HUNG	Unqualified opinion
2021	KPMG	TANG, CHIA-CHIEN	HUANG, MING-HUNG	Unqualified opinion

6.2 Most Recent 5-Year Financial analyses

1. Consolidated Financial Analysis– Based on IFRS

Item	Year	Financial Analysis for the Last Five Years					2021 (As of March 31)
		2017	2018	2019	2020	2021	
Financial structure (%)	Total liabilities to total assets	88.34	61.79	58.01	55.20	67.70	—
	Long-term capital to net property, plant and equipment	5,996.55	13,039.38	2,870.52	3,144.05	3,618.15	—
Solvency (%)	Current ratio	112.42	233.09	168.58	212.77	173.91	—
	Quick ratio	70.46	115.23	104.97	132.39	77.36	—
	Times interest earned	8.77	24.61	24.98	36.78	31.87	—
Ability to operate	A/R turnover (times)	13.85	19.79	13.89	16.81	18.06	—
	A/R turnover days	26	18	26	22	20	—
	Inventory turnover (times)	11.21	14.80	9.73	9.21	5.43	—
	Accounts payable turnover (times)	8.39	16.69	15.87	12.83	11.94	—
	Average days in sales	33	25	38	40	67	—
	Property, plant and equipment turnover (times)	1,592.98	2,044.65	387.81	223.87	193.57	—
	Total assets turnover (times)	4.59	6.70	4.29	3.63	2.76	—
Earning ability	Return on assets (%)	7.42	21.52	16.84	17.21	12.81	—
	Return on equity (%)	50.11	80.87	39.81	38.49	33.34	—
	Pre-tax income to paid-in capital (%)	154.83	466.59	444.25	622.70	628.92	—
	Profit ratio (%)	1.41	3.08	3.77	4.61	4.49	—
	EPS (NT$)	11.70	38.00	36.42	49.25	49.46	—
Cash flow	Cash flow ratio (%)	18.49	(Note 1)	28.71	56.82	(Note 1)	—
	Cash flow adequacy ratio (%)	(Note 2)	(Note 1)	(Note 1)	40.50	3.16	—
	Cash reinvestment ratio (%)	129.19	(Note 1)	24.95	33.52	(Note 1)	—
Leverage	Operating leverage	1.02	1.01	1.03	1.03	1.05	—
	Financial leverage	1.13	1.04	1.04	1.03	1.03	—

Analysis of financial ratio differences for the last two years:

1. The increase of debt asset ratio: It was mainly due to the increase of short-term loan, notes payable, and accounts payable, and bonds payable.
2. The decrease of current ratio : It was mainly due to the huge increase of current liabilities, such as short-term loan, notes payable, and accounts payment.
3. The decrease of inventory turnover rate and the increase of average days in sales: It was mainly due to the increase of average net inventory in 2021 compared to that in 2020. Inventory is a leading indicator. The Company predicted the demands from customers and prepare good in advance. Because of the expansion of operation scale of the Company and the impact of port congestion and material shortage, we increased the amount of inventory to respond to customer demands.
4. The decrease of total assets turnover ratio: It was mainly because the increase of total assets in 2021 was greater than the increase of operating income.
5. The decrease of return on assets: It was mainly because the increase of assets in 2021 was greater than the increase of profits after tax.
6. The decrease of cash flow ratio: It was mainly because the net cash flow from the operating activities in 2021 caused the decrease of net cash flow for operating activities in the past five years. At the same time, the capital expenditure, inventory, and cash dividends has increased in the past five years.

Source of information: Financial reports that were reviewed and verified by CPAs. Up to the printing date of the company annual report, the quarterly report for Q1 in 2022 has not been reviewed by CPAs.

Note 1: The net cash flow of operating activities was minus, so it was not included.

Note 2: The Company started to prepare consolidated annual reports in 2014. There was no net cash flow or capital expenditure for the operating activities in the most recent 5 years available, and it was not included.

Note 3: The formula for calculating the financial ratio is as follows:

1. Financial structure

(1) Total liabilities to Total assets＝Total liabilities／Total assets
(2) Long-term capital to net property, plant and equipment＝(Net equity＋Non-current liabilities)／Net property, plant and equipment

2. Solvency
(1) Current ratio＝Current Assets／Current liability
(2) Quick ratio＝(Current assets－Inventory－Prepaid expenses)／Current liability
(3) Times interest earned＝Net income before income tax and interest expense／Interest expense

3. Ability to operate
(1) Account receivable (including account receivable and notes receivable from operation) turnover＝Net sales／the Average of account receivable (including account receivable and notes receivable from operation) balance
(2) A/R turnover day＝365／account receivable turnover
(3) Inventory turnover＝Cost of Goods Sold／the average of inventory
(4) Account payable (including account payable and notes payable from operation)turnover＝Cost of goods sold／the average of account payable (including account payable and notes payable from operation) balance
(5) Average days in sales＝365／Inventory turnover
(6) Property, plant and equipment turnover＝Net sales／Net Fixed Assets
(7) Total assets turnover＝Net sales／Total assets

4. Earning Ability
(1) Return on assets＝〔PAT＋Interest expense × (1－effective tax rate)〕／the average of total assets
(2) Return on equity＝PAT／the average of net equity
(3) Profit ratio＝PAT／Net sales
(4) EPS ＝(Profit attributable to owners of the Company－ Dividend from prefer stock)／weighted average outstanding shares

5. Cash Flow
(1) Cash flow ratio＝Cash flow from operating activities／Current liability
(2) Cash flow adequacy ratio＝Most recent 5-year Cash flow from operating activities／Most recent 5-year (Capital expenditure＋the increase of inventory＋cash dividend)
(3) Cash investment ratio＝(Cash flow from operating activities－cash dividend) ／(Gross property, plant and equipment＋long-term investment＋other non-current assets＋working capital)

6. Leverage
(1) Operating leverage＝(Nest revenue－variable cost of goods sold and operating expense)／operating income
(2) Financial leverage＝Operating income／(Operating income－interest expenses)

2. Financial Analysis (For Parent-company-only)– Based on IFRS

Item		Financial Analysis for the Last Five Years 2017	2018	2019	2020	2021	2022 (As of March 31)
Financial structure (%)	Total liabilities to total assets	83.65	59.29	48.27	50.82	53.52	—
	Long-term capital to net property, plant and equipment	7,088.37	16,010.44	2,986.31	3,492.74	4,815.35	—
Solvency (%)	Current ratio	116.02	203.95	174.08	216.86	237.03	—
	Quick ratio	112.94	192.02	165.39	207.59	207.05	—
	Times interest earned	53.18	73.70	74.26	169.23	110.92	—
Ability to operate	A/R turnover (times)	4.99	7.18	4.65	4.11	3.49	—
	A/R turnover days	73	51	78	89	105	—
	Inventory turnover (times)	66.08	86.51	47.75	38.54	14.46	—
	Accounts payable turnover (times)	5.36	11.44	8.88	6.03	5.66	—
	Average days in sales	6	4	8	9	25	—
	Property, plant and equipment turnover (times)	692.39	1,050.29	190.05	102.77	90.15	—
	Total assets turnover (times)	2.74	3.41	2.28	1.78	1.35	—
Earning ability	Return on assets (%)	10.25	25.17	19.08	19.48	16.05	—
	Return on equity (%)	50.11	80.87	39.81	38.49	33.34	—
	Pre-tax income to paid-in capital (%)	149.67	458.43	441.32	619.05	621.71	—
	Profit ratio (%)	3.67	7.28	8.24	10.90	11.82	—
	EPS (NT$)	11.70	38.00	36.42	49.25	49.46	—
Cash flow	Cash flow ratio (%)	2.26	(Note 1)	50.27	72.13	(Note 1)	—
	Cash flow adequacy ratio (%)	(Note 2)	(Note 1)	37.38	119.89	64.91	—
	Cash reinvestment ratio (%)	8.14	(Note 1)	31.97	36.89	(Note 1)	—
Leverage	Operating leverage	1.03	1.05	1.05	1.06	1.00	—
	Financial leverage	1.02	1.01	1.01	1.01	1.01	—

Analysis of financial ratio differences for the last two years:

1. The increase of property, plant, and equipment turnover: It was mainly due to the increase of bonds payable and retained earnings in 2021 was greater than that in 2020. It caused the increase of ratio of long-term capital on property, plant, and equipment.
2. The decrease of times interest earned: It was mainly due to the huge increase of net profit before tax in 2021.
3. The decrease of inventory turnover rate and the increase of average days in sales: It was mainly due to the increase of net balance of average inventory in 2021. The inventory is a leading indicator. The Company predicts the future demands from customers and prepare goods in advance. The company increased the inventory due to the expansion of operating scale, port congestion, and material shortage to respond customers' demands.
4. The decrease of total assets turnover: It was mainly caused by the increase of total assets in 2021 was greater than that of operating income.
5. The decrease of cash flow: It was mainly because the net cash flow from the operating activities in 2021 caused the decrease of net cash flow for operating activities in the past five years. At the same time, the capital expenditure, inventory, and cash dividends has increased in the past five years.

Source of information: Financial reports that were reviewed and verified by CPAs. Up to the printing date of the company annual report, the quarterly report for Q1 in 2022 has not been reviewed by CPAs.

Note 1: The net cash flow of operating activities was minus, so it was not included.

Note 2: The Company was established in March 2012 and started to prepare 2014 annual reports in 2015 according to International Accounting Standards. Therefore, no net cash flow or capital expenditure for the operating activities in the most recent 5 years available, and it was not included.

6.3 Audit Committee's Review Report on 2021 Financial Statements:

Wiwynn Corporation

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2021 Business Report, Financial Statements, and Proposal for Distribution of Profits. CPAs, Chia-Chien Tang and Ming-Hung Huang, form KPMG performed Wiwynn's Financial Statements Audit and issued an audit report. The Business Report, Financial Statements, and Proposal of Distribution of Profit have been reviewed and determined to be correct and accurate by the Audit Committee of Wiwynn Corporation. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, I hereby submit this Report.

Wiwynn Corporation- 2022 Shareholder's Meeting

Convener of the Audit Committee: Simon Zeng

April 18^{th}, 2022

6.4 2021 Consolidated Financial Statements and CPA Audit Report: Please refer to Attachment 1.

6.5 2021 Parent-Company-Only Financial Statements and CPA Audit Report: Please refer to Attachment 2.

6.6 Disclosure of the impact on the Company's financial status due to financial difficulties, if any, in the latest year up till the publication date of this annual report: None.

VII. A review and analysis of the company’s financial condition and financial performance, and a listing of risks

7.1 Financial position

The main reasons for any material change in the company's assets, liabilities, or equity during the past 2 fiscal years, and the effect. If the effect is of material significance, please describe the measures to be taken in response.

Unit: NT$ thousand

Item \ Year	2020	2021	Difference	
			Amount	%
Current assets	52,767,378	82,025,003	29,257,625	55.45
Net property, plant and equipment	951,781	1,038,420	86,639	9.10
Intangible assets	64,602	98,732	34,130	52.83
Other assets	940,404	1,575,303	634,899	67.51
Total assets	54,724,165	84,737,458	30,013,293	54.84
Current liabilities	24,799,705	47,165,833	22,366,128	90.19
Non-current liabilities	5,410,537	10,201,599	4,791,062	88.55
Total liabilities	30,210,242	57,367,432	27,157,190	89.89
Common stock	1,748,408	1,748,408	0	0.00
Capital surplus	8,817,380	8,817,380	0	0.00
Retained earnings	14,186,029	17,235,258	3,049,229	21.49
Other equity	(237,894)	(431,020)	(193,126)	81.18
Total equity	24,513,923	27,370,026	2,856,103	11.65

Note:

1. Current assets: It was mainly caused by the increase of accounts receivable and inventory due to the demand of operation.
2. Intangible assets: It was mainly caused by purchasing software required for operation.
3. Other assets: It was mainly caused by the increase of investment under equity method, right-of-use asset, and other non-current assets.
4. Total assets: In summary of above, it was caused by the significant increase of current and non-current assets.
5. Current liabilities: It was mainly caused by the increase of short-term loan, contract liability, notes payable, and accounts payable.
6. Non-current liabilities: It was mainly caused by the issuance of NT$4.45 billion unsecured ordinary corporate bonds.
7. Total liabilities: In summary of above, it was caused by significant increase of current and non-current liabilities.
8. Retained earnings: It was mainly caused by the good business performance in 2021, leading to the increase of profits.
9. Other equity: It was mainly caused by the fluctuation of exchange rate.

7.2 Financial performance

1. Comparison and analysis of the operating performance in the most recent 2 fiscal years:

Unit: NT$ thousand

Item	2020	2021	Difference	
			Amount	%
Operating revenues	186,927,647	192,625,942	5,698,295	3.05
Operating costs	171,626,518	177,004,761	5,378,243	3.13
Gross profit	15,301,129	15,621,181	320,052	2.09
Operating expenses	4,059,275	4,234,105	174,830	4.31
Operating income	11,241,854	11,387,076	145,222	1.29
Non-operating income and expenses	(354,435)	(391,007)	(36,572)	10.32
Profit before tax	10,887,419	10,996,069	108,650	1.00
Net profit	8,609,657	8,648,012	38,355	0.45

2. Provide a sales volume forecast and the basis therefor, and describe the effect upon the Company's financial operations as well as measures to be taken in response:

The Company did not prepare and publish financial forecast, and it is not applicable.

7.3 Cash flow

1. Analysis of cash flow changes during the most recent 2 fiscal years:

Unit: NT$ thousand

Year / Item	2020	2021	Changes- increase (decrease)	
	Amount	Amount	Amount	%
Cash Flow from Operating activities	14,092,184	(14,212,457)	(28,304,641)	(200.85)
Cash Flow from Investing activities	(618,660)	(1,039,493)	(420,833)	68.02
Cash Flow from Financing activities	(2,225,691)	14,854,553	17,080,244	(767.41)
Net cash inflow (outflow)	11,177,092	(496,339)	(11,673,431)	(104.44)

Analysis of the changes in cash flow:

1. Operating activities: It was mainly caused by increase of inventory for the even and matched volume for customers’ future demands due to the unstable supply chain on components in 2021.
2. Investing activities: It was mainly caused by the acquisition of 20% shares in LiquidStack and the prepayment of land cost for Malaysia Plant in 2021, generating net cash outflow on investments.
3. Financing activities: It was mainly caused by the number of short-term loans in 2021.

2. Corrective measures to be taken in response to illiquidity: The business in the Company is at the stage of growing, and the demand of funds will be based on self-owned funds and bank borrowings. Up to the publication date of the annual report, there is no situation of shortage of cash.

3. Liquidity analysis for the coming year:

Unit: NT$ thousand

Cash balance in the beginning of the period	Estimated net cash flow from operating activities in the whole year	Estimated net cash flow from investing activities in the whole year	Estimated net cash flow from financing activities in the whole year	Estimated amount of cash balance	Corrective measure for estimated insufficient cash balance	
					Investment Plans	Financial plan
22,672,892	15,761,293	(1,530,004)	(4,390,397)	32,513,784	–	–
1. Analysis of changes of cash flow in the coming year Operating activities: It was mainly caused by net income before tax and inventory amount. Investments activities: It was mainly caused by equipment acquisition and investing subsidiaries. Financing activities: It was mainly caused by seasoned equity offering, repayment of short-term loans, and dividend issuance. 2. Corrective measures for estimated insufficient cash and liquidity analysis: None.						

7.4 The effect upon financial operations of any major capital expenditures during the most recent fiscal year

The capital expenditure for property, plant, and equipment at the Company in 2020 and 2021 was NT$ 387,276,000 and NT$ 333,376,000 respectively. In order to spread the risk and advance R&D ability to control key technology, the Company constructed a plant and installed relevant machine and equipment required in Mexico in 2020 to reduce the dependence on external suppliers, enhance our own production capacity, and concentrate on the produce R&D for next generation in order to respond to the global industrial development. The operating capital in the Company and the credit of borrowing from the bank are sufficient to deal with the capital expenditure in the most recent year. Therefore, the material capital expenditure in the most recent fiscal year has no significant impact on financial business.

7.5 Policies of re-investment, the main reasons for the profits/losses generated thereby, the plan for improving re-investment profitability, and investment plans for next year:

1. Re-investment policy:

The policy of re-investment in the Company is based on the consideration of sustainable operation and the growth of business operation. We have established "Procedures for Acquisition or Disposal of Assets" based on " Regulations Governing the Acquisition and Disposal of Assets by Public Companies" published by the competent authority as the accordance for the Company to carry out re-investment business in order to control relevant business and financial conditions. Besides, in order to enhance the supervision and management to the re-invested company, the Company sets up "Methods of Supervising and Managing Subsidiaries" in our internal control system. It is to specify relevant regulations on information disclosure as well as financial and business management to make sure the re-investment achieves the greatest business performance.

2. The main reasons for the profits/losses generated thereby, the plan for improving re-investment profitability:

Unit: NT$ thousand

Name of subsidiary invested	Main business item	Recognized investment gain (loss) in 2021	The main reasons for the profits/losses	Improvement plan
Wiwynn Technology Service Japan, Inc. (WYJP)	Sales of electronic products	57,027	It was caused by the growth of revenue.	—
Wiwynn International Corporation (WYUS)	Sales of electronic products	182,998	It was caused by the growth of revenue.	—
Wiwynn Technology Service Hong Kong Limited (WYHK)	Investment activities of shareholding and sale of electronic products	21,865	It was caused by the growth of revenue.	—
Wiwynn Korea Ltd. (WYKR)	Sales of electronic products	61,348	It was caused by the growth of revenue.	—
Wiwynn Technology Service Malaysia SDN. BHD.(WYMY)	Sales of electronic products	(82)	There was no operating activity yet, and it is mainly caused by operating expense.	—
Wiwynn Mexico S.A. de C.V.(WYMX)	Human resource service provision	31,469	It was mainly the provision of manpower to manage manufacturing outsourcing services. In 2021, it expanded the function on operation and started to provide the services required for production.	—
Wiwynn Technology Service Kun Shan Ltd. (WYKS)	Sales of electronic products	14,699	It was caused by the growth of revenue.	—
LiquidStack Holding B.V.(LiquidStack)	Sales of electronic products	(32,120)	It was mainly the R&D for new cooling technology used in products for data centers. The new technology still depends on passing experiment before being launched.	R&D technology is still in the progress of development.

3. Investment plans for the coming year

The re-investment activities in the Company are long-term investment using the equity method. In the future, the Company will continue paying attention on global industrial development and carefully evaluating re-investment plans to strengthen the competitiveness of the company.

7.6 Risk management, evaluation, and related analysis in the most recent years and up to the publication date of the annual report

1. The effect upon the Company's profits (losses) of interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future.

   (1) Impact of interest rate fluctuations on the Company's profits (losses) and response measures to be taken in the future:
   The Company's interest expense in 2020 and in 2021 was NT$ 304,316,000 and NT$ 356,154,000 respectively. It accounted for 0.16% and 0.18% of the net operating income of the fiscal year respectively. It revealed the fluctuation of exchange rate had no significant impact on the operation of the Company. Other than observing the impact of interest rate change in the financial market on the capital in the Company at any time to be ready to adopt any responding measure, the Company also keeps good relationship with banks to obtain better rate. Moreover, we also evaluate the interest rate risk that might encounter on all the interest liabilities timely to adjust our capital structure accordingly in order to avoid interest rate risks that might generate from liabilities.

   (2) Impact of exchange rate fluctuations on company's profits (losses) and response measures to be taken in the future:
   The Company's exchange gain in 2020 and in 2021 was NT$ -527,375,000 and NT$ -111,063,000 respectively. It accounted for -0.28% and -0.06% of the net operating income of the fiscal year respectively. The currency the Company uses for sales and main material purchase is USD. Considering the wider exchange rate fluctuations in recent years as well as to effectively reduce the impact from the exchange rate fluctuation on revenue and profits, the Company properly reserves USD from sales revenue to pay for the purchase in USD to further achieve natural hedging function. We also pay close attention on the trend of exchange rate fluctuation and carry out derivatives trading for proper hedging operation.

   (3) Impact of changes in the inflation rate on company's profits (losses) and response measure to be taken in the future:
   Inflation has the effect of offsetting the receivables and payables generated from sales and purchase in the Company. It has no impact on the Company's profits at the moment. In addition, the Company implements budgeting system and internal control to effectively control operating cost and expenditure within the reasonable scope. We continue taking reference of research reports and relevant economic data done by domestic and overseas main economic research institutes and professional investment institutions as well as adjusting policies based on the inflation in the future to avoid the material impact on the financial business in the Company caused by inflation.

2. The company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future

   (1) Engagement with high-risk and highly leveraged investments:
   The Company concentrates on the operation of our primary sector and emphasizes the R&D for the primary technology as well as the expansion of business marketing. We focus on steady operation as our principle and put sound financial development in the priority. Therefore, the Company did not engage with high risk and highly leveraged investments in the most recent fiscal year and up to the publication date of the annual report.

   (2) The main reasons for the profits/losses generated from the loans to other parties, endorsements, guarantees, and derivatives transactions, and response measures to be taken in the future:
   The engagement of loans to other parties, endorsements, guarantees, and derivatives transaction in the Company shall be handled by the content of regulations and response measures specified in "Procedure for Lending Funds to Other Parties", "Management of

Endorsement and Guarantees", "Procedures for Financial Derivatives Transactions", and "Table of Degree of Authority Delegated for Derivatives Transactions".

A. Loans to other parties: The Company does not involve with the situation of lending funds to other parties in the most recent year up to the publication date of the annual report.

B. Endorsements and guarantees: The amount of external guarantee endorsed by the Company in 2020 and 2021 was NT$ 309,754,000 and NT$ 248,350,000 respectively.

C. Derivatives transactions: The derivatives transactions carried out by the Company are mainly to avoid exchange rate risk generated from operating activities. Our trading objects are financial institutions with good credit records. In order to effectively control risks, the Company pays attention on the transaction and profit (loss) situations at any time as well as adopts necessary measures other than regularly evaluating whether the risk measures are appropriate.

3. Research and development work to be carried out in the future, and further expenditures expected for research and development work

(1) Future plans for research and development work:

A. Developing cloud computing server of high performance to satisfy the increasing computing demands from hyperscale data centers. We will plan to develop IT solutions required by hyperscale data centers to make sure more data centers enjoying the advantages of high-power efficiency, compact, and easy maintenance.

B. Defining design rules and selecting solutions for high-speed signal channel products (DDR5、PCIe gen 5) in the future.

C. Continue developing new products and technology that are able to assist large-scale data centers to optimize workloads for various applications and enable data centers to obtain the best total cost of ownership (TCO).

a. Continue developing high power supply products with low energy consumption and wider usage, such as converting the two-stage 48V power supply solution designed.

b. Develop new type of high-efficiency thermal system, such as phase conversion cooling system or immersion cooling system, and invest in immersion cooling system suppliers to collaborate in the planning and development of suitable immersion cooling system solutions for future cloud data centers.

D. Developing data center management solutions that are based on software defined technologies and resource pool sharing structure; implementing big data and deep learning architecture to help intelligent management in data centers.

E. Developing AI products that carry out real-time inference to satisfy deep learning; through distributed and modular design, using multiple servers to provide flexible graphics processing unit (GPU) configuration to reduce the cost of upgrading at the same time. Besides, we will support diverse application types and AI processing chips with higher efficiency to achieve high-efficiency AI servers as well as provide several cooling systems for customers to choose according to their different demands.

F. Development for MEC/5G: The Company actively invests in the cooperation and development related to network function virtualization infrastructure (NFVI) and expects to extend server products to wider application fields. In terms of the development on edge server, we use the next-generation chip to develop a series of short depth edge computing products with universal functions. This allows cloud service providers to easily deploy the edge server with telecommunication cloud computing function to provide a variety of choices in different fields for various customers. While the server is extended to the edge computing, the Company constructs the component with AI computing on the edge server to process applications related to AI. Besides, the service provided by cloud centers has also been pushed forward to edge computing in order to reduce latency to allow cloud service closer to end users. The Company will keep working with network communities, telecommunication operators, equipment providers, and the third-party developers to offer open or optimized solutions to our working partners or customers in order to speed up the time required for developing, deploying, or upgrading network.

(2) Further expenditures expected for research and development work:
The Company is planned to invest a R&D expense of NT$3.5billion in this fiscal year. Innovative R&D technology has always been the important cornerstone for the growth of the Company. In order to support the development of R&D plans, we will consider enhancing R&D expense step by step. Other than purchasing relevant materials and equipment for research and development, we will also continue recruiting R&D talents with abundant experiences and creativity to advance our R&D capability and enhance our market competitiveness.

4. Effect on the company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response:

The operation in the Company follows relevant laws and regulations at home and abroad. We also pay attention on the domestic and overseas policy development and the changes of regulations at any time and adopt proper response measures to establish relevant risk management procedure in order to fully control the change of market environment. In the most recent year and up to the publication date of the annual report, the changes of important policies and laws at home and abroad have no significant impact on the financial business in the Company.

5. Effect on the company's financial operations of developments in science and technology (including the risk of information security) as well as industrial change, and measures to be taken in response:

The Company values the cultivation of R&D talents and the development of product technology. We continue paying attention on market changes and relevant trends of technology development to control the movement in the industry to establish relevant strategies. We implement product design, mass production research, and systematic management with forward-looking technology and the development of innovative application in order to meet market demand and launch innovative products advance with times.
Due to the frequent ransomware again information security encountered by domestic and oversea technology manufacturers, we understand even though information security management and information security are important, they are not able to complete block out the possibility of information security incidents. Therefore, we must strengthen our responding and handling mechanism towards information security incidents. Based on this, our Company adopts the following two measures to cope the risk of information security:

(1) Join in the high-tech information security alliance organized by Taiwan Computer Emergency Response Team/ Coordination Center (TWCERT/CC) to access to information security warning information, information security threat, and vulnerability information to strengthen join defending capability.

(2) Establish the Information Security Committee to be in charge of the task of responding and handling information security incidents in order to enhance our responding and handling mechanism against information security incidents. We also set up a handling and reporting procedure for information security incidents, including judgement and determination of incidents, evaluation of impact and damage, and internal and external reporting procedure for fast stabilization and recovery after incidents and avoid significant financial impact.

In the most recent year and up to the publication date of the annual report, the changes of science and technology (including risk of information security) and the industrial changes have no significant impact to the financial operation of the Company.

6. Effect on the company's crisis management by the changes of the Company's corporate image, and measures to be taken in response:

   Since establishment, the Company has focused on the operation of our primary sector, followed relevant legal regulations, actively strengthened internal management, maintained good labor-management relationship, and carried on implementing corporate governance and perform our corporate social responsibility in order to maintain excellent corporate image and achieve the goal of sustainable operation. In the most recent fiscal year and up to the publication date of annual report, the Company does not involve with any situation that affects corporate image and put us under the crisis.

7. Expected benefits and possible risks associated with any merger and acquisitions, and mitigation measures being or to be taken:

   In the most recent year and up to the publication date of the annual report, the Company does not involve with any merger and acquisitions.

8. Expected benefits and possible risks associated with any plant expansion, and mitigation measures being or to be taken:

   To get close to the regional markets and spread risk of production capacity, our Company deployed the plant and equipment needed in our subsidiary in Mexico and carried out construction on lands and the plant in our subsidiary in Malaysia. They are expected to join the production in 2023 to satisfy the timely demands of products and services in America and in Asia.

   The capital expenditure at the plants in Mexico and in Malaysia have been carefully evaluated. It has been reported to the level of authority. All the investment benefits and potential risks have been fully considered.

9. Risks associated with any consolidation of sales or purchasing operations, and mitigation measures being or to be taken:

   (1) Purchasing:
   Part of production capacity in the Company is entrusted to our parent company, Wistron Corporation, for OEM. Therefore, the ratio of purchasing from Wistron Corporation is 26.82%. In addition, the Company deployed a factory and relevant equipment in Mexico in 2020 to spread risk in production capacity and transferred part of the production back as autonomous production. The ratio of purchasing from the supplier B was 14.65%, including main components of CPU, chips, hard drive, and SSD. The ratio of purchasing from the supplier C was 18.09% while the rest suppliers were all less than 10%. Wistron Corporation, supplier B, and supplier C all are global well-known manufacturers and work with the Company closely. Up to know, there is no supply shortage or interruption that affects the business in the Company. The risk of consolidation of purchasing is limited.

   (2) Sales:
   The Company provides products and system solutions to hyperscale data centers, and the main customers at the moment are global well-known cloud application service providers. In 2021, the main sales were to two group customers with a ratio of 49.94% and 39.14% respectively. The ratio of revenue from the rest customers was less than 10%, so there was a risk of consolidation of sales. However, the two group customers are world-leading big enterprises that provide for stable demand to wide users in the markets all over the world. In order to serve customers of world-leading data centers, the Company provides products that are customized and with high system integration ability to satisfy customers' demand. We also establish complete service system and process to increase added value and enlarge differentiation in order to enhance the threshold of entering to the market from competitors.

Besides, the Company's R&D ability, product quality, and after-sales service are highly recognized by customers in the world. The good reputation established is helpful for the continuous development of customers of cloud data center in different types and further reduces the risk of consolidation of sales. The Company has concrete consideration and plans for future business development and demands of potential customers. Therefore, the risk of consolidation of sales is limited.

10. Effect upon and risk to the company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the company has been transferred or has otherwise changed hands, and mitigation measures being or to be taken.
    The main shareholder who possesses more than 10% of shareholding of the Company, Wistron Corporation, disposed 12,523,000 shares of the Company that they possessed. Up to now, the ratio of shareholding from Wistron reduced from 44.85% to 37.69%. The transfer of shares has no significant to our Company.

11. Effect upon and risk to company associated with any change in governance personnel or top management, and mitigation measures being or to be taken: None.

12. Litigious and non-litigious matters. List major litigious, non-litigious or administrative disputes that involve the company and/or any company director, any company supervisor, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the company and that have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report.

    A. Major litigations, non-contentious cases or administrative disputes pending as of the publication date of the Company's most recent annual report are as followed:
        a. Alacritech Inc. filed a patent infringement complaint against the Company in the United States District Court-East District of Texas in June 2016. The Company had appointed an attorney to deal with the matter. Due to the involvement of patent right, it is still waiting for the review of American patent as well as investigation by Patent Trial and Appeal Board. The court has decided to suspend the procedure and will decide later for whether to continue when the result of patent review is available.
        b. Acqis LLC filed a patent infringement complaint against the Company in the United States District Court-West District of Texas in October 2020. The Company had appointed an attorney to deal with the matter, with the case is still pending in the court. The above are estimated to not be of material impact to the Company's operations, shareholders' equity rights or securities prices.

    B. Major litigations, non-contentious cases or administrative disputes of Wistron Corporation, a corporate director and shareholder of 10% or more of the Company's shares, pending as of the publication date of the Company's most recent annual report are as followed:
        In June of 2016, Alacritech filed an action against the Company in the United States District Court for the Eastern District of Texas. The accused products are servers and network interface devices. The litigation has been stayed pending the decision of the US Patent Trial and Appeal Board to review the validity of Alacritech's patent claims.

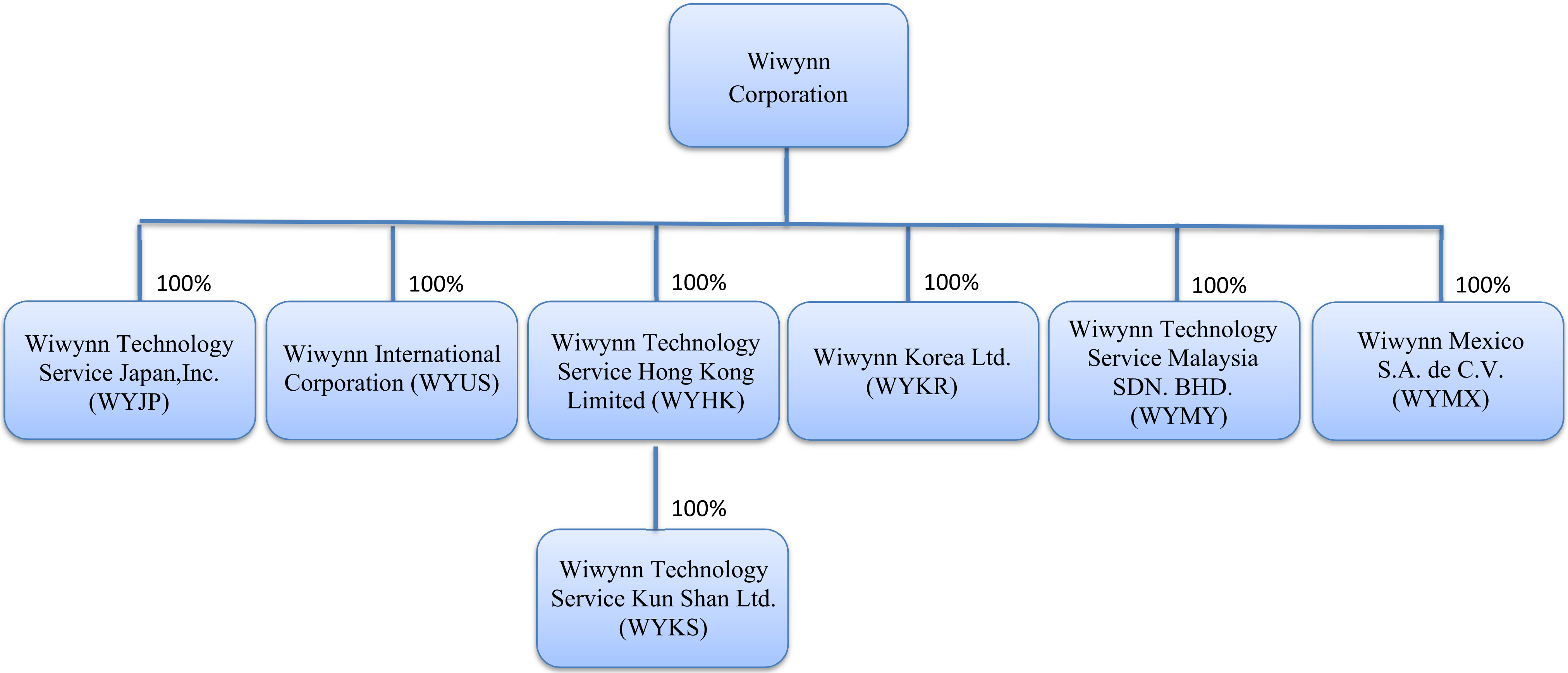
13. Other important risks, and mitigation measures being or to be taken: None.

7.7 Other important matters: None.

VIII. Special Disclosure

8.1 Summary of the affiliates

8.1.1 Organizational chart of the affiliates (As of December 31, 2021)



8.1.2 Backgrounds of the affiliates:

Dec. 31, 2021
Unit: NT$ thousand

Name of affiliates	Incorporation date	Address	paid-in capital	Main business items
Wiwynn Technology Service Japan, Inc. (WYJP)	2013.03.01	Japan	6,620	Sales of electronic products
Wiwynn International Corporation (WYUS)	2013.02.11	USA	5,021,581	Sales of electronic products
Wiwynn Technology Service Hong Kong Limited (WYHK)	2013.09.11	Hong Kong.	12,181	Investment activities for shareholding and sales of electronic products
Wiwynn Korea Ltd. (WYKR)	2016.05.03	Korea	2,903	Sales of electronic products
Wiwynn Technology Service Malaysia Sdn. Bhd. (WYMY)	2017.07.13	Malaysia	236,340	Sales of electronic products
Wiwynn Mexico S.A. de C.V. (WYMX)	2019.02.14	Mexico	257,125	Human resource service provision
Wiwynn Technology Service Kun Shan Ltd. (WYKS)	2014.02.12	China	10,659	Sales of electronic products

8.1.3 For companies presumed to have a relationship of control and subordination under Article 369-3 of the Law: None.

8.1.4 The industries covered by the business operated by the affiliates overall:

Businesses operated in the Company and in the whole affiliates include the following products, semi-products and the peripheral equipment as well as the research, development, design, testing, and sales of components. On the whole, affiliates create the greatest results through the job allocation and support of sales and services provided among affiliates.

1. Computer and peripheral Equipment
2. Data storage media
3. Electrical appliances and audiovisual electronic products
4. Information software
5. Management consulting
6. Information software services
7. Data processing service
8. Concurrent operation of business related to the importing and exporting transaction in the Company.

8.1.5 The names of the directors, supervisors, and general manager of each affiliate and the details of their shareholding:

Unit: shares, %

Name of affiliates	Title	Name/ Representative	Shareholding	
			Shares	%
Wiwynn Technology Service Japan, Inc. (WYJP)	Director	Sunlai Chang	0	0.00%
	Director	Steven Lu	0	0.00%
Wiwynn International Corporation (WYUS)	Director	Sunlai Chang	0	0.00%
	Director	Robin Wang	0	0.00%
	Director	Joseph Hsu	0	0.00%
Wiwynn Technology Service Hong Kong Limited (WYHK)	Director	Sunlai Chang	0	0.00%
	Director	Steven Lu	0	0.00%
Wiwynn Korea Ltd. (WYKR)	Director	Sunlai Chang	0	0.00%
	Director	Steven Lu	0	0.00%
Wiwynn Technology Service Malaysia SDN. BHD. (WYMY)	Director	Joe Chiao	0	0.00%
	Director	Robin Wang	0	0.00%
	Director	LIM YEE TENG	0	0.00%
Wiwynn Mexico S.A. de C.V.(WYMX)	Director	Emily Hong	0	0.00%
	Director	Robin Wang	0	0.00%
	Director	Joseph Hsu	0	0.00%
Wiwynn Technology Service Kun Shan Ltd. (WYKS)	Director	Steven Lu	0	0.00%
	Supervisor	Harry Chen	0	0.00%

8.1.6 Financial Condition and Performance of the affiliates:

December 31st, 2021
Unit: NT$ thousand

Name of affiliates	Paid-in Capital	Total Assets	Total Liabilities	Net Worth	Operating Revenues	Operating Income	Net profit (after-tax)	Earnings Per Share ($NT dollars)
Wiwynn Technology Service Japan, Inc. (WYJP)	6,620	682,351	492,051	190,300	2,695,948	89,245	57,027	142.57
Wiwynn International Corporation (WYUS)	5,021,581	47,589,000	42,493,955	5,095,045	146,287,542	458,273	182,998	0.00
Wiwynn Technology Service Hong Kong Limited (WYHK)	12,181	215,764	6,527	209,237	389,509	11,481	21,865	0.05
Wiwynn Korea Ltd. (WYKR)	2,903	595,019	462,094	132,925	2,619,485	77,917	61,348	3.07
Wiwynn Technology Service Malaysia SDN. BHD. (WYMY)	236,340	232,596	0	232,596	0	(191)	(82)	0.00
Wiwynn Mexico S.A. de C.V.(WYMX)	257,125	820,739	552,949	267,790	927,850	71,678	31,469	0.00
Wiwynn Technology Service Kun Shan Ltd. (WYKS)	10,659	481,766	389,258	92,508	652,224	18,656	14,699	0.04

8.1.7 Representation Letter:

Representation Letter

The entities that are required to be included in the combined financial statements of Wiwynn Corporation as of and for the year of 2021 (from January 1st, 2021 to December 31st, 2021) under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 endorsed by the financial Supervisory Commission. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Wiwynn Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Wiwynn Corporation

Chairman: Simon Lin

Date: February 25th, 2022

8.1.8 Affiliation Report:

Declaration

We hereby declare that our company's 2021 relationship report (from January 1st, 2021 to December 31st, 2021) was prepared in accordance with the "Criteria Governing Preparation of Affiliation Reports, consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises”. The disclosed information is not materially different from that disclosed in the notes of our financial statements from the aforementioned period.

Hereby Declared

Company name: Wiwynn Corporation

Chairman: Simon Lin

Date: February 25th, 2022

Conclusion of audit review on the affiliation report from the CPAs

To Wiwynn Corporation,

The affiliation report for 2021 fiscal year prepared by Wiwynn Corporation according to "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" (hereinafter referred to as the preparation criteria) has been audited and reviewed by the certified public accountants in the Company on the relevant information between the financial information specified in the report and the information disclosed in the financial statement footnotes during above period. The conclusion of audit review is issued according to the preparation criteria.

According to the opinion from the certified public accountant, there is no major inconsistence between the information disclosed in the affiliation report for 2021 fiscal year prepared by Wiwynn Corporation and the information disclosed in the financial statement footnotes during above period. There is no violation of preparation criteria found.

Sincerely,

Wiwynn Corporation

KPMG Taiwan

Certified Public Accountant:

TANG, CHIA-CHIEN

HUANG, MING-HUNG

February 25th, 2022

Affiliation Report

1. Information of the relationship between the subordinate company and the controlling company

December 31st, 2021

Name of the controlling company	Reasons of control	State of shareholding and pledge by the controlling company			Director, supervisor, or manager assigned by the controlling company	
		Share held (shares)	Shareholding ratio (%)	Shares Pledged (shares)	Job title	Name
Wistron Corporation	Possession of the Company's 42.26% outstanding ordinary shares by December 31st, 2021	73,895,129	42.26%	0	Chairman	Simon Lin
					Director	Frank Lin

2. Transaction of purchase and sales

December 31st, 2020; NT$ Thousand; %

Transaction between the controlling company				Payment terms with the controlling company		General payment terms		Cause of discrepancy	Accounts and notes receivable (payable)		Overdue accounts receivable			Remark
Purchase (Sales)	Amount	Ratio of total purchases (sales)	Gross profit on sales	Unit (dollar)	Payment Terms	Unit (dollar)	Payment Terms		Ending balance	Ratio of total accounts and notes receivable (payable)	Amount	Handling method	Allowance for bad debts	
Sale	43,914	0.06	170-8,721	–	OA90	–	–	(Note 1)	41,598	0.17	–	–	–	–
Purchase	54,448,632	84.26	–	–	OA45	–	–	(Note 2)	(8,276,236)	(80.78)	–	–	–	–

Note 1: Sales price and payment terms are determined by the economic environment and market competition in each area for sales; the sales price, payment terms and collection terms do not have significant difference with general sales.
Note 2: Purchase price is unable to be compared with general transaction price due to the different product specification.

3. State of property transaction: None.

4. State of financing: None.

5. State of asset lease: None.

6. State of other transactions:

(1) The operating expense generated from the testing service purchased for R&D and counselling service provided to the Company in 2021 between the Company and Wistron Corporation was NT$393,802,000.

(2) The outstanding balance by the end of the period generated from other accounts receivable due to the purchase of raw material and disbursement in 2021 between the Company and Wistron Corporation was NT$35,916,000.

(3) The outstanding balance by the end of the period generated from other accounts payable due to the purchase of raw material, advance payment on business trip, and testing service provided to the Company in 2021 between the Company and Wistron Corporation was NT$54,179,000.

7. State of guarantees and endorsements: None.

8.2 The Company has carried out a private placement of securities during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: None.

8.3 Holding or disposal of shares in the company by the Company's subsidiaries during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: None.

8.4 Other matters that require additional description: None.

8.5 If any of the situations listed in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the company's securities, has occurred during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: None.

Attachment 1

2021 Consolidated Financial Statements

Stock Code:6669

WIWYNN CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

With Independent Auditors' Report
for the Years Ended December 31, 2021 and 2020

Address: 8F, No. 90, Sec.1, Xintai 5th Rd., Xizhi Dist., New Taipei City, Taiwan
Telephone: (02)6615-8888

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

Table of contents

Contents	Page

Representation Letter

The entities that are required to be included in the combined financial statements of Wiwynn Corporation as of and for the year ended December 31, 2021 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 "Consolidated Financial Statements." endorsed by the Financial Supervisory Commission of Republic of China. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Wiwynn Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Wiwynn Corporation
Chairman: Simon Lin
Date: February 25, 2022

安侯建業聯合會計師事務所
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網 址 Web home.kpmg/tw

Independent Auditors' Report

To the Board of Directors of Wiwynn Corporation:

Opinion

We have audited the consolidated financial statements of Wiwynn Corporation and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Revenue recognition

   Refer to note 4(n) "Revenue" and note 6(r) to the consolidated financial statements for the disclosure of revenue recognition.

Description of key audit matter

The Group is a listed Company in related to public interest, and the investors are highly expecting the financial performance, resulting in revenue recognition is one of the key judgmental areas of our audit.

How the matter was addressed in our audit

Our principal audit procedures included testing of the design and implement of controls over sales and collection of receivable transactions; evaluate if there is any significant abnormal changes through performing trend analysis on top 10 customers by comparing the related changes or differences; assessing and testing if the management obtained sufficient external evidence showing that the control of the products have been transferred to the customers to support the timing of revenue recognition; evaluating the adequacy of revenues recognition by testing the sale transactions during the period before and after the balance sheets date.

2. Inventory valuation

Refer to note 4(h) "Inventories", note 5 "Significant accounting assumptions and judgments, and major sources of estimation uncertainty" and note 6(d) to the consolidated financial statements for the disclosure of valuation of inventory.

Description of key audit matter

Inventories are stated at the lower of cost or net realizable value. With the rapid development of technology, the advance of new electronic products may significantly change consumer demands, which leads to product obsolescence that may result in the cost of inventory to be higher than the net realizable value. Consequently, the valuation of inventories has been identified as one of the key Judgmental areas of our audit.

How the matter was addressed in our audit

Our principal audit procedures included analyze the change of inventory aging by assessing and testing the inventory aging report, understanding the sales price which is used to evaluate the inventory valuation by management and the subsequent market price information as well as selecting the original transition documentation in order to test the appropriateness of the net realize values reviewing if the estimation and assumption used for inventory valuation and other disclosure for inventories made by management were appropriateness.

Other Matter

Wiwynn Corporation has prepared its parent-company-only financial statements as of and for the years ended December 31, 2021 and 2020, on which we have issued an unmodified opinion.

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

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

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

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

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

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

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

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Chia-Chien Tang and Ming-Hung Huang.

KPMG

Taipei, Taiwan (Republic of China)
February 25, 2022

Notes to Readers

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

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

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

Wiwynn Corporation and Subsidiaries

Consolidated Balance Sheets

December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan dollars)

		December 31, 2021		December 31, 2020	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 22,672,892	27	23,169,231	42
1170	Accounts receivable, net (notes 6(b)(r))	12,722,591	15	7,827,082	14
1180	Accounts receivable-related parties, net (notes 6(b)(r) and 7)	443,538	1	340,218	1
1200	Other receivables (note 6(c))	3,819	-	3,166	-
1210	Other receivables-related parties (notes 6(c) and 7)	381,301	-	588,047	1
130X	Inventories (note 6(d))	45,383,451	54	19,827,729	36
1479	Other current assets (note 6(i))	417,411	-	1,011,905	2
	Total current assets	82,025,003	97	52,767,378	96
	Non-current assets:				
1550	Investments accounted for using equity method (note 6(e))	250,091	-	-	-
1600	Property, plant and equipment (notes 6(f) and 7)	1,038,420	2	951,781	2
1755	Right-of-use assets (notes 6(g) and 7)	671,526	1	377,227	1
1780	Intangible assets (notes 6(h) and 7)	98,732	-	64,602	-
1840	Deferred tax assets (note 6(n))	304,534	-	419,083	1
1990	Other non-current assets (notes 6(i) and 8)	349,152	-	144,094	-
	Total non-current assets	2,712,455	3	1,956,787	4
	Total assets	$ 84,737,458	100	54,724,165	100

		December 31, 2021		December 31, 2020	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term borrowings (note 6(j))	$ 21,265,920	25	5,359,504	10
2130	Contract liabilities-current (note 6(r))	3,360,972	4	2,297,417	4
2170	Notes payable and accounts payable	8,972,367	11	2,761,327	5
2180	Accounts payable-related parties (note 7)	9,306,964	11	9,758,171	18
2200	Other payables (note 6(s))	2,374,998	3	2,516,597	4
2220	Other payables-related parties (note 7)	79,652	-	148,666	-
2230	Current tax liabilities	999,370	1	1,509,458	3
2280	Lease liabilities-current (notes 6(l) and 7)	138,700	-	105,132	-
2399	Other current liabilities	666,890	1	343,433	1
	Total current liabilities	47,165,833	56	24,799,705	45
	Non-current liabilities:				
2530	Bonds payable (note 6(k))	9,436,448	11	4,991,783	9
2570	Deferred tax liabilities (note 6(n))	219,246	-	134,642	-
2580	Lease liabilities-non-current (notes 6(l) and 7)	532,315	1	275,205	1
2640	Net defined benefit liabilities-non-current (note 6(m))	13,590	-	8,907	-
	Total non-current liabilities	10,201,599	12	5,410,537	10
	Total liabilities	57,367,432	68	30,210,242	55
	Equity (notes 6(e)(m)(n)(o)(p)):				
3110	Common shares	1,748,408	2	1,748,408	3
3200	Capital surplus	8,817,380	10	8,817,380	16
3300	Retained earnings	17,235,258	20	14,186,029	26
3400	Other equity	(431,020)	-	(237,894)	-
	Total equity	27,370,026	32	24,513,923	45
	Total liabilities and equity	$ 84,737,458	100	54,724,165	100

See accompanying notes to consolidated financial statements.

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

Wiwynn Corporation and Subsidiaries

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2021 and 2020

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

		2021		2020	
		Amount	%	Amount	%
4000	**Operating revenue (notes 6(r) and 7)**	$192,625,942	100	186,927,647	100
5000	**Operating costs (notes 6(d)(f)(g)(h)(l)(m)(s), 7 and 12)**	177,004,761	92	171,626,518	92
	Gross profit from operations	15,621,181	8	15,301,129	8
	Operating expenses (notes 6(b)(f)(g)(h)(l)(m)(s), 7 and 12):				
6100	Selling expenses	936,512	1	1,228,494	1
6200	Administrative expenses	835,779	-	658,157	-
6300	Research and development expenses	2,459,313	1	2,179,233	1
6450	Expected credit loss (gain)	2,501	-	(6,609)	-
	Total operating expenses	4,234,105	2	4,059,275	2
	Net operating income	11,387,076	6	11,241,854	6
	Non-operating income and expenses (notes 6(e)(f)(g)(k)(l)(t) and 7):				
7100	Interest income	61,593	-	38,984	-
7010	Other income	48	-	76	-
7020	Other gains and losses	(64,374)	-	(89,179)	-
7050	Finance costs	(356,154)	-	(304,316)	-
7370	Share of associates and joint ventures accounted for using equity method	(32,120)	-	-	-
	Total non-operating income and expenses	(391,007)	-	(354,435)	-
7900	**Income before tax**	10,996,069	6	10,887,419	6
7950	**Income tax expense (note 6(n))**	2,348,057	1	2,277,762	1
	Net income	8,648,012	5	8,609,657	5
8300	**Other comprehensive income (notes 6(e)(m)(n)(o)):**				
8310	**Items that may not be reclassified subsequently to profit or loss**				
8311	Loss on remeasurements of defined benefits plans	(4,848)	-	(6,121)	-
8349	Income tax related to items that may not be reclassified to profit or loss	970	-	1,224	-
	Total items that may not be reclassified subsequently to profit or loss	(3,878)	-	(4,897)	-
8360	**Items that may be reclassified subsequently to profit or loss**				
8361	Exchange differences on translation of foreign financial statements	(193,126)	-	(291,808)	-
8399	Income tax related to items that may be reclassified to profit or loss	-	-	-	-
	Total items that may be reclassified subsequently to profit or loss	(193,126)	-	(291,808)	-
8300	**Other comprehensive income (net of tax)**	(197,004)	-	(296,705)	-
8500	**Total comprehensive income**	**$ 8,451,008**	**5**	**8,312,952**	**5**
	Profit attributable to:				
8610	Owners of parent	**$ 8,648,012**	**5**	**8,609,657**	**5**
	Comprehensive income attributable to:				
8710	Owners of parent	**$ 8,451,008**	**5**	**8,312,952**	**5**
	Earnings per share (expressed in New Taiwan dollars) (note 6(q))				
9750	**Basic earnings per share**	**$ 49.46**		**49.25**	
9850	**Diluted earnings per share**	**$ 49.28**		**48.98**	

See accompanying notes to consolidated financial statements.

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

Wiwynn Corporation and Subsidiaries

Consolidated Statements of Changes in Equity

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan dollars)

			Retained earnings				Other equity	
	Common shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Total equity
Balance on January 1, 2020	$ 1,746,368	8,816,183	752,956	-	8,849,444	9,602,400	53,914	20,218,865
Appropriation and distribution of retain earnings:								
Legal reserve	-	-	616,925	-	(616,925)	-	-	-
Cash dividends	-	-	-	-	(4,021,131)	(4,021,131)	-	(4,021,131)
Net income	-	-	-	-	8,609,657	8,609,657	-	8,609,657
Other comprehensive income	-	-	-	-	(4,897)	(4,897)	(291,808)	(296,705)
Total comprehensive income	-	-	-	-	8,604,760	8,604,760	(291,808)	8,312,952
Issue of common shares-employee stock options	2,040	1,197	-	-	-	-	-	3,237
Balance on December 31, 2020	1,748,408	8,817,380	1,369,881	-	12,816,148	14,186,029	(237,894)	24,513,923
Appropriation and distribution of retain earnings:								
Legal reserve	-	-	860,476	-	(860,476)	-	-	-
Special reserve	-	-	-	237,894	(237,894)	-	-	-
Cash dividends	-	-	-	-	(5,594,905)	(5,594,905)	-	(5,594,905)
Net income	-	-	-	-	8,648,012	8,648,012	-	8,648,012
Other comprehensive income	-	-	-	-	(3,878)	(3,878)	(193,126)	(197,004)
Total comprehensive income	-	-	-	-	8,644,134	8,644,134	(193,126)	8,451,008
Balance on December 31, 2021	**$ 1,748,408**	**8,817,380**	**2,230,357**	**237,894**	**14,767,007**	**17,235,258**	**(431,020)**	**27,370,026**

See accompanying notes to consolidated financial statements.

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

Wiwynn Corporation and Subsidiaries

Consolidated Statements of Cash Flows

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan dollars)

	2021	2020
Cash flows from (used in) operating activities:		
Income before tax	$ 10,996,069	10,887,419
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	505,835	371,292
Amortization expense	41,946	19,350
Expected credit loss (gain)	2,501	(6,609)
Net gains on financial assets or liabilities at fair value through profit or loss	(35,697)	(436,049)
Interest expense	356,154	304,316
Interest income	(61,593)	(38,984)
Share of loss of associates and joint ventures accounted for using equity method	32,120	-
Losses (gains) on disposal of property, plant and equipment	(503)	95
Prepayments for equipment reclassified as expenses	2,181	186
Lease modification losses (gains)	(3,119)	313
Total adjustments to reconcile profit	839,825	213,910
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease in financial assets mandatorily measured at fair value through profit or loss-current	35,697	436,049
Decrease (increase) in accounts receivable, net	(5,053,598)	5,628,430
Decrease (increase) in accounts receivable-related parties, net	(103,320)	75,714
Decrease (increase) in other receivable	(653)	2,634
Decrease in other receivable-related parties	186,630	1,734,239
Increase in inventories	(26,689,003)	(3,394,994)
Decrease (increase) in other current assets	596,814	(498,840)
Total changes in operating assets	(31,027,433)	3,983,232
Changes in operating liabilities:		
Increase in contract liabilities-current	1,063,555	1,435,914
Increase (decrease) in notes and accounts payable	6,320,769	(4,086,436)
Increase (decrease) in accounts payable-related parties	(21,824)	3,105,001
Increase in other payable	333,116	440,006
Decrease in other payable-related parties	(69,014)	(59,222)
Increase in other current liabilities	334,872	96,938
Decrease in net defined benefit liabilities	(165)	(84)
Total changes in operating liabilities	7,961,309	932,117
Total changes in operating assets and liabilities	(23,066,124)	4,915,349
Total adjustments	(22,226,299)	5,129,259
Cash inflow generated from (used in) operations	(11,230,230)	16,016,678
Interest received	60,808	37,341
Interest paid	(334,181)	(303,088)
Income taxes paid	(2,708,854)	(1,658,747)
Net cash flows from (used in) operating activities	(14,212,457)	14,092,184
Cash flows from (used in) investing activities:		
Acquisition of investments accounted for using equity method	(276,609)	-
Acquisition of property, plant and equipment	(333,376)	(387,276)
Proceeds from disposal of property, plant and equipment	4,562	-
Acquisition of intangible assets	(76,076)	(64,846)
Increase in other non-current assets	(180,716)	(1,136)
Increase in prepayments for equipment	(177,278)	(165,402)
Net cash used in investing activities	(1,039,493)	(618,660)
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	125,641,712	99,065,137
Decrease in short-term borrowings	(109,510,172)	(102,169,488)
Proceeds from issuing bonds	4,442,325	4,991,500
Cash dividends paid	(5,594,905)	(4,021,131)
Exercise of employee stock options	-	3,237
Payment of lease liabilities	(124,407)	(94,946)
Net cash flows from (used in) financing activities	14,854,553	(2,225,691)
Effect of exchange rate changes on cash and cash equivalents	(98,942)	(70,741)
Net increase (decrease) in cash and cash equivalents	(496,339)	11,177,092
Cash and cash equivalents at beginning of period	23,169,231	11,992,139
Cash and cash equivalents at end of period	**$ 22,672,892**	**23,169,231**

See accompanying notes to consolidated financial statements.

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

Wiwynn Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

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

(1) Company history

Wiwynn Corporation (the "Company") was incorporated on March 3, 2012, as a company limited by shares under the laws of the Republic of China (ROC). Wiwynn Corporation and subsidiaries (the Group) were engaged in research, development, design, testing and sales of abovementioned products, semi-products, peripheral equipments and parts:

(i) Computer and peripheral equipments

(ii) Data storage media

(iii) Electric appliances and media products

(iv) Information software

(v) Export business relating to the business of the Company

(vi) Management consult services

(vii) Information software services

(viii) Data processing services

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

The consolidated financial statements were authorized for issuance by the Board of Directors on February 25, 2022.

(3) New standards, amendments and interpretations adopted:

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

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

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

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

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

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

(Continued)

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(4) Summary of significant accounting policies:

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

(a) Statement of compliance

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

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis:

1) Financial instruments at fair value through profit or loss are measured at fair value;

2) The defined benefit liabilities are measured at fair value of the plan assets less the present value of the defined benefit obligation.

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Group. The Group ‘controls’ an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

(ii) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Shareholding December 31, 2021	Shareholding December 31, 2020	Description
The Company	Wiwynn Technology Service Japan, Inc. (WYJP)	Sales of data storage equipment	100 %	100 %	-
The Company	Wiwynn International Corporation (WYUS)	Sales of data storage equipment	100 %	100 %	-
The Company	Wiwynn Technology Service Hong Kong Limited (WYHK)	Investment activities and sale of data storage equipment	100 %	100 %	-
The Company	Wiwynn Korea Ltd. (WYKR)	Sales of data storage equipment	100 %	100 %	-
The Company	Wiwynn Technology Service Malaysia SDN. BHD. (WYMY)	Sales of data storage equipment	100 %	100 %	-
The Company	Wiwynn Mexico, S.A.de C.V. (WYMX)	Human resource service provision	100 %	100 %	-
WYHK	Wiwynn Technology Service KunShan Ltd. (WYKS)	Sales of data storage equipment	100 %	100 %	-

Note: the financial statements of the aforementioned subsidiaries were audited by the certified accountant.

(iii) List of subsidiaries which are not included in the consolidated financial statements: None.

(d) Foreign currency

(i) Foreign currency transaction

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Nonmonetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

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

- an investment in equity securities designated as at fair value through other comprehensive income;

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- qualifying cash flow hedges to the extent that the hedges are effective.

(ii) Foreign operations

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

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

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

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

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

(i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be realized within twelve months after the reporting period; or

(iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

An entity shall classify a liability as current when:

(i) It is expected to be settled in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(Continued)

(iii) It is due to be settled within twelve months after the reporting period; or

(iv) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash comprises cash on hand and cash in bank. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(g) Financial instruments

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

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

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

1) Financial assets measured at amortized cost

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

·it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

·its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

2) Fair value through other comprehensive income (FVOCI)

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

· it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

· its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

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

3) Fair value through profit or loss (FVTPL)

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

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

(Continued)

4) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, accounts receivable, other receivable, refundable deposits and other financial assets), debt investments measured at FVOCI and contract assets.

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

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

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

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

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

The Group holds time deposits for domestic financial institutions, and it is considered to be low credit risk.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 60 days past due.

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

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

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

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

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

(Continued)

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

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

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

5) Derecognition of financial assets

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

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

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

3) Financial liabilities

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

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

4) Derecognition of financial liabilities

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

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

5) Offsetting of financial assets and liabilities

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

(iii) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

(h) Inventories

Inventories are measured individually at the lower of cost and net realizable value. The standard cost method is adopted for inventory costing and the difference between standard cost and actual cost is allocated proportionately to inventory except for an unfavorable variance from normal capacity. Net realizable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses at the end of the period.

(Continued)

(i) Investment in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over their financial and operating policies.

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

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Group, from the date on which significant influence commences until the date on which significant influence ceases. The Group recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual proportionate share.

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

(j) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent cost

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

(iii) Depreciation

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

(Continued)

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

1) Research and developments equipment: 3~5 years

2) Machinery and equipment: 4~6 years

3) Office equipment: 2~4 years

4) Lease improvements: 3 years

5) Other equipment: 4 years

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

(k) Lease

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

(i) As a leasee

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

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

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

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

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

(Continued)

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

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise a extension or termination option; or
- there is any lease modifications

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

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

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

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of short-term lease that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(l) Intangible assets

(i) Recognition and measurement

Intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

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

(iii) Amortization

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

Intangible assets is software. Amortization is recognized in profit or loss on a straight-line basis 3 years for the estimated useful lives of intangible assets, from the date that they are available for use.

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

(m) Impairment of non-financial assets

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

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

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell.

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

Impairment losses are recognized in profit or loss. They are reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

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

(n) Revenue

(i) Revenue from contracts with customers

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

(Continued)

1) Sale of goods

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

The Group provides customers with the extended warranty. This kind of contract contains two performance obligations and, therefore, the transaction price is allocated to each performance obligation on a relative stand-alone selling price basis. Management estimates the stand-alone selling prices at contract inception based on the observable prices at which the Group would sell the product and the extended warranty separately in similar circumstances and to similar customers.

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

2) Financing components

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

(o) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plan

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

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

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

(iii) Short-term employee benefits

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

(p) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

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

Grant date of a share-based payment award is the date which reach a consciences about price and number of a new award between the Group and employee

(q) Income taxes

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

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

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

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

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

(iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

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

(i) The Group has a legally enforceable right to set off current tax assets against current tax liabilities; and

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

    1) the same taxable entity; or

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

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

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

(r) Earnings per share

The Group discloses the Company’ s basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as employee stock options and employee compensation.

(s) Operating segments

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

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

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

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

Information about judgments made in applying accounting policies do not have significant effects on the amounts recognized in the consolidated financial statements.

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

Valuation of inventories

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

(Continued)

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash on hand	$ 580	562
Demand and checking deposits	14,672,312	18,168,669
Time deposits	8,000,000	5,000,000
	$ 22,672,892	23,169,231

Please refer to note 6(u) for the sensitivity analysis and interest rate risk of the financial assets and liabilities of the Group.

(b) Accounts receivable

	December 31, 2021	December 31, 2020
Accounts receivable—measured at amortized cost	$ 12,447,844	6,655,061
Accounts receivable-related parties—measured at amortized cost	443,538	340,218
Accounts receivable—measured at fair value through other comprehensive income	279,433	1,174,206
Less: loss allowance	(4,686)	(2,185)
	$ 13,166,129	8,167,300

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

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

	December 31, 2021		
	Gross carrying amount	Weighted - average loss rate	Loss allowance
Current	$ 13,008,275	-	-
Past due under 30 days	69,838	-	-
Past due 31 to 60 days	4	-	-
Past due 61 to 90 days	92,669	5%	4,657
Past due over 361 days	29	100%	29
Total	$ 13,170,815		4,686

(Continued)

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2020		
	Gross carrying amount	Weighted - average loss rate	Loss allowance
Current	$ 8,121,956	-	-
Past due under 30 days	36,051	-	-
Past due 31 to 60 days	1,755	-	-
Past due 61 to 90 days	7,127	5%	343
Past due 91 to 180 days	2,596	71%	1,842
Total	$ 8,169,485		2,185

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

	2021	2020
Balance on January 1	$ 2,185	8,794
Impairment losses recognized	41,686	2,190
Impairment losses reversed	(39,185)	(8,799)
Balance on December 31	$ 4,686	2,185

As of December 31, 2021 and 2020, the accounts receivable were not pledged.

For further credit risk information, please refers to note 6(u).

The Group entered into separate factoring agreements with different financial institutions to sell its trade receivables. Under the agreements, the Group does not have the responsibility to assume the default risk of the transferred trade receivables but is liable for the losses incurred on any business dispute. The Group derecognized the above trade receivables because it has transferred substantially all of the risks and rewards of their ownership, and it does not have any continuing involvement in them. As of December 31, 2021 and 2020, the Group sold its accounts receivable without recourse as follows:

Unit: USD in thousands

December 31, 2021						
Purchaser	Assignment Facility	Amount Advanced Unpaid	Amount Advanced Paid	Amount Recognized in Other Receivables	Range of Interest Rate	Collateral
Financial institutions	$ 908,329	44 (Note)	908,329	-	0.50%-0.98%	None

(Continued)

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

December 31, 2020						
Purchaser	**Assignment Facility**	**Amount Advanced Unpaid**	**Amount Advanced Paid**	**Amount Recognized in Other Receivables**	**Range of Interest Rate**	**Collateral**
Financial institutions	$ 425,454	223,648 (Note)	425,454	-	0.62%-3.65%	None

(Note): For vender financing transactions, the factoring credit limit was the credit line that the financial institution provided to the Group's client.

(c) Other receivables

	December 31, 2021	December 31, 2020
Other receivables	$ 3,819	3,166
Other receivables - related parties	381,301	588,047
Less: loss allowance	-	-
	$ 385,120	591,213

For further credit risk information, please refers to note 6(u).

(d) Inventories

	December 31, 2021	December 31, 2020
Raw materials	$ 31,420,396	10,012,269
Finished goods	12,450,813	7,912,712
Inventory in transit	1,512,242	1,902,748
	$ 45,383,451	19,827,729

Except cost of goods sold, the remaining gains or losses which were recognized as cost sales were as follow:

	2021	2020
Losses on valuation of inventories	$ 144,052	39,228
Royalty	33,901	50,390
Others	(8,656)	(35)
	$ 169,297	89,583

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

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(e) Investments accounted for using equity method

The components of investments accounted for using the equity method at the reporting date were as follows:

	December 31, 2021	December 31, 2020
Associates	$ 250,091	-

(i) Associates

On March, 2021, the Group acquired 20% amounted to 1,000 thousand shares of LiquidStack Holding B.V. (LiquidStack) for $276,609 thousand (USD 10,000 thousand) in cash, resulting in the Group to have significant influence over LiquidStack Holding B.V.

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

Name of associate	Nature of Relationship with the Group	Main operating location / Registered Country of the Company	Proportion of Shareholding and voting rights December 31, 2021	Proportion of Shareholding and voting rights December 31, 2020
LiquidStack Holding B.V.	Sales and R&D of data storage equipment	Netherlands	20 %	- %

The Group's financial information on investments accounted for using the equity method that are individually insignificant was as follows. This financial information is included in the consolidated financial statements.

	December 31, 2021
Carrying amount of individually insignificant associates' equity	$ 250,091

	2021
Attributable to the Group:	
Profit (loss) from continuing operations	(32,120)
Other comprehensive (loss) income	5,602
Comprehensive income	(26,518)

(ii) Pledge

As of December 31, 2021, the investments accounted for using equity method were not pledged.

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(f) Property, plant and equipment

The cost and accumulated depreciation of the property, plant and equipment of the Group for the years ended December 31, 2021 and 2020, were as follows:

	Research and development equipment	Machinery and equipment	Office equipment	Lease improvements	Other equipment	Construction in progress	Total
Cost or deem cost:							
Balance on January 1, 2021	$ 143,104	739,973	107,132	226,819	282,361	13,968	1,513,357
Additions	23,542	29,767	58,013	52,030	119,802	50,222	333,376
Disposals	(244)	(815)	(3,026)	(8,803)	(5,584)	-	(18,472)
Reclassification (Note)	19,404	17,101	8,338	5,311	118,341	(23,062)	145,433
Effect of changes in foreign exchange rates	-	(1,272)	(1,855)	-	(4,873)	(1,072)	(9,072)
Balance on December 31, 2021	**$ 185,806**	**784,754**	**168,602**	**275,357**	**510,047**	**40,056**	**1,964,622**
Balance on January 1, 2020	$ 120,084	455,663	63,214	186,061	176,293	-	1,001,315
Additions	18,820	209,580	43,966	40,758	59,676	14,476	387,276
Disposals	-	-	(1,536)	-	-	-	(1,536)
Reclassification (Note)	4,200	76,736	3,068	-	49,269	-	133,273
Effect of changes in foreign exchange rates	-	(2,006)	(1,580)	-	(2,877)	(508)	(6,971)
Balance on December 31, 2020	**$ 143,104**	**739,973**	**107,132**	**226,819**	**282,361**	**13,968**	**1,513,357**
Accumulated depreciation:							
Balance on January 1, 2021	$ 99,573	124,079	42,538	102,635	192,751	-	561,576
Depreciation	19,353	133,534	29,661	80,079	119,363	-	381,990
Disposals	(243)	(475)	(2,917)	(8,803)	(1,975)	-	(14,413)
Effect of changes in foreign exchange rates	-	(562)	(498)	-	(1,891)	-	(2,951)
Balance on December 31, 2021	**$ 118,683**	**256,576**	**68,784**	**173,911**	**308,248**	**-**	**926,202**
Balance on January 1, 2020	$ 84,640	20,297	29,074	40,209	108,928	-	283,148
Depreciation	14,933	104,503	15,425	62,426	85,323	-	282,610
Disposals	-	-	(1,441)	-	-	-	(1,441)
Effect of changes in foreign exchange rates	-	(721)	(520)	-	(1,500)	-	(2,741)
Balance on December 31, 2020	**$ 99,573**	**124,079**	**42,538**	**102,635**	**192,751**	**-**	**561,576**
Carrying value:							
Balance on December 31, 2021	**$ 67,123**	**528,178**	**99,818**	**101,446**	**201,799**	**40,056**	**1,038,420**
Balance on December 31, 2020	**$ 43,531**	**615,894**	**64,594**	**124,184**	**89,610**	**13,968**	**951,781**
Balance on January 1, 2020	**$ 35,444**	**435,366**	**34,140**	**145,852**	**67,365**	**-**	**718,167**

(Note): Reclassified from prepayment for equipment and construction in progress reclassified to other equipment.

As of December 31, 2021 and 2020, the property, plant and equipment were not pledged.

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(g) Right-of-use assets

The Group leases buildings and other equipment. Information about leases for which the Group has been a lessee is presented below:

		Buildings	Other equipment	Total
Cost:				
Balance on January 1, 2021	$	528,712	5,620	534,332
Acquisitions		444,965	-	444,965
Disposals		(36,114)	(292)	(36,406)
Effect of changes in foreign exchange rates		(21,235)	(19)	(21,254)
Balance on December 31, 2021	$	**916,328**	**5,309**	**921,637**
Balance on January 1, 2020	$	471,846	5,664	477,510
Acquisitions		111,078	-	111,078
Disposals		(34,307)	-	(34,307)
Effect of changes in foreign exchange rates		(19,905)	(44)	(19,949)
Balance on December 31, 2020	$	**528,712**	**5,620**	**534,332**
Accumulated depreciation:				
Balance on January 1, 2021	$	155,469	1,636	157,105
Depreciation for the year		122,650	1,195	123,845
Disposals		(27,978)	(273)	(28,251)
Effect of changes in foreign exchange rates		(2,575)	(13)	(2,588)
Balance on December 31, 2021	$	**247,566**	**2,545**	**250,111**
Balance on January 1, 2020	$	88,285	410	88,695
Depreciation for the year		87,435	1,247	88,682
Disposals		(19,836)	-	(19,836)
Effect of changes in foreign exchange rates		(415)	(21)	(436)
Balance on December 31, 2020	$	**155,469**	**1,636**	**157,105**
Carrying amount:				
Balance on December 31, 2021	$	**668,762**	**2,764**	**671,526**
Balance on December 31, 2020	$	**373,243**	**3,984**	**377,227**
Balance at January 1, 2020	$	**383,561**	**5,254**	**388,815**

(Continued)

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(h) Intangible assets

The cost and accumulated amortization of the intangible assets for the years ended December 31, 2021 and 2020, were as follows:

	Software	Other	Total
Costs:			
Balance on January 1, 2021	$ 112,685	1,040	113,725
Additions	76,076	-	76,076
Disposals	(30,750)	-	(30,750)
Effect of changes in foreign exchange rates	(7)	-	(7)
Balance on December 31, 2021	**$ 158,004**	**1,040**	**159,044**
Balance on January 1, 2020	$ 48,991	1,040	50,031
Additions	64,846	-	64,846
Disposals	(1,138)	-	(1,138)
Effect of changes in foreign exchange rates	(14)	-	(14)
Balance on December 31, 2020	**$ 112,685**	**1,040**	**113,725**
Accumulated amortization:			
Balance on January 1, 2021	$ 49,123	-	49,123
Amortization	41,946	-	41,946
Disposals	(30,750)	-	(30,750)
Effect of changes in foreign exchange rates	(7)	-	(7)
Balance on December 31, 2021	**$ 60,312**	**-**	**60,312**
Balance on January 1, 2020	$ 30,925	-	30,925
Amortization	19,350	-	19,350
Disposals	(1,138)	-	(1,138)
Effect of changes in foreign exchange rates	(14)	-	(14)
Balance on December 31, 2020	**$ 49,123**	**-**	**49,123**
Carrying value:			
Balance on December 31, 2021	**$ 97,692**	**1,040**	**98,732**
Balance on December 31, 2020	**$ 63,562**	**1,040**	**64,602**
Balance on January 1, 2020	**$ 18,066**	**1,040**	**19,106**

(i) Amortization

For the years ended December 31, 2021 and 2020, the amortization of intangible assets is included in the statement of comprehensive income:

	2021	2020
Operating costs	$ 12,812	7,460
Operating expense	29,134	11,890
	$ 41,946	**19,350**

(Continued)

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Pledge

As of December 31, 2021 and 2020, the intangible assets were not pledged.

(i) Other current assets and other non-current assets

	December 31, 2021	December 31, 2020
Other current assets:		
Tax refundable	$ 234,473	868,072
Other prepayments	151,869	107,482
Others	31,069	36,351
	$ 417,411	**1,011,905**
Other non-current assets:		
Refundable deposits	$ 41,319	37,602
Restricted deposits	26,675	27,463
Prepayments for equipment	107,191	79,029
Prepayments for land	113,710	-
Others	60,257	-
	$ 349,152	**144,094**

(j) Short-term borrowings

The details of the Group for short-term borrowings were as follows:

	December 31, 2021			
	Currency	**Interest rate collars**	**Expiration**	**Amount**
Unsecured bank borrowings	USD	0.58%~1.01%	2022/1/3~2022/3/4	**$ 21,265,920**
Unused credit line				**$ 17,953,409**

	December 31, 2020			
	Currency	**Interest rate collars**	**Expiration**	**Amount**
Unsecured bank borrowings	USD	0.58%~0.76%	2021/1/11~2021/3/26	**$ 5,359,504**
Unused credit line				**$ 21,302,194**

(k) Bonds payable

The details of unsecured ordinary bonds were as follows:

	December 31, 2021	December 31, 2020
Total ordinary corporate bonds issued	$ 9,450,000	5,000,000
Unamortized discounted bonds payable	(13,552)	(8,217)
Bonds payable balance at year-end	**$ 9,436,448**	**4,991,783**

	2021	2020
Interest expense	$ 55,130	8,583

The Group issued 4,450 unsecured 5-years ordinary corporate bonds, and pays interest yearly at a fixed interest rate of 0.63% in Taiwan on August 6, 2021. It is agreed that half of principal will be repaid in the fourth and fifth years.

The Group issued 5,000 unsecured 5-years ordinary corporate bonds, and pays interest yearly at a fixed interest rate of 0.83% in Taiwan on October 20, 2020. It is agreed that half of principal will be repaid in the fourth and fifth years.

(l) Lease liabilities

The carrying amounts of lease liabilities were as follow:

	December 31, 2021	December 31, 2020
Current	$ 138,700	105,132
Non-current	$ 532,315	275,205

For the maturity analysis, please refer to note 6(u).

The amounts recognized in profit or loss were as follows:

	2021	2020
Interest expenses on lease liabilities	$ 30,285	15,459
Expenses relating to short-term leases	$ 78,887	27,945

The amounts recognized in the statement of cash flows by the Group were as follows:

	2021	2020
Total cash outflow for leases	$ 233,579	138,350

(i) Real estate leases

The Group leases land and buildings for its office space, factory and employee dormitory. The leases of office space typically run for a period of 1 to 10 years, factory for 5 to 10 years, and of employee dormitory for 2 to 3 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

(ii) Other leases

The Group leases other equipment, with lease terms of 3 to 5 years. In some cases, the Group has options to purchase the assets at the end of the contract term.

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(m) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value is as follows:

	December 31, 2021	December 31, 2020
Present value of defined benefit obligations	$ 67,270	63,480
Fair value of plan assets	(53,680)	(54,573)
Net defined benefit liabilities	**$ 13,590**	**8,907**

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

1) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Group’s Bank of Taiwan and Taipei Fubon commercial bank labor pension reserve account balance amounted to $53,680 thousand and $54,573 thousand, respectively, as of December 31, 2021 and 2020. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movements in the present value of the defined benefit obligations for the Group were as follows:

	2021	2020
Defined benefit obligations at January 1	$ 63,480	56,722
Current service cost and interests cost	675	634
Net remeasurements of defined benefit liability	4,921	6,124
Benefits paid by the plan	(1,806)	-
Defined benefit obligations at December 31	**$ 67,270**	**63,480**

(Continued)

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Group were as follows:

		2021	2020
Fair value of plan assets at January 1	$	54,573	53,852
Interest income		8	8
Net remeasurements of defined benefit assets		73	3
Amounts contributed to plan		832	710
Benefit paid by the plan		(1,806)	-
Fair value of plan assets at December 31	$	**53,680**	**54,573**

4) Expenses recognized in profit or loss

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

		2021	2020
Current service cost	$	**667**	**626**
Operating expense	$	**667**	**626**

5) Remeasurements of the net defined benefit liability recognized in other comprehensive income

The Group' s remeasurement of the net defined benefit liability recognized in other comprehensive income for the years ended December 31, 2021 and 2020, was as follows:

		2021	2020
Accumulated amount at January 1	$	8,433	2,312
Recognized during the period		4,848	6,121
Accumulated amount at December 31	$	**13,281**	**8,433**

6) Actuarial assumptions

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

	December 31, 2021	December 31, 2020
Discount rate	0.625 %	0.625 %
Future salary increases	4.000 %	3.500 %

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The expected allocation payment to be made by the Group to the defined benefit plans for the one-year period after the reporting date is $840 thousand.

The weighted-average lifetime of the defined benefits plans is 15.47 years.

7) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	Effects to the defined benefit obligation	
	Increase 0.25%	**Decrease 0.25%**
December 31, 2021:		
Discount rate (change in 0.25%)	$ (1,633)	1,700
Future salary increases (change in 0.25%)	1,617	(1,565)
December 31, 2020:		
Discount rate (change in 0.25%)	(1,607)	1,669
Future salary increases (change in 0.25%)	1,596	(1,543)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above.

The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

(i) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The subsidiaries of the Group are under defined contribution plan in accordance with local regulations, and they recognized pension cost and were made to local government.

The Group's pension costs under the defined contribution plan were $119,507 thousand and $73,178 thousand for the years 2021 and 2020, respectively. Payments were made to the Bureau of Labor Insurance and to local government for the overseas subsidiaries.

(Continued)

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(n) Income taxes

(i) Income tax expense

The components of income tax were as follows:

	2021	2020
Current tax expense		
Current period	$ 2,147,817	2,152,081
Adjustments for prior periods	117	19,034
	2,147,934	2,171,115
Deferred tax expense		
Origination and reversal of temporary different	200,123	106,647
Income tax expense	**2,348,057**	**2,277,762**

(ii) The amount of income tax recognized in other comprehensive income for 2021 and 2020 were as follows:

	2021	2020
Items that may not be reclassified subsequently profit or loss:		
Loss on remeasurements of defined benefit plans	**$ (970)**	**(1,224)**

(iii) Reconciliation of income tax and profit before tax for 2021 and 2020 are as follows:

	2021	2020
Income before tax	$ 10,996,069	10,887,419
Income tax using the Company's domestic tax rate	2,199,214	2,177,484
Effect of tax rates in foreign jurisdiction	100,223	44,835
Additional tax on undistributed earnings	90,374	65,708
Tax incentives	(42,434)	(35,610)
Prior-period tax adjustments	117	19,034
Others	563	6,311
Income tax expense	**$ 2,348,057**	**2,277,762**

(iv) Deferred tax assets and liabilities

1) Unrecognized deferred tax asset and liability

As of December 31, 2021 and 2020, the details of unrecognized deferred tax assets were as follows:

	December 31, 2021	December 31, 2020
Unrecognized deferred tax asset:		
Tax effect of deductable temporary difference	**$ 18,439**	**18,984**

(Continued)

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

There was no significant unrecognized deferred tax liabilities as of December 31, 2021 and 2020.

2) Recognized deferred tax assets and liabilities

Changes in the amounts of deferred deferred tax assets and liabilities for 2021 and 2020 were as follows:

	Unrealized exchange loss	Contract liabilities and Provision	Unrealized inter-company profits	Accrued expense	Other	Total
Deferred tax assets:						
Balance at January 1, 2021	$ 47,883	-	167,702	185,293	18,205	419,083
Recognized in profit or loss	(20,461)	-	(68,445)	(44,648)	18,035	(115,519)
Recognized in other comprehensive income	-	-	-	-	970	970
Balance at December 31, 2021	$ **27,422**		**99,257**	**140,645**	**37,210**	**304,534**
Balance at January 1, 2020	54,796	172,301	97,702	153,232	16,367	494,398
Recognized in profit or loss	$ (6,913)	(172,301)	70,000	32,061	614	(76,539)
Recognized in other comprehensive income	-	-	-	-	1,224	1,224
Balance at December 31, 2020	$ **47,883**	**-**	**167,702**	**185,293**	**18,205**	**419,083**

	Recognized share of gain of subsidiaries and associates accounted for equity method	Other	Total
Deferred tax liabilities:			
Balance at January 1, 2021	$ 134,642	-	134,642
Recognized in profit or loss	64,501	20,103	84,604
Balance at December 31, 2021	$ **199,143**	**20,103**	**219,246**
Balance at January 1, 2020	$ 104,534	-	104,534
Recognized in profit or loss	30,108	-	30,108
Balance at December 31, 2020	$ **134,642**	**-**	**134,642**

(v) Assessment of tax

The ROC income tax authorities have examined the Company' s income tax returns for all years through 2019.

(o) Capital and other equity

As of December 31, 2021 and 2020, the Company's authorized common shares consisted of 250,000 thousand shares with a par value of $10 per share, amounted to $2,500,000 thousands, of which 174,841 thousand shares, were issued and outstanding.

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Common shares

The Company issued 204 thousand new shares of common shares with the amounts of $3,237 thousand for the execution of employee stock options for the year ended December 31, 2020. All proceeds from outstanding shares have been collected and all related registration procedures had been completed. There was no such transaction for the year ended December 31, 2021.

(ii) Capital surplus

The balances of capital surplus were as follows:

	December 31, 2021	December 31, 2020
A premium issuance of common shares for cash	$ 8,436,510	8,436,510
Employee stock options	364,685	364,685
others	16,185	16,185
	$ 8,817,380	**8,817,380**

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(iii) Retained earnings

The Company’s Articles of Incorporation stipulate that if the Company has a profit as a result of the yearly accounting closing, ten percent of the profit net of tax and the amount for making up of any accumulated loss shall be set aside as legal reserve, and thereafter an amount, including the reserved special reserve, shall be set aside, along with any undistributed profits accumulated from previous years to be identified as profits to be distributed. The amount of dividends to shareholders shall not less than 10% of profit from the currency year.

As the Company is a technology and capital-intensive enterprise and is in its growth phase, it has adopted a more prudent approach in the appropriation of its remaining earnings as its dividend policy, in order to sustain its long-term capital needs and thereby maintain continuous development and steady growth. Under this approach, the distribution of cash dividend is not lower than 10% of total distribution of dividends.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders’ meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

In accordance with regulations by the FSC, a special reserve equal to the contra account of other shareholders' equity is appropriated from current and prior period earnings . For the year 2020 earnings distribution in 2021, the amount to be reclassified to special reserve shall be a portion of current-period after-tax net profit plus items other than current-period after-tax net profit in the undistributed retained earnings and undistributed prior-period earning. There was no such transaction in 2020. When the debit balance of any of the contra accounts in the shareholders' equity is reversed, the related special reserve can be reversed. The subsequent reversals of the contra accounts in shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

The amount of cash dividends for 2020 and 2019 has been approved during the shareholders' meeting held on July 8, 2021 and June 15, 2020, respectively. The relevant dividend distributions to shareholder were as follows:

	2020	2019
Dividends distributed to ordinary shareholders		
Cash	$ 5,594,905	4,021,131

(iv) Other equity (net of tax)

	Exchange differences on translation of foreign financial statements
Balance on January 1, 2021	$ (237,894)
Exchange differences on translation of foreign financial statements	(193,126)
Balance on December 31, 2021	$ (431,020)
Balance on January 1, 2020	$ 53,914
Exchange differences on translation of foreign financial statements	(291,808)
Balance on December 31, 2020	$ (237,894)

(p) Share-based payment

As of December 31, 2021 and 2020, the Group had share-based payment agreements as follows:

	Equity-settled	
	Employee stock options issued in 2015	Employee stock options issued in 2017
Grant date	January 26, 2015	June 20, 2017
Number of shares granted	1,000,000	8,000,000
Duration	5 years	3 years
Recipients	Employee	Employee
Grant period	(Note 1)	(Note 2)

(Continued)

(Note 1) The exercise ratio of the employee stock options over the grant period are as follows:

Employee stock options issued in 2015	
Grant period	**Exercise ratio (cumulative)**
February 15, 2017	1/3
February 15, 2018	2/3
February 15, 2019	3/3

(Note 2) The exercise ratio of the employee stock options over the grant period are as follows:

Employee stock options issued in 2017	
Grant period	**Exercise ratio (cumulative)**
August 1, 2017	1/2
February 1, 2019	2/2

(i) Determining the fair value of equity instruments granted

Employee stock options

The Group adopted the Black-Scholes model to evaluate the fair value of the stock option at the grant date. The assumptions adopted in this valuation model were as follows:

	Employee stock options issued in 2015	**Employee stock options issued in 2017**
Fair value at grant date (expressed in New Taiwan dollars)	$ 7.19	4.54 / 6.24
Share price at grant date (expressed in New Taiwan dollars)	25.98	25.23
Exercise price (expressed in New Taiwan dollars)	17.40	25.00
Expected volatility	38.87%	34.99%/39.93%
Expected life	2 years	1.56 years/ 2.31 years
Risk-free interest rate	0.60%	0.5053%/0.5936%

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Information of employee stock options

The details of the employee stock options were as follows:

	2021		2020	
	Weighted-average exercise price (expressed in New Taiwan dollars)	Number of options (in thousands)	Weighted-average exercise price (expressed in New Taiwan dollars)	Number of options (in thousands)
Outstanding balance at the beginning of the year	$ -	-	16.04	232
Options granted	-	-	-	-
Options forfeited	-	-	-	(28)
Options exercised	-	-	15.87	(204)
Outstanding balance at the end of the year	-	-	-	-
Exercisable number as the end of the year		-		-

The outstanding employee stock options were as follows:

	December 31, 2021	December 31, 2020
Range of exercise price (expressed in New Taiwan dollars)	$ -	10.0 ~17.3
Weighted-average of remaining contractual duration (years)	-	-

(q) Earnings per share

The calculation of basic and diluted earnings per share (unit: NTD in dollar) is as follows:

	2021	2020
Basic earnings per share:		
Profit attributable to common shareholders of the Company	**8,648,012**	**8,609,657**
Weighted-average common stock outstanding (in thousands)	**174,841**	**174,812**
	49.46	**49.25**
Diluted earnings per share:		
Profit attributable to common shareholders of the Company	**8,648,012**	**8,609,657**
Weighted-average common stock outstanding (in thousands)	174,841	174,812
Effect of potentially dilutive common stock (in thousands):		
Employee compensation	641	965
Employee stock option	-	1
Weighted average common stock outstanding plus the effect of potentially dilutive common stock (in thousands)	**175,482**	**175,778**
	49.28	**48.98**

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(r) Revenue from contracts with customers

(i) Disaggregation of revenue

	2021	2020
Primary geographical markets		
America	$ 145,456,042	142,551,214
Europe	31,064,576	31,636,028
Asia	14,156,309	10,449,789
Other	1,949,015	2,290,616
	$ 192,625,942	186,927,647
Major products		
Hyperscale data center	$ 192,625,942	186,927,647

(ii) Contract balance

	December 31, 2021	December 31, 2020	January 1, 2020
Accounts receivable	$ 12,727,277	7,829,267	13,663,812
Accounts receivable – related parties	443,538	340,218	415,932
Less: loss allowance	(4,686)	(2,185)	(8,794)
	$ 13,166,129	8,167,300	14,070,950

	December 31, 2021	December 31, 2020	January 1, 2020
Contract liabilities – provisions for warranty	$ 3,360,972	2,297,417	861,503

For details on accounts receivable and loss allowance, please refer to note 6(b).

The contract liabilities primarily related to the advance consideration received from customers for the electronic components under sales contracts, for which revenue is recognized when products are delivered to customers.

The major change in the balance of contract liabilities is the difference between the time frame of the performance obligation to be satisfied and the payment to be received. There was no significant changes during the current period.

(iii) Transaction price allocated to the remaining performance obligations

The Group recognizes revenue related to warranty service in the amount to which the Group has a right to invoice, thus the Group applies the practical expedient of IFRS 15 and does not disclose information about the transaction price allocated to the remaining performance obligations of the contract.

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(s) Employee's and directors' compensation

According to the Company's Article of Incorporation, if the Company has profit (which means income before tax excluding the amounts of employees' and directors' compensation) shall be contributed by the following rules. However, if the amount Company have accumulated deficit, it shall reserve the amount for offsetting deficit.

(i) No less than 5% of profit as employees' compensation. The Company may distributed in the form of shares or in cash, and the qualification requirements of employees, including the employees of subsidiaries of the Company meeting certain specific requirement shall be determined by the Board of Directors.

(ii) No more than 1% of profit as the compensation in cash to the Directors.

The Company accrued and recognized employees' compensation amounted to $574,000 thousand and $571,500 thousand, respectively, and directors' compensation amounted to $27,450 thousand and $25,025 thousand, respectively, based on the net income before tax which excluding the amounts of employees' and directors' compensation and the ratio stipulated in the Company's Article of Incorporation. The above are both accounted for under operating expense for the years ended December 31, 2021 and 2020. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2021 and 2020. Related information would be available at the Market Observation Post System website.

(t) Non-operating income and expenses

(i) Interest income

The details of Interest income were as follows:

	2021	2020
Interest income from bank deposits	$ **61,593**	**38,984**

(ii) Other income

The details of other income were as follows:

	2021	2020
Others	$ **48**	**76**

(iii) Other gains and losses

The details of other gains and losses were as follows:

	2021	2020
Foreign exchange losses, net	$ (111,063)	(527,375)
Gains on valuation of financial assets and liabilities at fair value	35,697	436,049
Others	10,992	2,147
Total	$ **(64,374)**	**(89,179)**

(Continued)

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Finance costs
The details of finance costs were as follows:

		2021	2020
Interest expenses			
Bank loans	$	(270,739)	(280,274)
Bonds payable		(55,130)	(8,583)
Others		(30,285)	(15,459)
Total	$	**(356,154)**	**(304,316)**

(u) 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

The Group’s majority customers are in Cloud Infrastructure and Hyperscale Data Center industries. To reduce concentration of credit risk, the Group evaluates customers’ financial positions periodically and requires customers to provide collateral, if necessary. In addition, the Group evaluates the aging of accounts receivable periodically, accrue allowance for doubtful accounts and purchasing insurance contracts of accounts receivable, if necessary. Historically, impairment loss has always been under management’s expectation. As of December 31, 2021 and 2020, 84.27% and 87.83% of the Group’ s accounts receivable were concentrated on 3 and 2 specific customers, respectively. Accordingly, concentrations of credit risk exist.

3) Receivable and debt securities

For credit risk exposure of accounts receivable, please refer to note 6(b). Other financial assets at amortized cost includes other receivables.

All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. (Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(g))

As of December 31, 2021 and 2020, the other receivables were not accrue any loss allowance.

(ii) Liquidity risk

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

	Carrying amount	Contractual cash flow	Within 1 year	1-2 years	2-5 years	More than 5 years
December 31, 2021						
Non-derivative financial liabilities						
Short-term borrowings	$ 21,265,920	21,282,809	21,282,809	-	-	-
Bonds payable	9,436,448	9,701,930	69,535	69,535	9,562,860	-
Notes and accounts payable (including related parties)	18,279,331	18,279,331	18,279,331	-	-	-
Other payables (including related parties)	2,443,127	2,443,127	2,443,127	-	-	-
Lease liabilities (including current and non-current)	671,015	866,517	176,293	171,708	259,460	259,056
Total	$ **52,095,841**	**52,573,714**	**42,251,095**	**241,243**	**9,822,320**	**259,056**
December 31, 2020						
Non-derivative financial liabilities						
Short-term borrowings	$ 5,359,504	5,363,050	5,363,050	-	-	-
Long-term borrowings	4,991,783	5,199,200	41,500	41,500	5,116,200	-
Notes and accounts payable (including related parties)	12,519,498	12,519,498	12,519,498	-	-	-
Other payables (including related parties)	2,660,263	2,660,263	2,660,263	-	-	-
Lease liabilities (including current and non-current)	380,337	398,021	109,365	109,684	176,438	2,534
Total	$ **25,911,385**	**26,140,032**	**20,693,676**	**151,184**	**5,292,638**	**2,534**

The Group does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iii) Market risk

1) Currency risk

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

	December 31, 2021			December 31, 2020		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets						
Monetary items						
USD	$ 902,027	27.690	24,977,131	665,825	28.508	18,981,330
Financial liabilities						
Monetary items						
USD	575,314	27.690	15,930,456	539,019	28.508	15,366,366

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 (including related parties) and other receivables (including related parties), loans and borrowings, notes and accounts payable (including related parties) and other payables (including related parties) that are denominated in foreign currency. A strengthening (weakening) 5 % of appreciation (depreciation) of the NTD against the USD for the years ended December 31, 2021 and 2020, the net income would be changed by $361,867 thousand and $144,599 thousand, respectively. The analysis assumes that all other variable remain constant.

Since the Group has many kinds of functional currency, the information on foreign exchange gains (losses) on monetary items is disclosed by total amount. For the years ended December 31, 2021 and 2020, foreign exchange gains (losses) (including realized and unrealized portions) amounted to $(111,063) thousand and $(527,375) thousand, respectively.

2) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Group's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of non-derivative financial instruments on the reporting date. Regarding liabilities with variable rates, the analysis is based on the assumption that the liabilities were outstanding for lifetime on the reporting date.

If the interest rate increased / decreased by 1%, the Group's net income would have been changed by $11,309 thousand and $1,329 thousand, respectively, for the years ended December 31, 2021 and 2020, with all other variable factors that remain constant. This is mainly due to the Group's borrowings at floating variable rate.

(iv) Fair value information

1) Categories and fair values of financial instruments

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It shall not include fair value information of the financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of the fair value and investments in equity instruments which do not have any quoted price in an active market in which the fair value cannot be reasonably measured.

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2021				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income					
Accounts receivable	279,433	-	-	-	-
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 22,672,892	-	-	-	-
Accounts receivable (including related parties)	12,886,696	-	-	-	-
Other receivable (including related parties)	385,120	-	-	-	-
Other non-current assets	67,994	-	-	-	-
Subtotal	$ 36,012,702	-	-	-	-
Financial liabilities measured at amortized cost					
Short-term borrowings	$ 21,265,920	-	-	-	-
Bonds payable	9,436,448	-	-	-	-
Notes and accounts payable (including related parties)	18,279,331	-	-	-	-
Other payables (including related parties)	2,443,127	-	-	-	-
Lease liabilities (including current and non-current)	671,015	-	-	-	-
Subtotal	$ 52,095,841	-	-	-	-

	December 31, 2020				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income					
Accounts receivable	$ 1,174,206	-	-	-	-
Financial assets measured at amortized cost					
Cash and cash equivalents	23,169,231	-	-	-	-
Accounts receivable (including related parties)	6,993,094	-	-	-	-
Other receivable (including related parties)	591,213	-	-	-	-
Other non-current assets	65,065	-	-	-	-
Subtotal	$ 30,818,603	-	-	-	-
Financial liabilities measured at amortized cost					
Short-term borrowings	$ 5,359,504	-	-	-	-
Bonds payable	4,991,783	-	-	-	-
Notes and accounts payable (including related parties)	12,519,498	-	-	-	-
Other payables (including related parties)	2,660,263	-	-	-	-
Lease liabilities (including current and non-current)	380,337	-	-	-	-
Subtotal	$ 25,911,385	-	-	-	-

(Continued)

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Valuation techniques for financial instruments measured at fair value: none.

3) Transfers between Level 1 and Level 2: none.

4) Changes between Level 3: none.

5) Offsetting financial assets and financial liabilities

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

December 31, 2021

Financial assets that are offset which have an exercisable master netting arrangement or similar agreement

	Gross amounts of recognized financial assets (a)	Gross amounts of financial liabilities offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)		Net amounts (e)=(c)-(d)
				Financial instruments	Cash collateral received	
Other receivable	$ 224,932	224,932	-	-	-	-

December 31, 2021

Financial liabilities that are offset which have an exercisable master netting arrangement or similar agreement

	Gross amounts of recognized financial liabilities (a)	Gross amounts of financial assets offset in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)		Net amounts (e)=(c)-(d)
				Financial instruments	Cash collateral received	
Note payable and accounts payable	$ 8,501,168	224,932	8,276,236	-	-	8,276,236

December 31, 2020

Financial assets that are offset which have an exercisable master netting arrangement or similar agreement

	Gross amounts of recognized financial assets (a)	Gross amounts of financial liabilities offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)		Net amounts (e)=(c)-(d)
				Financial instruments	Cash collateral received	
Other receivable	$ 419,132	419,132	-	-	-	-

December 31, 2020

Financial liabilities that are offset which have an exercisable master netting arrangement or similar agreement

	Gross amounts of recognized financial liabilities (a)	Gross amounts of financial assets offset in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)		Net amounts (e)=(c)-(d)
				Financial instruments	Cash collateral received	
Note payable and accounts payable	$ 9,957,345	419,132	9,538,213	-	-	9,538,213

(v) Financial risk management

There Group have exposures to the following risks form its financial instruments:

(i) Overview

1) Credit risk

2) Liquidity risk

3) Market risk

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

(ii) Structure of risk management

The Group’ s finance management department provides business services for the overall internal department. It sets the objectives, policies and processes for managing the risk and the methods used to measure the risk arising from both the domestic and international financial market operations.

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

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to financial instruments fails to meet its contractual obligations that arise principally from the Group’ s accounts receivable and investment.

1) Accounts and other receivable

The Group’ s credit policy is transacting with creditworthy customers, and obtains collateral to mitigate risks arising from financial loss due to default. The Group will transact with corporations of credit ratings equivalent to investment grade and such ratings are provided by independent rating agencies. Where it is not possible to obtain such information, the Group will assess the ratings based on other publicly available financial information and transactions records with its major customers. The Group continues to monitor the exposure to credit risk and counterparty credit rating, and evaluate the customers’ credit rating and credit limit via automatic finance system to manage the credit exposure.

(Continued)

The Group did not have any collateral or other credit enhancements to avoid credit risk of financial assets.

2) Investment

The credit risk exposure in the bank deposits and other financial instruments are measured and monitored by the Group' s finance department. Since the Group' s transactions resulted from the external parties with good credit standing and investment grade above financial institutions, publicly-traded stocks companies and non publicly-traded stocks companies, with good credit ratings, there are no incompliance issues and therefore no significant credit risk.

3) Guarantee

According to the Group's policy, the Group can only provide guarantee to which is listed under the regulation. The Group did not provide guarantees as of December 31, 2021 and 2020.

(iv) Liquidity risk

The Group maintains sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Group' s management supervises the bank loan facilities and ensures in compliance with the terms of the loan agreements.

The loan was an important source of liquidity for the Group. As of December 31, 2021 and 2020, the Group has unused credit lines for bank loans of $17,953,409 thousand and $21,302,194 thousand, respectively.

(v) Market risk

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

1) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities. The currencies used in these transactions are denominated in USD.

The foreign currency assets and liabilities might lead to the interest risk since the fluctuation of the market exchange rate influence the Group' s future cash flow. The Group entering into forward and swap contracts are intended to manage the exchange rate risk due to the Group's current and future demand for foreign currency.

The contract periods are decided in consideration of the Group's foreseeable assets and liabilities and expected cash flow. At the maturity date of the derivative contract, the Group will settle these contracts using the foreign currencies arising from the assets denominated in foreign currency.

(Continued)

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Interest risk

The Group's short-term borrowings, bear floating interest rates. The changes in effective rate along with the fluctuation of the market interest rate influence the Group's future cash flow. The Group reduces the interest risks by negotiating the loan interest rates frequently with banks.

3) Other market price risk

The Group monitors the risk arising from its available-for-sale security instruments, which are held for monitoring cash flow requirements and unused capital. The management of the Group monitors the combination of equity securities and open-market funds in its investment portfolio based on cash flow requirements. Material investments within the portfolio are managed on an individual basis, and all buy-and-sell decisions are approved by the Board of directors.

(w) Capital management

The Group' s meets its objectives for managing capital to safeguard the capacity to continue to operate, and provide a return to the shareholders, also, to benefit other related parties, at the same time, to maintain an optional capital structure to reduce the cost of capital. Capital includes common share, capital surplus and retained earnings. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares or sell assets to settle any liabilities.

As of 2021, the Group's capital management strategy is consistent with 2020. The Group's debt to asset ratio and debt to capital ratio at the end of the reporting period as of December 31, 2021 and 2020, were as follows:

	December 31, 2021	**December 31, 2020**
Debt to asset ratio	**68%**	**55%**
Debt to capital ratio	**210%**	**123%**

(x) Investing and financing activities not affecting current cash flow

Reconciliation of liabilities arising from financing activities were as follows:

			Non-cash changes				
	January 1, 2021	**Cash flows**	**Change in lease payments**	**Addition**	**Interest expenses**	**Foreign exchange movement**	**December 31, 2021**
Short-term borrowings	$ 5,359,504	16,131,540	-	-	-	(225,124)	21,265,920
Bonds payable	4,991,783	4,442,325	-	-	2,340	-	9,436,448
Lease liabilities	380,337	(124,407)	(11,274)	444,965	-	(18,606)	671,015
Total liabilities from financing activities	**$ 10,731,624**	**20,449,458**	**(11,274)**	**444,965**	**2,340**	**(243,730)**	**31,373,383**

(Continued)

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

			Non-cash changes				
	January 1, 2020	Cash flows	Change in lease payments	Change in lease payments	Interest expense	Foreign exchange movement	December 31, 2020
Short-term borrowings	$ 8,638,393	(3,104,351)	-	-	-	(174,538)	5,359,504
Long-term borrowings	-	4,991,500	-	-	283	-	4,991,783
Lease liabilities	398,535	(94,946)	(14,158)	111,078	-	(20,172)	380,337
Total liabilities from financing activities	$ 9,036,928	1,792,203	(14,158)	111,078	283	(194,710)	10,731,624

(7) Related-party transactions:

(a) Parent company and ultimate controlling party

Wistron Corporation is the parent company and the ultimate controlling party of the Group. As of December 31, 2021 and 2020, it owns 42.26% and 44.85%, respectively, of all shares outstanding of the Company.

(b) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statements.

Name of related party	Relationship with the Group
Wistron Corporation (WHQ)	Parent Company
Wistron InfoComm (Czech), s.r.o. (WCCZ)	Other related parties
Wistron Mexico, S.A. de C.V. (WMX)	Other related parties
Cowin Worldwide Corporation (COWIN)	Other related parties
ICT Service Management Solutions (India) Private Limited (WIN)	Other related parties
International Standards Laboratory Corp. (ISL)	Other related parties
Wistron InfoComm (Zhongshan) Corporation (WZS)	Other related parties
SMS InfoComm Technology Services and Management Solutions Ltd. (WBR)	Other related parties
Wistron InfoComm (Kushan) Co., Ltd. (WAKS)	Other related parties
SMS InfoComm Corporation (WTX)	Other related parties
Wistron InfoComm Technology (Texas) Corporation (WITT)	Other related parties
Wistron InfoComm Technology (America) Corporation (WITX)	Other related parties
WiAdvance Technology Corporation (AGI)	Other related parties
Wistron K.K. (WJP)	Other related parties
Wistron NeWeb Corporation (WNC)	Other related parties
Wistron Information Technology and Services Corporation (WITS)	Other related parties
T-CONN Precision Corporation (TPE)	Other related parties
SMS InfoComm (Singapore) Pte. Ltd. (WSSG)	Other related parties
ANWITH Technology Corporation (WCHQ)	Other related parties
Wistron InfoComm Mexico S.A. de C.V. (WIMX)	Other related parties
Wistron Technology (Malaysia) Sdn. Bhd. (WMMY)	Other related parties
WIEDU CORPORATION (WETW)	Other related parties

(Continued)

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Significant transactions with related parties

(i) Sales

The amounts of significant sales and outstanding balances between the Group and related parties were as follows:

	Sales		Receivables from related parties	
	2021	**2020**	**December 31, 2021**	**December 31, 2020**
WHQ	$ 45,728	41,501	41,598	3,075
Other related parties	908,104	1,697,634	401,940	337,143
	$ 953,832	**1,739,135**	**443,538**	**340,218**

The selling price and payment terms of sales to related parties depend on the economic environment and market competition, and are not significantly different from those with third-party customers.

(ii) Purchases

The amounts of significant purchase and outstanding balances between the Group and related parties were as follows:

	Purchases		Payables to related parties	
	2021	**2020**	**December 31, 2021**	**December 31, 2020**
WHQ	$ 54,737,558	48,101,740	8,480,074	9,638,211
Other related parties	1,088,860	1,278	826,890	94
	$ 55,826,418	**48,103,018**	**9,306,964**	**9,638,305**

Trading terms of purchase transactions with related parties can't be compared with third-party vendors due to product specifications.

(iii) Processing Fee

The amounts of processing fee and outstanding balance between the Group and related parties were as follows:

	Processing Fee		Payables to related parties	
	2021	**2020**	**December 31, 2021**	**December 31, 2020**
WMX	**$ 645,955**	**1,150,652**	**-**	**119,866**

Trading terms of processing fee transactions with related parties can't be compared with third-party vendors due to product specifications.

(Continued)

(iv) Operating Expense

The amounts of operating expense between the Group and related parties were as follow:

	2021	2020
WHQ	$ 393,802	583,459
Other related parties	155,981	183,690
	$ 549,783	767,149

Trading terms of operating expense with related parties are not significantly different from those with third-party vendors.

(v) Acquisitions of assets

The acquisitions of assets from related parties were as follow:

	2021	2020
WHQ	$ -	20,340
Other related parties:		
WMX	55,416	-
AGI	19,449	1,450
Other related parties	89	540
	$ 74,954	22,330

Trading terms of acquisitions of assets with related parties are not significantly different from those with third-party vendors.

(vi) Other receivables

The Group purchased raw materials on behalf of related parties, provide of human outsourcing service and etc. The outstanding balance were as follows:

	Other receivables from related parties	
	December 31, 2021	December 31, 2020
WHQ	$ 138,747	238,815
Other related parties:		
WZS	218,106	312,583
Others related parties	24,448	36,649
Total	$ 381,301	588,047

(vii) Other payable

The Group purchased research and development materials and related parties paid traveling expenses on behalf of the Group, testing services and etc. The outstanding balance were as follows:

	Other payables to related parties	
	December 31, 2021	**December 31, 2020**
WHQ	$ 54,179	135,802
Other related parties	25,473	12,864
Total	**$ 79,652**	**148,666**

(viii) Leases

The Group signed a lease contract for ten year with WIMX during July 2021, and the total value of the contract was amounted to $576,138 thousand. For the year ended December 31, 2021, the Group recognized its interest expense amounted to $16,618 thousand, respectively. As of December 31, 2021, the balance of lease liabilities was $376,724 thousand.

The Group signed a lease contract for five year with WNC during January 2019, and the total value of the contract was amounted to $180,507 thousand. For the year ended December 31, 2021 and 2020, the Group recognized its interest expense amounted to $1,808 thousand and $2,429 thousand, respectively. As of December 31, 2021 and 2020, the balance of lease liabilities was $70,835 thousand and $105,204 thousand.

(d) Key management personnel compensation

Key management personnel compensation comprised:

	2021	**2020**
Short-term employee benefits	$ 107,427	105,775
Post-employment benefits	935	907
	$ 108,362	**106,682**

(8) Pledged assets:

The carrying amounts of pledged assets were as follow:

Pledged assets	**Object**	**December 31, 2021**	**December 31, 2020**
Other non-current assets	Guarantee	**$ 26,675**	**27,463**

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(9) Commitments and contingencies:

(a) Unrecognized contractual commitments

The Group's unrecognized contractual commitments are as follows:

	December 31, 2021	December 31, 2020
Acquisition of property, plant and equipment	$ 338,032	-

(b) Contingencies

(i) Alacritech Inc. filed a patent infringement complaint against the Company in the United States District Court - East District of Texas in June 2016. The Company had appointed an attorney to deal with the matter. The litigation is still in process and a decision has yet to be made by the US Patent trial and Appeal Board.

(ii) Acqis LLC. filed a patent infringement complaint against the Company in the United States District Court - West District od Texas in October 2020. The Company had appointed an attorney to deal with the matter, with the case is still pending in the court.

(10) Losses due to major disasters: None.

(11) Subsequent events:

(a) The Company resolved to cash subscribe the new share contributed by its subsidiary, Wiwynn International Corporation with USD 400,000 thousand in cash, proposed in the Board of Director's meeting held on February 25, 2022.

(b) The Company resolved to cash subscribe the new share contributed by its subsidiary, Wiwynn Technology Service Malaysia SDN. BHD with USD 28,000 thousand in cash, proposed in the Board of Director's meeting held on February 25, 2022.

(12) Other:

A summary of employee benefits, depreciation, and amortization by function, were as follows:

By function	2021			2020		
By item	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	989,775	1,545,097	2,534,872	578,205	1,382,471	1,960,676
Labor and health insurance	128,639	98,577	227,216	65,892	76,060	141,952
Pension	79,442	40,732	120,174	38,873	34,931	73,804
Remuneration of directors	-	25,570	25,570	-	25,515	25,515
Others	55,806	27,135	82,941	31,464	23,356	54,820
Depreciation	347,388	158,447	505,835	253,022	118,270	371,292
Amortization	12,812	29,134	41,946	7,460	11,890	19,350

(Continued)

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The following were the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for the year ended December 31, 2021:

(i) Loans to other parties: Table 1 attached.

(ii) Guarantees and endorsements for other parties: Table 2 attached.

(iii) Securities held as of December 31, 2021 (excluding investment in subsidiaries, associates and joint ventures): None.

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

(v) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: Table 3 attached.

(vi) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT$100 million or 20% of the capital stock: Table 4 attached.

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock: Table 5 attached.

(ix) Trading in derivative instruments: None.

(x) Significant intercompany transactions and business relationships between parent company and its subsidiaries: Table 6 attached.

(b) Information on investments:

The following are the information on investments for the years ended December 31, 2021 (excluding information on investments in mainland China): Table 7 attached.

(c) Information on investment in mainland China: Table 8 attached.

(d) Major shareholders:

Unit: Share

Shareholding / Shareholder's Name	Shares	Percentage
Wistron Corporation	73,895,129	42.26 %

(Continued)

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(14) Segment information:

(a) General information

The Group has one reportable segment. This segment is mainly involved in manufacturing and sale of servers and storage in cloud infrastructure and hyperscale data center.

(b) Profit or loss data of the reporting segment (including specific revenues and expenses), assets and liabilities of the segment, the basis of measurement, and the related eliminations:

The information relating to profit or loss data of the reporting segment (including specific revenues and expenses), assets and liabilities of the segment are the same as those described in the consolidated financial statements. Please refer to the consolidated balance sheets and the consolidated statements of comprehensive income.

(c) Products and services information:

The Group is a single operation segment; therefore, the Group' s revenue was not disclosed by categories of products or services.

(d) Geographical information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers and segment assets that are based on the geographical location of the assets.

Revenue from external customers:

Geography	2021	2020
America	$ 145,456,042	142,551,214
Europe	31,064,576	31,636,028
Asia	14,156,309	10,449,789
Others	1,949,015	2,290,616
	$ 192,625,942	**186,927,647**

Non-current assets:

Geography	December 31, 2021	December 31, 2020
America	$ 816,669	363,420
Asia	1,273,167	1,109,219
	$ 2,089,836	**1,472,639**

Non-current assets include the property, plant and equipment, right-of-use assets, intangible assets and other non-current assets, aside from deferred tax assets, investments accounted for using equity method and financial instruments.

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(e) Major customers

The amounts of sales to external customers representing greater than 10% of net revenue were as follows:

Customer	2021	2020
Customer A	$ 96,202,158	104,151,084
Customer B	75,389,889	66,539,974
	$ 171,592,047	**170,691,058**

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Table 1 Financing to other parties
(December 31, 2021)

No.	Creditor	Borrower	Financial statement account	Related party	Maximum outstanding balance for the period	Ending balance	Actual amount drawn down	Interest Rate	Nature of financing (Note 2)	Amount of transaction	Reasons for short-term financing	Allowance for doubtful accounts	Collateral		Limit on financing granted to each borrower	Ceiling on total financing granted	Notes
													Item	Value			
0	The Company	WYUS	Other receivables	Yes	2,224,800	2,215,200	276,900	0.75%	2	-	Working Capital	-	-	-	2,737,002	13,685,013	(Note1、Note3、Note4 & Note5)

(Note 1) The total amount available for financing purposes shall not exceed 50% of the Company's net worth, which was audited or reviewed by Certified Public Accountant; and the total amount for short-term financing shall not exceed 40% Company's net worth.

(Note 2) Nature of financing:

1 For entities that the Company has business transactions with.

2 For entities with short-term financing needs.

(Note 3) The limit on financing granted of the entities that the Company has business transactions with:

(1) For entities in which the Company, directly or indirectly, owned more than 50% of their shares, the amount available for financing shall not exceed 10% of net worth of the Company.

(2) For entities in which the Company, directly or indirectly, owned below 50% of their shares, the amount available for financing shall not exceed 40% and 5% of net worth of the borrower and the Company, respectively.

(3) For other borrowers, the amount available for financing shall not exceed 25% of net worth of the borrower and 5% of net worth of the Company.

(Note 4) For entities with short-term financing needs, the amount available for financing shall not exceed 10% of net worth of the Company.

(Note 5) The aforementioned inter - company transactions have been eliminated in the consolidated financial statements.

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

No.	Name of guarantor	Counter - party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise (Note 2)	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements	Ratio of accumulated amounts of endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (Note 1)	Parent company endorsements/ guarantees to subsidiary	Subsidiary endorsements/ guarantees to parent company	Endorsements/ guarantees to subsidiary in Mainland China	Notes
		Name	Relationship with the company (Note 3)											
0	The Company	WYMX	2	8,211,007	185,345	151,050	151,050	-	0.55%	13,685,013	Y	N	N	Note 4
0	The Company	WYUS	2	8,211,007	123,883	97,300	97,300	-	0.36%	13,685,013	Y	N	N	Note 4

(Note 1) The total amount for guarantees and endorsements provided by the Company to other entities shall not exceed 50% of the Company's lastest net worth, which was audited or reviewed by Certified Public Accountant.

(Note 2) The total amount for guarantees and endorsements provided by the Company to any individual entity shall not exceed 30% of the Company's lastest net worth, which was audited or reviewed by Certified Public Accountant.

(Note 3) Relationship with the Company:

1. Ordinary business relationship.
2. Subsidiary which owned more than 50% by the guarantor.
3. An investee owned more than 50% in total by both the guarantor and its subsidiary.
4. An investee owned more than 90% by the guarantor or its subsidiary.
5. Fulfillment of contractual obligations by providing mutual endorsements and guarantees for peer or joint builders in order to undertake a construction project.
6. An entity that is guaranteed and endorsed by all capital contributing shareholders in proportion to their shareholding percentages.
7. The companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre - construction homes pursuant to the Consumer Protection Act for each other.

(Note 4) The aforementioned inter - company transactions have been eliminated in the consolidated financial statements.

WIWYNN CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Table 3 Acquisition of real estate with amount exceeding the lower of NT$300 million or 20% of share capital
(December 31, 2021)

Company name	Type of property	Transaction Date	Transaction Amount	Payment Term	Counter-party	Name of Relationships	Prior Transaction of Related Counter-party				Price Reference	Purpose of Acquistion	Other Terms
							Owner	Relationships	Tranfer Date	Amount			
WYMY	Property,plant and equipment-Land	2021/9	278,306	payment: 10%	SENAI AIRPORT CITY SDN. BHD.	non-related party	-	-	-	-	Refer to appraisal report issued by professional appraiser	For the Company's future operations	-
WYMY	Property,plant and equipment-Land	2021/9	170,060	payment: 50%	SENAI AIRPORT CITY SDN. BHD.	non-related party	-	-	-	-	Refer to appraisal report issued by professional appraiser	For the Company's future operations	-

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Table 4 Related-party transactions for purchases and sales with amounts exceeding the lower of NT$100 million or 20% of the capital stock:
(December 31, 2021)

Name of company	Related Party	Nature of relationship	Transaction details				Transaction with terms different from others		Notes/ Accounts receivable (payable)		Notes
			Purchase/Sales	Amount	Percentage of total purchases / sales	Payment terms	Unit price	Payment Terms	Ending balance	Percentage of total notes / accounts receivable (payable)	
The Company	WYUS	The Company's subsidiary	Sale	25,128,350	34.35%	OA120	-	-	15,185,251	63.87%	(Note)
"	WYJP	The Company's subsidiary	Sale	2,578,968	3.53%	OA90	-	-	435,759	1.83%	(Note)
"	WYKR	The Company's subsidiary	Sale	2,537,766	3.47%	OA90	-	-	450,464	1.89%	(Note)
"	WYKS	The Company's subsidiary	Sale	521,330	0.71%	OA90	-	-	272,775	1.15%	(Note)
"	WYHK	The Company's subsidiary	Sale	374,873	0.51%	OA90	-	-	422	0.00%	(Note)
"	WIN	The Company's other related company	Sale	250,558	0.34%	OA90	-	-	237,180	1.00%	-
"	WBR	The Company's other related company	Sale	234,307	0.32%	OA120	-	-	138,343	0.58%	-
"	WHQ	The Company's parent company	Purchase	54,448,632	84.26%	OA45	-	-	(8,276,236)	(80.78%)	-
"	WYUS	The Company's subsidiary	Purchase	1,813,705	2.81%	OA90	-	-	(51,494)	(0.50%)	(Note)
"	WSSG	The Company's other related company	Purchase	186,730	0.29%	OA60	-	-	(15,963)	(0.16%)	-
WYUS	The Company	WYUS's parent company	Sale	1,813,705	1.39%	OA90	-	-	51,494	0.26%	(Note)
"	WBR	WYUS's other related company	Sale	420,629	0.29%	OA120	-	-	26,147	0.61%	-
"	The Company	WYUS's parent company	Purchase and Service cost	25,128,350	15.19%	OA120	-	-	(15,185,251)	(65.14%)	(Note)
"	WITX	WYUS's other related company	Purchase	801,908	0.48%	OA90	-	-	(698,283)	(3.00%)	-
"	WYMX	WYUS's affiliate company	Processing fee	781,536	0.47%	OA60	-	-	(160,093)	(0.69%)	(Note)
"	WMX	WYUS's other related company	Processing fee	645,955	0.39%	OA90	-	-	-	-	-
"	WHQ	The Company's parent company	Purchase	288,926	0.17%	OA45	-	-	(203,838)	(0.87%)	-
WYJP	The Company	WYJP's parent company	Purchase	2,578,968	100.00%	OA90	-	-	(435,759)	(100%)	(Note)
WYKR	The Company	WYKR's parent company	Purchase	2,537,766	100.00%	OA90	-	-	(450,464)	(100%)	(Note)
WYKS	The Company	WYKS's parent company	Purchase	521,330	84.13%	OA90	-	-	(272,775)	(70.87%)	(Note)
WYHK	The Company	WYHK's parent company	Purchase	374,873	100.00%	OA90	-	-	(422)	(100%)	(Note)
WYMX	WYUS	WYMX's affiliate company	Processing income	781,536	85.48%	OA60	-	-	160,093	100%	(Note)

(Note): The aforementioned inter - company transactions have been eliminated in the consolidated financial statements.

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Table 5 Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock:
(December 31, 2021)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Loss allowance	Notes
					Amount	Action taken			
Account Receivables									
The Company	WYUS	The Company's subsidiary	15,185,251	190.16%	6,014,958	Collecting	-	-	(Note)
"	WYJP	The Company's subsidiary	435,759	445.35%	-	-	-	-	(Note)
"	WYKR	The Company's subsidiary	450,464	921.94%	81,155	Collecting	81,155	-	(Note)
"	WYKS	The Company's subsidiary	272,775	368.65%	24,338	Collecting	-	-	(Note)
"	WIN	The Company's other related company	237,180	211.28%	-	-	-	-	-
"	WBR	The Company's other related company	138,343	188.39%	-	-	-	-	-
WYMX	WYUS	WYMX's affiliate company	160,093	976.35%	160,093	Collecting	160,093	-	(Note)
Other Receivables									
The Company	WYUS	The Company's subsidiary	1,468,331	-	852,149	Collecting	-	-	(Note)
"	WZS	The Company's other related company	218,106	-	299	Collecting	-	-	-
WYUS	The Company	WYUS's parent company	212,069	-	-	-	-	-	(Note)
"	WHQ	The Company's parent company	102,831	-	-	-	-	-	-

(Note): The aforementioned inter - company transactions have been eliminated in the consolidated financial statements.

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Table 6 Significant intercompany transactions and business relationships between parent company and its subsidiaries:
(December 31, 2021)

No.	Name of company	Name of counter-party	Nature of relationship (Note 1)	Intercompany transactions			
				Account name	Amount	Trading Terms	Percentage of the consolidated net revenue or total assets (Note 3)
0	The Company	WYUS	1	Sale	25,128,350	OA120	13.05%
0	The Company	WYJP	1	Sale	2,578,968	OA90	1.34%
0	The Company	WYKR	1	Sale	2,537,766	OA90	1.32%
0	The Company	WYKS	1	Sale	521,330	OA90	0.27%
0	The Company	WYHK	1	Sale	374,873	OA90	0.19%
1	WYUS	The Company	2	Sale	1,813,705	OA90	0.94%
2	WYMX	WYUS	3	Processing income	781,536	OA60	0.41%
0	The Company	WYUS	1	Account receivable	15,185,251	OA120	17.92%
0	The Company	WYJP	1	Account receivable	435,759	OA90	0.51%
0	The Company	WYKR	1	Account receivable	450,464	OA90	0.53%
0	The Company	WYKS	1	Account receivable	272,775	OA90	0.32%
0	The Company	WYHK	1	Account receivable	422	OA90	0.00%
1	WYUS	The Company	2	Account receivable	51,494	OA90	0.06%
2	WYMX	WYUS	3	Account receivable	160,093	OA60	0.19%

Note 1: relationship:

1. Parent company to subsidiary.
2. Subsidiary to parent company.
3. Subsidiary to subsidiary.

Note 2: The section only discloses the information of sales and accounts receivable of inter-company transactions, as well as is not disclosed the purchase and accounts payable of counter-party due to duplicate.

Note 3: Calculated by using the transaction amount, divided by the consolidated net revenues and total assets.

WIWYNN CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Table 7 Information on investments (excluding investees in mainland China):

The following are the information on investees for the year ended to December 31, 2021 (excluding information on investees in mainland China):

Name of the investor	Name of investee	Location	Main business and products	Original investment amount		Balance as of December 31, 2021			The highest percentage of the periods	Net income (losses) of the investee	Share of profits/losses of investee	Notes
				December 31, 2021	December 31, 2020	Shares(In thousands)	Percentage of ownership	Carrying value				
The Company	WYJP	Japan	Sales of data storage equipment	6,620	6,620	-	100.00%	190,300	100.00%	57,027	57,027	(Note)
"	WYUS	U.S.A	Sales of data storage equipment	5,021,581	5,021,581	169,010	100.00%	5,095,045	100.00%	182,998	182,998	(Note)
"	WYHK	Hong Kong	Investing activities and sale of data storage equipment	12,181	12,181	400	100.00%	209,237	100.00%	21,865	21,865	(Note)
"	WYKR	South Korea	Sales of data storage equipment	2,903	2,903	20	100.00%	132,925	100.00%	61,348	61,348	(Note)
"	WYMY	Malaysia	Sales of data storage equipment	236,340	15,109	35,214	100.00%	232,596	100.00%	(82)	(82)	(Note)
"	WYMX	Mexico	Human resources service provision	257,125	49,285	180,297	100.00%	267,790	100.00%	31,469	31,469	(Note)
"	LiquidStack	Netherlands	Sales and R&D of data storage equipment	276,609	-	1,000	20.00%	250,091	20.00%	(160,598)	(32,120)	-

(Note): The aforementioned inter-company transactions have been eliminated in the consolidated financial statements.

Table 8 Information on investment in mainland China:

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 2)	Accumulated outflow of investment from Taiwan as of January 1, 2021	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2021	Net income (loss) of the investee	The highest percentage of the periods	Percentage of ownership	Investment income (losses) (Note 3)2.	Book value	Accumulated remittance of earnings in current period	Notes
					Outflow	Inflow								
WYKS	Sales of data storage equipment	10,659	2	10,659 (Note 1)	-	-	10,659	14,699	100%	100.00%	14,699	92,508	-	(Note 5)

(ii) Limitation on investment in mainland China

Accumulated Investment in mainland China as of December 31, 2021 (Note 1)	Investment Amounts Authorized by Investment Commission, MOEA(Note 6)	Upper Limit on Investment (Note 4)
10,659(USD 350,000)	9,692(USD 350,000)	16,422,015

(Note 1) Wiwynn Technology Service Hong Kong Limited used its own capital to invest in WYKS.

(Note 2) Ways to invest in mainland China:

1.Direct investment in mainland China.

2.Reinvestment in mainland China through third place.

3.Others

(Note 3) The three categories of investment income (losses) recognized were as follows:

1. The financial statements of the investee company were audited by the global accounting firm in cooperation with ROC. accounting firm.
2. The financial statements of the investee company were audited by the same auditor of the Taiwan parent company.
3. Others

(Note 4) Amount of upper limit on investment was the higher between sixty percent of total equity or total consolidated equity.

(Note 5) The aforementioned inter-company transactions have been eliminated in the consolidated financial statements.

(Note 6) Translated using the ending rates on December 31, 2021.

(iii) Significant transactions

For the year ended December 31, 2021, the significant inter-company transactions with the subsidiary in mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions".

Attachment 2

2021 Parent-Company-Only Financial Statements

Stock Code:6669

WIWYNN CORPORATION

PARENT COMPANY ONLY FINANCIAL STATEMENTS

With Independent Auditors' Report
For the Years Ended December 31, 2021 and 2020

Address: 8F, No. 90, Sec.1, Xintai 5th Rd., Xizhi Dist., New Taipei City, Taiwan
Telephone: (02)6615-8888

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

Table of contents

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Independent Auditors' Report

To the Board of Directors of Wiwynn Corporation:

Opinion

We have audited the financial statements of Wiwynn Corporation ("the Company"), which comprise the balance sheets as of December 31, 2021 and 2020, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Revenue recognition

   Refer to note 4(n) "Revenue" and note 6(r) to the financial statements for the disclosure of revenue recognition.

Description of key audit matter

The Company is a listed Company in related to public interest, and the investors are highly expecting the financial performance, resulting in revenue recognition is one of the key judgmental areas of our audit.

How the matter was addressed in our audit

Our principal audit procedures included testing of the design and implement of controls over sales and collection of receivable transactions; evaluate if there is any significant abnormal changes through performing trend analysis on top 10 customers by comparing the related changes or differences; assessing and testing if the management obtained sufficient external evidence showing that the control of the products have been transferred to the customers to support the timing of revenue recognition; evaluating the adequacy of revenues recognition by testing the sale transactions during the period before and after the balance sheets date.

2. Inventory valuation

Refer to note 4(g) "Inventories", note 5 "Significant accounting assumptions and judgments, and major sources of estimation uncertainty" and note 6(d) to the financial statements for the disclosure of valuation of inventory.

Description of key audit matter

Inventories are stated at the lower of cost or net realizable value. With the rapid development of technology, the advance of new electronic products may significantly change consumer demands, which leads to product obsolescence that may result in the cost of inventory to be higher than the net realizable value. Consequently, the valuation of inventories has been identified as one of the key Judgmental areas of our audit.

How the matter was addressed in our audit

Our principal audit procedures included analyze the change of inventory aging by assessing and testing the inventory aging report, understanding the sales price which is used to evaluate the inventory valuation by management and the subsequent market price information as well as selecting the original transition documentation in order to test the appropriateness of the net realize values reviewing if the estimation and assumption used for inventory valuation and other disclosure for inventories made by management were appropriateness.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using equity method to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chia-Chien Tang and Ming-Hung Huang.

KPMG

Taipei, Taiwan (Republic of China)
February 25, 2022

Notes to Readers

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

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

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

Wiwynn Corporation

Balance Sheets

December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2021 Amount	%	December 31, 2020 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 19,331,337	33	22,200,585	45
1170	Accounts receivable, net (notes 6(b)(r))	7,014,568	12	5,880,759	11
1180	Accounts receivable - related parties, net (notes 6(b)(r) and 7)	16,761,928	29	12,260,466	25
1200	Other receivables (note 6(c))	3,549	-	2,927	-
1210	Other receivables-related parties (notes 6(c) and 7)	1,739,719	3	528,215	1
130X	Inventories (note 6(d))	6,420,044	11	1,790,168	3
1470	Other current assets (note 6(i))	287,464	-	906,431	2
	Total current assets	51,558,609	88	43,569,551	87
	Non-current assets:				
1550	Investments accounted for using equity method (note 6(e))	5,881,703	10	4,704,417	10
1600	Property, plant and equipment (notes 6(f) and 7)	771,031	2	851,999	2
1755	Right-of-use assets (notes 6(g) and 7)	151,778	-	158,867	-
1780	Intangible assets (notes 6(h) and 7)	98,732	-	64,602	-
1840	Deferred tax assets (note 6(n))	281,251	-	407,467	1
1990	Other non-current assets (notes 6(i) and 8)	136,579	-	91,988	-
	Total non-current assets	7,321,074	12	6,279,340	13
	Total assets	$ 58,879,683	100	49,848,891	100

	Liabilities and Equity	December 31, 2021 Amount	%	December 31, 2020 Amount	%
	Current liabilities:				
2100	Short-term borrowings (note 6(j))	$ 4,568,850	8	3,107,372	6
2130	Contract liabilities-current (note 6(r))	3,360,972	6	2,297,417	5
2170	Notes payable and accounts payable	1,901,772	3	1,010,184	2
2180	Accounts payable - related parties (note 7)	8,344,226	14	9,725,040	20
2200	Other payables (note 6(s))	2,141,105	4	2,090,622	4
2220	Other payables-related parties (note 7)	251,883	-	273,442	-
2230	Current tax liabilities	919,938	2	1,480,400	3
2280	Lease liabilities-current (notes 6(l) and 7)	64,554	-	54,801	-
2300	Other current liabilities	198,576	-	51,523	-
	Current liabilities	21,751,876	37	20,090,801	40
	Non-current liabilities:				
2530	Bonds payable (note 6(k))	9,436,448	17	4,991,783	11
2570	Deferred tax liabilities (note 6(n))	219,246	-	134,642	-
2580	Lease liabilities-non-current (notes 6(l) and 7)	88,497	-	108,835	-
2640	Net defined benefit liabilities (note 6(m))	13,590	-	8,907	-
	Non-current liabilities	9,757,781	17	5,244,167	11
	Total liabilities	31,509,657	54	25,334,968	51
	Equity (notes 6(e)(m)(n)(o)(p)):				
3110	Common shares	1,748,408	3	1,748,408	3
3200	Capital surplus	8,817,380	15	8,817,380	18
3300	Retained earnings	17,235,258	29	14,186,029	28
3400	Other equity	(431,020)	(1)	(237,894)	-
	Total equity	27,370,026	46	24,513,923	49
	Total liabilities and equity	$ 58,879,683	100	49,848,891	100

See accompanying notes to financial statements.

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

Wiwynn Corporation

Statements of Comprehensive Income

For the years ended December 31, 2021 and 2020

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

		2021		2020	
		Amount	%	Amount	%
4000	**Operating revenue (notes 6(r) and 7)**	$ 73,162,110	100	79,017,070	100
5000	**Operating costs (notes 6(d)(f)(g)(h)(l)(m)(s), 7 and 12)**	59,360,963	81	64,533,782	82
	Gross profit	13,801,147	19	14,483,288	18
5910	Unrealized profit (loss) from sales	342,227	-	(350,000)	-
	Net gross profit	14,143,374	19	14,133,288	18
	Operating expenses (notes 6(b)(f)(g)(h)(l)(m)(s), 7 and 12):				
6100	Selling expenses	366,386	1	613,040	1
6200	Administrative expenses	703,257	1	579,743	1
6300	Research and development expenses	2,411,214	3	2,136,829	2
6450	Expected credit loss	2,501	-	1,807	-
	Total operating expenses	3,483,358	5	3,331,419	4
	Net operating income	10,660,016	14	10,801,869	14
	Non-operating income and expenses (notes 6(e)(f)(k)(l)(t) and 7):				
7100	Interest income	60,032	-	33,527	-
7010	Other income	48	-	76	-
7020	Other gains and losses	(73,622)	-	(98,187)	-
7050	Finance costs	(98,893)	-	(64,339)	-
7070	Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	322,505	1	150,540	-
	Total non-operating income and expenses	210,070	1	21,617	-
7900	**Income before tax**	10,870,086	15	10,823,486	14
7950	**Income tax expense (note 6(n))**	2,222,074	3	2,213,829	3
	Net income	8,648,012	12	8,609,657	11
8300	**Other comprehensive income (notes 6(e)(m)(n)(o)):**				
8310	**Items that may not be reclassified subsequently to profit or loss**				
8311	Losses on remeasurements of defined benefit plans	(4,848)	-	(6,121)	-
8349	Income tax related to items that may not be reclassified subsequently to profit or loss	970	-	1,224	-
	Total items that may be reclassified subsequently to profit or loss	(3,878)	-	(4,897)	-
8360	**Items that may be reclassified subsequently to profit or loss**				
8361	Exchange differences on translation of foreign financial statements	(193,126)	-	(291,808)	-
8399	Income tax related to items that may be reclassified subsequently to profit or loss	-	-	-	-
	Total items that may be reclassified subsequently to profit or loss	(193,126)	-	(291,808)	-
8300	**Other comprehensive income**	(197,004)	-	(296,705)	-
8500	**Total comprehensive income**	**$ 8,451,008**	**12**	**8,312,952**	**11**
	Earnings per share (expressed in New Taiwan dollars) (note 6(q))				
9750	**Basic earnings per share**	**$ 49.46**		**49.25**	
9850	**Diluted earnings per share**	**$ 49.28**		**48.98**	

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

Wiwynn Corporation

Statements of Changes in Equity

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

			Retained earnings				Other equity	
	Common shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Total equity
Balance on January 1, 2020	$ 1,746,368	8,816,183	752,956	-	8,849,444	9,602,400	53,914	20,218,865
Appropriation and distribution of retain earnings:								
Legal reserve	-	-	616,925	-	(616,925)	-	-	-
Cash dividends	-	-	-	-	(4,021,131)	(4,021,131)	-	(4,021,131)
Net income	-	-	-	-	8,609,657	8,609,657	-	8,609,657
Other comprehensive income	-	-	-	-	(4,897)	(4,897)	(291,808)	(296,705)
Total comprehensive income	-	-	-	-	8,604,760	8,604,760	(291,808)	8,312,952
Issue of common shares-employee stock options	2,040	1,197	-	-	-	-	-	3,237
Balance on December 31, 2020	1,748,408	8,817,380	1,369,881	-	12,816,148	14,186,029	(237,894)	24,513,923
Appropriation and distribution of retain earnings:								
Legal reserve	-	-	860,476	-	(860,476)	-	-	-
Special reserve	-	-	-	237,894	(237,894)	-	-	-
Cash dividends	-	-	-	-	(5,594,905)	(5,594,905)	-	(5,594,905)
Net income	-	-	-	-	8,648,012	8,648,012	-	8,648,012
Other comprehensive income	-	-	-	-	(3,878)	(3,878)	(193,126)	(197,004)
Total comprehensive income	-	-	-	-	8,644,134	8,644,134	(193,126)	8,451,008
Balance on December 31, 2021	**$ 1,748,408**	**8,817,380**	**2,230,357**	**237,894**	**14,767,007**	**17,235,258**	**(431,020)**	**27,370,026**

See accompanying notes to financial statements.

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

Wiwynn Corporation

Statements of Cash Flows

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	2021	2020
Cash flows from (used in) operating activities:		
Income before tax	$ 10,870,086	10,823,486
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	349,965	286,415
Amortization expense	41,946	19,350
Expected credit loss	2,501	1,807
Net gain on financial assets or liabilities at fair value through profit or loss	(35,697)	(436,049)
Interest expense	98,893	64,339
Interest income	(60,032)	(33,527)
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	(322,505)	(150,540)
Losses on disposal of property, plant and equipment	4	95
Unrealized losses (profit) from sales	(342,227)	350,000
Prepayments for equipment reclassified as expenses	-	186
Total adjustments to reconcile profit	(267,152)	102,076
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease in financial assets mandatorily measured at fair value through profit or loss-current	35,697	436,049
Increase in accounts receivable, net	(1,136,310)	(715,885)
Decrease (increase) in accounts receivable-related parties, net	(4,501,462)	2,860,866
Decrease (increase) in other receivable	(622)	172
Decrease (increase) in other receivable-related parties	(934,604)	1,770,909
Increase in inventories	(4,629,876)	(231,039)
Decrease (increase) in other current assets	619,752	(475,359)
Total changes in operating assets	(10,547,425)	3,645,713
Changes in operating liabilities:		
Increase in contract liabilities-current	1,063,555	1,435,914
Increase (decrease) in notes and accounts payable	891,588	(2,596,018)
Increase (decrease) in accounts payable-related parties	(1,380,814)	2,659,908
Increase in other payable	88,039	277,578
Decrease in other payable-related parties	(21,559)	(210,015)
Increase (decrease) in other current liabilities	147,053	(2,369)
Decrease in net defined benefit liabilities	(165)	(84)
Total changes in operating liabilities	787,697	1,564,914
Total changes in operating assets and liabilities	(9,759,728)	5,210,627
Total adjustments	(10,026,880)	5,312,703
Cash inflow generated from operations	843,206	16,136,189
Interest received	59,248	31,884
Interest paid	(86,420)	(58,093)
Income taxes paid	(2,618,436)	(1,617,776)
Net cash flows from (used in) operating activities	(1,802,402)	14,492,204
Cash flows from investing activities:		
Increase in other receivables—related parties	(276,900)	-
Acquisition of investments accounted for using equity method	(705,680)	-
Acquisition of property, plant and equipment	(120,826)	(295,457)
Proceeds from disposal of property, plant and equipment	27	-
Acquisition of intangible assets	(76,076)	(64,846)
Decrease in other financial assets	62	1,107
Increase in prepayments for equipment	(132,656)	(98,720)
Net cash flows used in investing activities	(1,312,049)	(457,916)
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	87,062,810	70,744,296
Decrease in short-term borrowings	(85,601,332)	(71,307,022)
Proceeds from issuing bonds	4,442,325	4,991,500
Payment of lease liabilities	(63,695)	(55,471)
Cash dividends paid	(5,594,905)	(4,021,131)
Exercise of employee stock options	-	3,237
Net cash flows from financing activities	245,203	355,409
Net increase (decrease) in cash and cash equivalents	(2,869,248)	14,389,697
Cash and cash equivalents at beginning of period	22,200,585	7,810,888
Cash and cash equivalents at end of period	**$ 19,331,337**	**22,200,585**

See accompanying notes to financial statements.

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

WIWYNN CORPORATION

Notes to the Parent Company Only Financial Statements

For the years ended December 31, 2021 and 2020

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

(1) Company history

Wiwynn Corporation (the "Company") was incorporated on March 3, 2012, as a company limited by shares under the laws of the Republic of China (ROC). Wiwynn Corporation was engaged in research, development, design, testing and sales of abovementioned products, semi-products, peripheral equipments and parts:

(i) Computer and peripheral equipments

(ii) Data storage media

(iii) Electric appliances and media products

(iv) Information software

(v) Export business relating to the business of the Company

(vi) Management consult services

(vii) Information software services

(viii) Data processing services

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

The were authorized for issuance by the Board of Directors on February 25, 2022.

(3) New standards, amendments and interpretations adopted:

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

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

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

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

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

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

(Continued)

WIWYNN CORPORATION
Notes to the Parent Company Only Financial Statements

(4) Summary of significant accounting policies:

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

(a) Statement of compliance

These financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”).

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the financial statements have been prepared on a historical cost basis:

1) Financial instruments at fair value through profit or loss are measured at fair value;

2) The defined benefit liabilities are measured at fair value of the plan assets less the present value of the defined benefit obligation.

(ii) Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the entity operates. The financial statements are presented in New Taiwan dollars, which is the Company’ s functional currency. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(c) Foreign currency

(i) Foreign currency transaction

Transactions in foreign currencies are translated into the respective functional currencies of Company at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Nonmonetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

WIWYNN CORPORATION
Notes to the Parent Company Only Financial Statements

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

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

(ii) Foreign operations

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

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

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

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

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

(i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be realized within twelve months after the reporting period; or

(iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

(Continued)

WIWYNN CORPORATION
Notes to the Parent Company Only Financial Statements

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

An entity shall classify a liability as current when:

(i) It is expected to be settled in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is due to be settled within twelve months after the reporting period; or

(iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash comprises cash on hand and cash in bank. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(f) Financial instruments

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

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.
On initial recognition, a financial asset is classified as measured at amortized cost; fair value through other comprehensive income (FVOCI) – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

WIWYNN CORPORATION

Notes to the Parent Company Only Financial Statements

1) Financial assets measured at amortized cost

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

·it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

·its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

2) Fair value through other comprehensive income (FVOCI)

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

· it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

·its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

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

(Continued)

3) Fair value through profit or loss (FVTPL)

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

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

4) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, accounts receivable, other receivable, refundable deposits and other financial assets), debt investments measured at FVOCI and contract assets.

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

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

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

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

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

The Company holds time deposits for domestic financial institutions, and it is considered to be low credit risk.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 60 days past due.

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

(Continued)

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

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

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

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

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

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

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

5) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(Continued)

WIWYNN CORPORATION
Notes to the Parent Company Only Financial Statements

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

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

3) Financial liabilities

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

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

4) Derecognition of financial liabilities

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

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

5) Offsetting of financial assets and liabilities

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

(Continued)

(iii) Derivative financial instruments

The Company holds derivative financial instruments to hedge its foreign currency exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

(g) Inventories

Inventories are measured individually at the lower of cost and net realizable value. The standard cost method is adopted for inventory costing and the difference between standard cost and actual cost is allocated proportionately to inventory except for an unfavorable variance from normal capacity. Net realizable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses at the end of the period.

(h) Investment in associates

Associates are those entities in which the Company has significant influence, but not control or joint control, over their financial and operating policies.

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

The financial statements include the Company’s share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Company, from the date on which significant influence commences until the date on which significant influence ceases. The Company recognizes any changes of its proportionate share in the investee within capital surplus, when an associate’s equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual proportionate share.

Gains and losses resulting from transactions between the Company and an associate are recognized only to the extent of unrelated Company’s interests in the associate. When the Company’s share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

(i) Investment in subsidiaries

When preparing the financial statements, investment in subsidiaries which are controlled by the Company is accounted for using the equity method. Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company’s share of profit or loss and other comprehensive income of the subsidiary as well as the distribution received. The Company also recognized its share in the changes in the equity of subsidiaries. In subsidiaries which are controlled by the Company is accounted for preparing the consolidated statement by each period.

(Continued)

WIWYNN CORPORATION
Notes to the Parent Company Only Financial Statements

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

(j) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent cost

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

(iii) Depreciation

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

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

1) Research and developments equipment: 3~5 years

2) Machinery and equipment: 4~6 years

3) Office equipment: 2~4 years

4) Lease improvements: 3 years

5) Other equipment: 4 years

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

(k) Lease

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

(Continued)

(i) As a leasee

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

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

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

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

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

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

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Company’s estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise a extension or termination option; or
- there is any lease modifications

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

(Continued)

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

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

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of short-term lease that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(l) Intangible assets

(i) Recognition and measurement

Intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

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

(iii) Amortization

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

Intangible assets is software. Amortization is recognized in profit or loss on a straight-line basis 3 years for the estimated useful lives of intangible assets, from the date that they are available for use.

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

(m) Impairment of non-financial assets

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

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

(Continued)

WIWYNN CORPORATION
Notes to the Parent Company Only Financial Statements

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell.

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

Impairment losses are recognized in profit or loss. They are reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

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

(n) Revenue

(i) Revenue from contracts with customers

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

1) Sale of goods

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

The Company provides customers with the extended warranty. This kind of contract contains two performance obligations and, therefore, the transaction price is allocated to each performance obligation on a relative stand-alone selling price basis. Management estimates the stand-alone selling prices at contract inception based on the observable prices at which the Company would sell the product and the extended warranty separately in similar circumstances and to similar customers.

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

2) Financing components

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

(o) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plan

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

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

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

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

(iii) Short-term employee benefits

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

WIWYNN CORPORATION

Notes to the Parent Company Only Financial Statements

(p) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

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

Grant date of a share-based payment award is the date which reach a consciences about price and number of a new award between the Company and employee

(q) Income taxes

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

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

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

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

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

(iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

(Continued)

WIWYNN CORPORATION

Notes to the Parent Company Only Financial Statements

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

(i) The Company has a legally enforceable right to set off current tax assets against current tax liabilities; and

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

1) the same taxable entity; or

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

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

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

(r) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as employee stock options and employee compensation.

(s) Operating segments

The Company discloses the operating segment information in the consolidated financial statements. Therefore, the Company does not disclose the operating segment information in the parent company only financial statement.

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

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

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

(Continued)

WIWYNN CORPORATION

Notes to the Parent Company Only Financial Statements

Information about judgments made in applying accounting policies do not have significant effects on the amounts recognized in the financial statements.

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

Valuation of inventories

The Company estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Refer to note 6(d) for further description of the valuation of inventories.

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash on hand	$ 280	260
Demand and checking deposits	11,331,057	17,200,325
Time deposits	8,000,000	5,000,000
	$ 19,331,337	**22,200,585**

Please refer to note 6(u) for the sensitivity analysis and interest rate risk of the financial assets and liabilities of the Company.

(b) Accounts receivable

	December 31, 2021	December 31, 2020
Accounts receivable—measured at amortized cost	$ 7,018,042	5,105,226
Accounts receivable-related parties—measured at amortized cost	16,761,928	12,260,466
Accounts receivable—measured at fair value through other comprehensive income	1,212	777,718
Less: loss allowance	(4,686)	(2,185)
	$ 23,776,496	**18,141,225**

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

WIWYNN CORPORATION

Notes to the Parent Company Only Financial Statements

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

	December 31, 2021		
	Gross carrying amount	Weighted - average loss rate	Loss allowance
Current	$ 17,660,140	-	-
Past due under 30 days	2,487,426	-	-
Past due 31 to 60 days	1,786,744	-	-
Past due 61 to 90 days	1,846,306	0.2%	4,120
Past due 91 to 180 days	537	100%	537
More than 361 days past due	29	100%	29
Total	**$ 23,781,182**		**4,686**

	December 31, 2020		
	Gross carrying amount	Weighted - average loss rate	Loss allowance
Current	$ 18,134,381	-	-
Past due under 30 days	1,973	-	-
Past due 31 to 60 days	127	-	-
Past due 61 to 90 days	6,927	32%	2,183
Past due 91 to 180 days	2	100%	2
Total	**$ 18,143,410**		**2,185**

The movement in the allowance for accounts receivable were as follows:

	2021	2020
Balance on January 1	$ 2,185	378
Impairment losses recognized	41,686	2,190
Impairment losses reversed	(39,185)	(383)
Balance on December 31	**$ 4,686**	**2,185**

As of December 31, 2021 and 2020, the accounts receivable were not pledged.

For further credit risk information, please refers to note 6(u).

WIWYNN CORPORATION
Notes to the Parent Company Only Financial Statements

The Company entered into separate factoring agreements with different financial institutions to sell its trade receivables. Under the agreements, the Company does not have the responsibility to assume the default risk of the transferred trade receivables but is liable for the losses incurred on any business dispute. The Company derecognized the above trade receivables because it has transferred substantially all of the risks and rewards of their ownership, and it does not have any continuing involvement in them. As of December 31, 2021 and 2020, the Company sold its accounts receivable without recourse as follows:

Unit: USD in thousands

December 31, 2021						
Purchaser	**Assignment Facility**	**Amount Advanced Unpaid**	**Amount Advanced Paid**	**Amount Recognized in Other Receivables**	**Range of Interest Rate**	**Collateral**
Financial institutions	$ -	44	-	-	-	None

December 31, 2020						
Purchaser	**Assignment Facility**	**Amount Advanced Unpaid**	**Amount Advanced Paid**	**Amount Recognized in Other Receivables**	**Range of Interest Rate**	**Collateral**
Financial institutions	$ -	90,000	-	-	2.67%	None

(c) Other receivables

	December 31, 2021	December 31, 2020
Other receivables	$ 3,549	2,927
Other receivables - related parties	1,739,719	528,215
Less: loss allowance	-	-
	$ 1,743,268	531,142

For further credit risk information, please refers to note 6(u).

(d) Inventories

	December 31, 2021	December 31, 2020
Raw materials	$ 3,084,290	880,254
Finished goods	3,246,818	803,778
Inventory in transit	88,936	106,136
	$ 6,420,044	1,790,168

WIWYNN CORPORATION
Notes to the Parent Company Only Financial Statements

Except cost of goods sold, the remaining gains or losses which were recognized as cost sales were as follow:

	2021	2020
Royalty	$ 33,901	50,390
Losses on valuation of inventories	63,805	2,445
Loss on supplier inventory reserve	80,247	36,783
	$ 177,953	89,618

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

(e) Investments accounted for using equity method

The Components of investments accounted for using the equity method at the reporting date were as follows:

	December 31, 2021	December 31, 2020
Subsidiaries	$ 5,631,612	4,704,417
Associates	250,091	-
	$ 5,881,703	4,704,417

(i) Subsidiaries

Please refer to the consolidated financial statements for the year ended December 31, 2021.

(ii) Associates

On March, 2021, the Company acquired 20% amounted to 1,000 thousand shares of LiquidStack Holding B.V. (LiquidStock) for $276,609 thousand (USD 10,000 thousand) in cash, resulting in the Group to have significant influence over LiquidStack Holding B.V.

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

Name of associate	Nature of Relationship with the Group	Main operating location / Registered Country of the Company	Proportion of Shareholding and voting rights December 31, 2021
LiquidStack Holding B.V.	Sales and R&D of data storage equipment	Netherlands	20 %

WIWYNN CORPORATION

Notes to the Parent Company Only Financial Statements

The Company's financial information on investments accounted for using the equity method that are individually insignificant was as follows. This financial information is included in the consolidated financial statements.

	December 31, 2021
Carrying amount of individually insignificant associates' equity	$ **250,091**

	2021
Attributable to the Company:	
Profit (loss) from continuing operations	$ (32,120)
Other comprehensive (loss) income	5,602
Comprehensive income	$ **(26,518)**

(iii) Pledge

As of December 31, 2021 and 2020, the investments accounted for using equity method were not pledged.

(f) Property, plant and equipment

The cost and accumulated depreciation of the property, plant and equipment of the Company for the years ended December 31, 2021 and 2020, were as follows:

	Research and development equipment	Machinery and equipment	Office equipment	Lease improvements	Other equipment	Total
Cost or deem cost:						
Balance on January 1, 2021	$ 143,103	697,429	71,096	226,819	209,099	1,347,546
Additions	23,543	26,115	13,365	52,030	5,773	120,826
Disposals	(244)	-	(2,935)	(8,803)	(289)	(12,271)
Reclassification (Note)	19,404	15,185	-	5,311	48,103	88,003
Balance on December 31, 2021	$ **185,806**	**738,729**	**81,526**	**275,357**	**262,686**	**1,544,104**
Balance on January 1, 2020	$ 120,083	431,063	48,584	186,062	164,794	950,586
Additions	18,820	199,871	23,958	40,757	12,051	295,457
Disposals	-	-	(1,446)	-	-	(1,446)
Reclassification (Note)	4,200	66,495	-	-	32,254	102,949
Balance on December 31, 2020	$ **143,103**	**697,429**	**71,096**	**226,819**	**209,099**	**1,347,546**
Accumulated depreciation:						
Balance on January 1, 2021	$ 99,573	108,401	31,529	102,635	153,409	495,547
Depreciation	19,353	122,824	15,119	80,079	52,391	289,766
Disposals	(243)	-	(2,906)	(8,803)	(288)	(12,240)
Balance on December 31, 2021	$ **118,683**	**231,225**	**43,742**	**173,911**	**205,512**	**773,073**
Balance on January 1, 2020	$ 84,639	12,223	22,517	40,210	105,206	264,795
Depreciation	14,934	96,178	10,363	62,425	48,203	232,103
Disposals	-	-	(1,351)	-	-	(1,351)
Balance on December 31, 2020	$ **99,573**	**108,401**	**31,529**	**102,635**	**153,409**	**495,547**

(Continued)

WIWYNN CORPORATION
Notes to the Parent Company Only Financial Statements

	Research and development equipment	Machinery and equipment	Office equipment	Lease improvements	Other equipment	Total
Carrying value:						
Balance on December 31, 2021	$ **67,123**	**507,504**	**37,784**	**101,446**	**57,174**	**771,031**
Balance on December 31, 2020	$ **43,530**	**589,028**	**39,567**	**124,184**	**55,690**	**851,999**
Balance on January 1, 2020	$ **35,444**	**418,840**	**26,067**	**145,852**	**59,588**	**685,791**

(Note): Reclassified from prepayment for equipment.

As of December 31, 2021 and 2020, the property, plant and equipment were not pledged.

(g) Right-of-use assets

The Company leases buildings and other equipment. Information about leases for which the Company has been a lessee is presented below:

	Buildings	Other equipment	Total
Cost:			
Balance on January 1, 2021	$ 279,249	4,835	284,084
Acquisitions	53,110	-	53,110
Disposals	(13,834)	-	(13,834)
Balance on December 31, 2021	$ **318,525**	**4,835**	**323,360**
Balance on January 1, 2020	$ 270,115	4,835	274,950
Acquisitions	12,863	-	12,863
Disposals	(3,729)	-	(3,729)
Balance on December 31, 2020	$ **279,249**	**4,835**	**284,084**
Accumulated depreciation:			
Balance on January 1, 2021	$ 124,050	1,167	125,217
Depreciation for the year	59,233	966	60,199
Disposals	(13,834)	-	(13,834)
Balance on December 31, 2021	$ **169,449**	**2,133**	**171,582**
Balance on January 1, 2020	$ 70,705	200	70,905
Depreciation for the year	53,345	967	54,312
Balance on December 31, 2020	$ **124,050**	**1,167**	**125,217**
Carrying amount:			
Balance on December 31, 2021	$ **149,076**	**2,702**	**151,778**
Balance at December 31, 2020	$ **155,199**	**3,668**	**158,867**
Balance at January 1, 2020	$ **199,410**	**4,635**	**204,045**

(Continued)

WIWYNN CORPORATION
Notes to the Parent Company Only Financial Statements

(h) Intangible assets

The cost and accumulated amortization of the intangible assets for the years ended December 31, 2021 and 2020, were as follows:

	Software	Other	Total
Costs:			
Balance on January 1, 2021	$ 112,439	1,040	113,479
Additions	76,076	-	76,076
Disposals	(30,750)	-	(30,750)
Balance on December 31, 2021	**$ 157,765**	**1,040**	**158,805**
Balance on January 1, 2020	$ 48,731	1,040	49,771
Additions	64,846	-	64,846
Disposals	(1,138)	-	(1,138)
Balance on December 31, 2020	**$ 112,439**	**1,040**	**113,479**
Accumulated amortization:			
Balance on January 1, 2021	$ 48,877	-	48,877
Amortization	41,946	-	41,946
Disposals	(30,750)	-	(30,750)
Balance on December 31, 2021	**$ 60,073**	**-**	**60,073**
Balance on January 1, 2020	$ 30,665	-	30,665
Amortization	19,350	-	19,350
Disposals	(1,138)	-	(1,138)
Balance on December 31, 2020	**$ 48,877**	**-**	**48,877**
Carrying value:			
Balance on December 31, 2021	**$ 97,692**	**1,040**	**98,732**
Balance on December 31, 2020	**$ 63,562**	**1,040**	**64,602**
Balance on January 1, 2020	**$ 18,066**	**1,040**	**19,106**

(i) Amortization

For the years ended December 31, 2021 and 2020, the amortization of intangible assets is included in the statement of comprehensive income:

	2021	2020
Operating costs	$ 12,812	7,460
Operating expense	29,134	11,890
	$ 41,946	**19,350**

(ii) Pledge

As of December 31, 2021 and 2020, the intangible assets were not pledged.

WIWYNN CORPORATION
Notes to the Parent Company Only Financial Statements

(i) Other current assets and other non-current assets

	December 31, 2021	December 31, 2020
Other current assets:		
Tax refundable	$ 184,652	832,246
Other prepayments	100,347	72,505
Others	2,465	1,680
	$ 287,464	**906,431**
Other non-current assets:		
Refundable deposits	$ 32,221	31,495
Restricted deposits	26,675	27,463
Prepayments for equipment	77,683	33,030
	$ 136,579	**91,988**

As of December 31, 2021 and 2020, the other non-current assets of the Company had been pledged as collateral for subsidiaries, please refer to note 8.

(j) Short-term borrowings

The details of the Company for short-term borrowings were as follows:

	December 31, 2021			
	Currency	**Interest rate collars**	**Expiration**	**Amount**
Unsecured bank borrowings	USD	0.58%~0.76%	2022/1/5~2022/1/28	**$ 4,568,850**
Unused credit line				**$ 17,269,160**

	December 31, 2020			
	Currency	**Interest rate collars**	**Expiration**	**Amount**
Unsecured bank borrowings	USD	0.58%~0.69%	2021/1/11~2021/3/26	**$ 3,107,372**
Unused credit line				**$ 18,177,781**

(k) Bonds payable

The details of unsecured ordinary bonds were as follows:

	December 31, 2021	December 31, 2020
Total ordinary corporate bonds issued	$ 9,450,000	5,000,000
Unamortized discounted bonds payable	(13,552)	(8,217)
Bonds payable balance at year-end	**$ 9,436,448**	**4,991,783**

	2021	2020
Interest expense	**$ 55,130**	**8,583**

(Continued)

WIWYNN CORPORATION

Notes to the Parent Company Only Financial Statements

The Company issued 4,450 unsecured 5-years ordinary corporate bonds, and pays interest yearly at a fixed interest rate of 0.63% in Taiwan on August 6, 2021. It is agreed that half of principal will be repaid in the fourth and fifth years.

The Company issued 5,000 unsecured 5-years ordinary corporate bonds, and pays interest yearly at a fixed interest rate of 0.83% in Taiwan on October 20, 2020. It is agreed that half of principal will be repaid in the fourth and fifth years.

(l) Lease liabilities

The carrying amounts of lease liabilities were as follow:

	December 31, 2021	December 31, 2020
Current	$ 64,554	54,801
Non-current	$ 88,497	108,835

For the maturity analysis, please refer to note 6(u).

The amounts recognized in profit or loss were as follows:

	2021	2020
Interest expenses on lease liabilities	$ 3,320	3,504
Cost and expenses relating to short-term leases	$ 23,331	9,332

The amounts recognized in the statement of cash flows by the Company were as follows:

	2021	2020
Total cash outflow for leases	$ 90,346	68,307

(i) Real estate leases

The Company leases land and buildings for its office space and factory. The leases of office space typically run for a period of 2 to 5 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

(ii) Other leases

The Company leases other equipment, with lease terms of 3 to 5 years. In some cases, the Company has options to purchase the assets at the end of the contract term.

(Continued)

WIWYNN CORPORATION

Notes to the Parent Company Only Financial Statements

(m) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligations at present values and plan assets at fair value are as follows:

	December 31, 2021	December 31, 2020
Present value of defined benefit obligations	$ 67,270	63,480
Fair value of plan assets	(53,680)	(54,573)
Net defined benefit liabilities	**$ 13,590**	**8,907**

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

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company' s Bank of Taiwan and Taipei Fubon commercial bank labor pension reserve account balance amounted to $53,680 thousand and $54,573 thousand, respectively, as of December 31, 2021 and 2020. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movements in the present value of the defined benefit obligations for the Company were as follows:

	2021	2020
Defined benefit obligations at January 1	$ 63,480	56,722
Current service cost and interests cost	675	634
Net remeasurements of defined benefit liability	4,921	6,124
Benefit paid by the plan	(1,806)	-
Defined benefit obligations at December 31	**$ 67,270**	**63,480**

(Continued)

WIWYNN CORPORATION
Notes to the Parent Company Only Financial Statements

3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Company were as follows:

	2021	2020
Fair value of plan assets at January 1	$ 54,573	53,852
Interest income	8	8
Net remeasurements of defined benefit assets	73	3
Amounts contributed to plan	832	710
Benefit paid by the plan	(1,806)	-
Fair value of plan assets at December 31	**$ 53,680**	**54,573**

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company were as follow:

	2021	2020
Current service cost	**$ 667**	**626**
Operating expense	**$ 667**	**626**

5) Remeasurements of the net defined benefit liability recognized in other comprehensive income

The Company's remeasurement of the net defined benefit liability recognized in other comprehensive income for the years ended December 31, 2021 and 2020, was as follows:

	2021	2020
Accumulated amount at January 1	$ 8,433	2,312
Recognized during the period	4,848	6,121
Accumulated amount at December 31	**$ 13,281**	**8,433**

6) Actuarial assumptions

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

	December 31, 2021	December 31, 2020
Discount rate	0.625 %	0.625 %
Future salary increases	4.000 %	3.500 %

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date is $840 thousand.

The weighted-average lifetime of the defined benefits plans for 2021 is 15.47 years.

WIWYNN CORPORATION
Notes to the Parent Company Only Financial Statements

7) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

		Effects to the defined benefit obligation	
		Increase 0.25%	**Decrease 0.25%**
December 31, 2021:			
Discount rate (change in 0.25%)	$	(1,633)	1,700
Future salary increases (change in 0.25%)		1,617	(1,565)
December 31, 2020:			
Discount rate (change in 0.25%)		(1,607)	1,669
Future salary increases (change in 0.25%)		1,596	(1,543)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above.

The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

(i) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The Company's pension costs under the defined contribution plan were $62,548 thousand and $51,319 thousand for the years 2021 and 2020, respectively.

(n) Income taxes

(i) Income tax expense

The components of income tax were as follows:

		2021	2020
Current tax expense			
Current period	$	2,010,167	2,076,532
Adjustments for prior periods		117	19,034
		2,010,284	2,095,566
Deferred tax expense			
Origination and reversal of temporary difference		211,790	118,263
Income tax expense	**$**	**2,222,074**	**2,213,829**

(Continued)

WIWYNN CORPORATION
Notes to the Parent Company Only Financial Statements

The amount of income tax recognized in other comprehensive income for 2021 and 2020 were as follows:

	2021	2020
Items that may not be reclassified subsequently to profit or loss:		
Loss on remeasurements of defined benefit plans	**$ (970)**	**(1,224)**

(ii) Reconciliation of income tax and profit before tax for 2021 and 2020 are as follows:

	2021	2020
Income before tax	$ 10,870,086	10,823,486
Income tax using the Company's domestic tax rate	2,174,017	2,164,697
Undistributed earnings additional tax	90,374	65,708
Tax incentives	(42,434)	(35,610)
Prior-period tax adjustments	117	19,034
Income tax expense	**$ 2,222,074**	**2,213,829**

(iii) Deferred tax assets and liabilities

1) Unrecognized deferred tax asset and liability

There were no significant unrecognized deferred tax assets and liabilities as of December 31, 2021 and 2020.

2) Recognized deferred tax assets and liabilities

Changes in the amounts of deferred deferred tax assets and liabilities for 2021 and 2020 were as follows:

	Unrealized exchange loss	Contract liabilities and Provision	Unrealized inter-company profits	Accrued expense	Other	Total
Deferred tax assets:						
Balance at January 1, 2021	$ 47,883	-	167,702	185,293	6,589	407,467
Recognized in profit or loss	(20,461)	-	(68,445)	(44,648)	6,368	(127,186)
Recognized in other comprehensive income	-	-	-	-	970	970
Balance at December 31, 2021	**$ 27,422**		**99,257**	**140,645**	**13,927**	**281,251**
Balance at January 1, 2020	54,796	172,301	97,702	153,232	16,367	494,398
Recognized in profit or loss	$ (6,913)	(172,301)	70,000	32,061	(11,002)	(88,155)
Recognized in other comprehensive income	-	-	-	-	1,224	1,224
Balance at December 31, 2020	**$ 47,883**	**-**	**167,702**	**185,293**	**6,589**	**407,467**

WIWYNN CORPORATION
Notes to the Parent Company Only Financial Statements

	Recognized share of gain of subsidiaries and associates accounted for equity method	Other	Total
Deferred tax liabilities:			
Balance at January 1, 2021	$ 134,642	-	134,642
Recognized in profit or loss	64,501	20,103	84,604
Balance at December 31, 2021	**$ 199,143**	**20,103**	**219,246**
Balance at January 1, 2020	$ 104,534	-	104,534
Recognized in profit or loss	30,108	-	30,108
Balance at December 31, 2020	**$ 134,642**	**-**	**134,642**

(iv) The ROC income tax authorities have examined the Company's income tax returns for all years through 2019.

(o) Capital and other equity

As of December 31, 2021 and 2020, the Company's authorized common shares consisted of 250,000 thousand shares with a par value of $10 per share, amounted to $2,500,000 thousands, of which 174,841 thousand shares, were issued and outstanding.

(i) Common shares

The Company issued 204 thousand new shares of common shares with the amounts of $3,237 thousand for the execution of employee stock options for the year ended December 31, 2020. All proceeds from outstanding shares have been collected and all related registration procedures had been completed. There was no such transaction for the year ended December 31, 2021.

(ii) Capital surplus

The balances of capital surplus were as follows:

	December 31, 2021	December 31, 2020
A premium issuance of common shares for cash	$ 8,436,510	8,436,510
Employee stock options	364,685	364,685
others	16,185	16,185
	$ 8,817,380	**8,817,380**

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(Continued)

WIWYNN CORPORATION
Notes to the Parent Company Only Financial Statements

(iii) Retained earnings

The Company's article of incorporation stipulate that if the Company has a profit as a result of the yearly accounting closing, ten percent of the profit net of tax and the amount for making up of any accumulated loss shall be set aside as legal reserve, and thereafter an amount, including the reserved special reserve, shall be set aside, along with any undistributed profits accumulated from previous years to be identified as profits to be distributed. The amount of dividends to shareholders shall not less than ten percent of profit from the currency year.

As the Company is a technology and capital-intensive enterprise and is in its growth phase, it has adopted a more prudent approach in the appropriation of its remaining earnings as its dividend policy, in order to sustain its long-term capital needs and thereby maintain continuous development and steady growth. Under this approach, the distribution of cash dividend is not lower than 10% of total distribution of dividends.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

In accordance with regulations by the FSC, a special reserve equal to the contra account of other shareholders' equity is appropriated from current and prior period earnings . For the year 2020 earnings distribution in 2021, the amount to be reclassified to special reserve shall be a portion of current-period after-tax net profit plus items other than current-period after-tax net profit in the undistributed retained earnings and undistributed prior-period earning. There was no such transaction in 2020. When the debit balance of any of the contra accounts in the shareholders' equity is reversed, the related special reserve can be reversed. The subsequent reversals of the contra accounts in shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

The amounts of cash dividends for 2020 and 2019 has been approved during the shareholder's meeting held on July 8, 2021 and June 15, 2020, respectively. The relevant dividend distributions to shareholder were as follow:

	2020	2019
Dividends distributed to ordinary shareholders		
Cash	$ 5,594,905	4,021,131

WIWYNN CORPORATION

Notes to the Parent Company Only Financial Statements

(iv) Other equity (net of tax)

		Exchange differences on translation of foreign financial statements
Balance on January 1, 2021	$	(237,894)
Exchange differences on translation of foreign financial statements		(193,126)
Balance on December 31, 2021	**$**	**(431,020)**
Balance on January 1, 2020	$	53,914
Exchange differences on translation of foreign financial statements		(291,808)
Balance on December 31, 2020	**$**	**(237,894)**

(p) Share-based payment

As of December 31, 2021 and 2020, the Company had share-based payment agreements as follows:

	Equity-settled	
	Employee stock options issued in 2015	Employee stock options issued in 2017
Grant date	January 26, 2015	June 20, 2017
Number of shares granted	1,000,000	8,000,000
Duration	5 years	3 years
Recipients	Employee	Employee
Grant period	(Note 1)	(Note 2)

(Note 1) The exercise ratio of the employee stock options over the grant period are as follows:

Employee stock options issued in 2015	
Grant period	**Exercise ratio (cumulative)**
February 15, 2017	1/3
February 15, 2018	2/3
February 15, 2019	3/3

(Note 2) The exercise ratio of the employee stock options over the grant period are as follows:

Employee stock options issued in 2017	
Grant period	**Exercise ratio (cumulative)**
August 1, 2017	1/2
February 1, 2019	2/2

(Continued)

WIWYNN CORPORATION
Notes to the Parent Company Only Financial Statements

(i) Determining the fair value of equity instruments granted

Employee stock options

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

	Employee stock options issued in 2015	Employee stock options issued in 2017
Fair value at grant date (expressed in New Taiwan dollars)	$ 7.19	4.54 / 6.24
Share price at grant date (expressed in New Taiwan dollars)	25.98	25.23
Exercise price (expressed in New Taiwan dollars)	17.40	25.00
Expected volatility	38.87%	34.99% / 39.93%
Expected life	2 years	1.56 years / 2.31 years
Risk-free interest rate	0.60%	0.5053% / 0.5936%

(ii) Information of employee stock options

The details of the employee stock options were as follows:

	2021		2020	
	Weighted-average exercise price (expressed in New Taiwan dollars)	Number of options (in thousands)	Weighted-average exercise price (expressed in New Taiwan dollars)	Number of options (in thousands)
Outstanding balance at the beginning of the year	$ -	-	16.04	232
Options granted	-	-	-	-
Options forfeited	-	-	-	(28)
Options exercised	-	-	15.87	(204)
Outstanding balance at the end of the year	-	-	-	-
Exercisable number as the end of the year		-		-

The outstanding employee stock options were as follows:

	December 31, 2021	December 31, 2020
Range of exercise price (expressed in New Taiwan dollars)	$ -	10.0 ~17.3
Weighted-average of remaining contractual duration (years)	-	-

WIWYNN CORPORATION
Notes to the Parent Company Only Financial Statements

(q) Earnings per share

The calculation of basic and diluted earnings per share (unit: New Taiwan dollar) is as follows:

	2021	2020
Basic earnings per share:		
Profit attributable to common shareholders of the Company	$ 8,648,012	8,609,657
Weighted-average common stock outstanding (in thousands)	174,841	174,812
	$ 49.46	49.25
Diluted earnings per share:		
Profit attributable to common shareholders of the Company	$ 8,648,012	8,609,657
Weighted-average common stock outstanding (in thousands)	174,841	174,812
Effect of potentially dilutive common stock (in thousands):		
Employee compensation	641	965
Employee stock option	-	1
Weighted average common stock outstanding plus the effect of potentially dilutive common stock (in thousands)	175,482	175,778
	$ 49.28	48.98

(r) Revenue from contracts with customers

(i) Disaggregation of revenue

	2021	2020
Primary geographical markets		
America	$ 27,099,755	34,852,658
Europe	31,049,626	31,632,834
Asia	13,063,714	10,240,961
Other	1,949,015	2,290,617
	$ 73,162,110	79,017,070
Major products		
Hyperscale data center	$ 73,162,110	79,017,070

WIWYNN CORPORATION

Notes to the Parent Company Only Financial Statements

(ii) Contract balance

	December 31, 2021	December 31, 2020	January 1, 2020
Accounts receivable	$ 7,019,254	5,882,944	5,167,059
Accounts receivable – related parties	16,761,928	12,260,466	15,121,332
Less: loss allowance	(4,686)	(2,185)	(378)
	$ 23,776,496	18,141,225	20,288,013

	December 31, 2021	December 31, 2020	January 1, 2020
Contract liabilities - provisions for warranty	$ 3,360,972	2,297,417	861,503

For details on accounts receivable and loss allowance, please refer to note 6(b).

The contract liabilities primarily related to the advance consideration received from customers for the electronic components under sales contracts, for which revenue is recognized when products are delivered to customers.

The major change in the balance of contract liabilities is the difference between the time frame of the performance obligation to be satisfied and the payment to be received. There was no significant changes during the period.

(iii) Transaction price allocated to the remaining performance obligations

The Company recognizes revenue related to warranty service in the amount to which the Company has a right to invoice, thus the Company applies the practical expedient of IFRS 15 and does not disclose information about the transaction price allocated to the remaining performance obligations of the contract.

(s) Employee's and directors' compensation

According to the Company's Article of Incorporation, if the Company has profit (which means income before tax excluding the amounts of employees' and directors' compensation) shall be contributed by the following rules. However, if the amount Company have accumulated deficit, it shall reserve the amount for offsetting deficit.

(i) No less than 5% of profit as employees' compensation. The Company may distributed in the form of shares or in cash, and the qualification requirements of employees, including the employees of subsidiaries of the Company meeting certain specific requirement shall be determined by the Board of Directors.

(Continued)

WIWYNN CORPORATION
Notes to the Parent Company Only Financial Statements

(ii) No more than 1% of profit as the compensation in cash to the Directors.

The Company accrued and recognized employees' compensation amounted to $574,000 thousand and $571,500 thousand, respectively and directors' compensation amounted to $27,450 thousand and $25,025 thousand, respectively, based on the net income before tax which excluding the amounts of employees' and directors' compensation and the ratio stipulated in the Company's Article of Incorporation. The above are both accounted for under operating expense for the years ended December 31, 2021 and 2020. The amounts, as stated in the financial statements, are identical to those of the actual distributions for 2021 and 2020. Related information would be available at the Market Observation Post System website.

(t) Non-operating income and expenses

(i) Interest income
The details of interest income were as follows:

	2021	2020
Interest income from bank deposits	$ **60,032**	**33,527**

(ii) Other income

The details of other income were as follows:

	2021	2020
Others	$ **48**	**76**

(iii) Other gains and losses

The details of other gains and losses were as follows:

	2021	2020
Foreign exchange losses, net	$ (115,612)	(532,750)
Gains (losses) on valuation of financial assets and liabilities at fair value	35,697	436,049
Others	6,293	(1,486)
Total	$ **(73,622)**	**(98,187)**

WIWYNN CORPORATION
Notes to the Parent Company Only Financial Statements

(iv) Finance costs

The details of finance costs were as follows:

		2021	2020
Interest expenses			
Bank loans	$	(40,443)	(52,252)
Bonds payable		(55,130)	(8,583)
Others		(3,320)	(3,504)
Total	$	**(98,893)**	**(64,339)**

(u) 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

The Company’ s majority customers are in Cloud Infrastructure and Hyperscale Data Center industries. To reduce concentration of credit risk, the Company evaluates customers’ financial positions periodically and requires customers to provide collateral, if necessary. In addition, the Company evaluates the aging of accounts receivable periodically, accrue allowance for doubtful accounts and purchasing insurance contracts of accounts receivable, if necessary. Historically, impairment losses has always been under management’ s expectation. As of December 31, 2021 and 2020, 86.20% and 87.23% of the Company’ s accounts receivable were both concentrated on 2 specific customers. Accordingly, concentrations of credit risk exist.

(ii) Receivable and debt securities

For credit risk exposure of accounts receivables, please refer to note 6(b). Other financial assets at amortized cost includes other receivables.

All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses (Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(f)).

As of December 31, 2021 and 2020, the other receivable were not accrue any loss allowance.

WIWYNN CORPORATION

Notes to the Parent Company Only Financial Statements

(iii) Liquidity risk

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

	Carrying amount	Contractual cash flow	Within 1 year	1-2 years	2-5 years	More than 5 years
December 31, 2021						
Non-derivative financial liabilities						
Short-term borrowings	$ 4,568,850	4,572,670	4,572,670	-	-	-
Bonds payable	9,436,448	9,701,930	69,535	69,535	9,562,860	-
Notes and accounts payable (including related parties)	10,245,998	10,245,998	10,245,998	-	-	-
Other payables (including related parties)	2,381,465	2,381,465	2,381,465	-	-	-
Lease liabilities (including current and non-current)	153,051	156,995	66,925	62,556	27,514	-
Total	**$ 26,785,812**	**27,059,058**	**17,336,593**	**132,091**	**9,590,374**	**-**
December 31, 2020						
Non-derivative financial liabilities						
Short-term borrowings	$ 3,107,372	3,109,711	3,109,711	-	-	-
Bonds payable	4,991,783	5,199,200	41,500	41,500	5,116,200	-
Notes and accounts payable (including related parties)	10,735,224	10,735,224	10,735,224	-	-	-
Other payables (including related parties)	2,359,064	2,359,064	2,359,064	-	-	-
Lease liabilities (including current and non-current)	163,636	168,475	57,350	54,362	56,763	-
Total	**$ 21,357,079**	**21,571,674**	**16,302,849**	**95,862**	**5,172,963**	**-**

The Company does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iv) Market risk

1) Exposure to foreign currency risk

The Company's significant exposure to foreign currency risk were as follows:

	December 31, 2021			December 31, 2020		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets						
Monetary items						
USD	$ 889,181	27.690	24,621,413	650,212	28.508	18,536,231
Financial liabilities						
Monetary items						
USD	559,577	27.690	15,494,697	505,999	28.508	14,425,014

(Continued)

WIWYNN CORPORATION
Notes to the Parent Company Only Financial Statements

2) Sensitivity analysis

The Company' s exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable (including related parties) and other receivables (including related parties), loans and borrowings, notes and accounts payable (including related parties) and other payables (including related parties) that are denominated in foreign currency. A strengthening (weakening) 5% of appreciation (depreciation) of the NTD against the USD for the years ended December 31, 2021 and 2020, the net income would be changed by $365,069 thousand and $164,449 thousand, respectively. The analysis assumes that all other variable remain constant.

3) Foreign exchange gain and loss on monetary item

The amount, expressed in functional currency, of foreign exchange gain and loss (including realized and unrealized portion) of the Company's monetary items, and the exchange rate used to translate the original amount to the Company's functional currency, NTD (also the expressed currency), were as follows:

	2021		2020	
	Foreign exchange gain (loss)	**Average exchange rate**	**Foreign exchange gain (loss)**	**Average exchange rate**
NTD	$ (115,612)	-	(532,750)	-

(v) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Company's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of non-derivative financial instruments on the reporting date. Regarding liabilities with variable rates, the analysis is based on the assumption that the liabilities were outstanding for lifetime on the reporting date.

If the interest rate increased / decreased by 1%, the Company's net income would have been changed by $2,810 thousand and $1,181 thousand, respectively, for the years ended December 31, 2021 and 2020, with all other variable factors that remain constant. This is mainly due to the Company's borrowings at floating variable rate.

(vi) Fair value information

1) Categories and fair values of financial instruments

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It shall not include fair value information of the financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of the fair value and investments in equity instruments which do not have any quoted price in an active market in which the fair value cannot be reasonably measured.

(Continued)

WIWYNN CORPORATION
Notes to the Parent Company Only Financial Statements

	December 31, 2021				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income					
Accounts receivable	$ 1,212	-	-	-	-
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 19,331,337	-	-	-	-
Accounts receivable (including related parties)	23,775,284	-	-	-	-
Other receivable (including related parties)	1,743,268	-	-	-	-
Other non-current assets	58,896	-	-	-	-
Subtotal	$ 44,908,785	-	-	-	-
Financial liabilities measured at amortized cost					
Short-term borrowings	$ 4,568,850	-	-	-	-
Bonds payable	9,436,448	-	-	-	-
Notes and accounts payable (including related parties)	10,245,998	-	-	-	-
Other payables (including related parties)	2,381,465	-	-	-	-
Lease liabilities (including current and non-current)	153,051	-	-	-	-
Subtotal	$ 26,785,812	-	-	-	-

	December 31, 2020				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income					
Accounts receivable	$ 777,718	-	-	-	-
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 22,200,585	-	-	-	-
Accounts receivable (including related parties)	17,363,507	-	-	-	-
Other receivable (including related parties)	531,142	-	-	-	-
Other non-current assets	58,958	-	-	-	-
Subtotal	$ 40,154,192	-	-	-	-
Financial liabilities measured at amortized cost					
Short-term borrowings	$ 3,107,372	-	-	-	-
Bonds payable	4,991,783	-	-	-	-
Accounts payable (including related parties)	10,735,224	-	-	-	-
Other payables (including related parties)	2,359,064	-	-	-	-
Lease liabilities (including current and non-current)	163,636	-	-	-	-
Subtotal	$ 21,357,079	-	-	-	-

(Continued)

WIWYNN CORPORATION
Notes to the Parent Company Only Financial Statements

2) Valuation techniques for financial instruments measured at fair value: none

3) Transfers between Level 1 and Level 2: none

4) Changes between Level 3: none.

(vii) Offsetting financial assets and financial liabilities

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

December 31, 2021
Financial assets that are offset which have an exercisable master netting arrangement or similar agreement

	Gross amounts of recognized financial assets (a)	Gross amounts of financial liabilities offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)		Net amounts (e)=(c)-(d)
				Financial instruments	Cash collateral received	
Other receivable	$ 224,932	224,932	-	-	-	-

December 31, 2021
Financial liabilities that are offset which have an exercisable master netting arrangement or similar agreement

	Gross amounts of recognized financial liabilities (a)	Gross amounts of financial liabilities offset in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)		Net amounts (e)=(c)-(d)
				Financial instruments	Cash collateral received	
Note payable and accounts payable	$ 8,501,168	224,932	8,276,236	-	-	8,276,236

December 31, 2020
Financial assets that are offset which have an exercisable master netting arrangement or similar agreement

	Gross amounts of recognized financial assets (a)	Gross amounts of financial liabilities offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)		Net amounts (e)=(c)-(d)
				Financial instruments	Cash collateral received	
Other receivable	$ 419,132	419,132	-	-	-	-

December 31, 2020
Financial liabilities that are offset which have an exercisable master netting arrangement or similar agreement

	Gross amounts of recognized financial liabilities (a)	Gross amounts of financial assets offset in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)		Net amounts (e)=(c)-(d)
				Financial instruments	Cash collateral received	
Note payable and accounts payable	$ 9,957,345	419,132	9,538,213	-	-	9,538,213

WIWYNN CORPORATION
Notes to the Parent Company Only Financial Statements

(v) Financial risk management

(i) Overview

The Company have exposures to the following risks form its financial instruments:

1) Credit risk

2) Liquidity risk

3) Market risk

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

(ii) Structure of risk management

The Company’ s finance management department provides business services for the overall internal department. It sets the objectives, policies and processes for managing the risk and the methods used to measure the risk arising from both the domestic and international financial market operations.

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

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to financial instruments fails to meet its contractual obligations that arise principally from the Company’s accounts receivable and investment.

1) Accounts and other receivable

The Company’ s credit policy is transacting with creditworthy customers, and obtains collateral to mitigate risks arising from financial loss due to default. The Company will transact with corporations of credit ratings equivalent to investment grade and such ratings are provided by independent rating agencies. Where it is not possible to obtain such information, the Company will assess the ratings based on other publicly available financial information and transactions records with its major customers. The Company continues to monitor the exposure to credit risk and counterparty credit rating, and evaluate the customers’ credit rating and credit limit via automatic finance system to manage the credit exposure.

(Continued)

WIWYNN CORPORATION

Notes to the Parent Company Only Financial Statements

The Company did not have any collateral or other credit enhancements to avoid credit risk of financial assets.

2) Investment

The credit risk exposure in the bank deposits and other financial instruments are measured and monitored by the Company's finance department. Since the Company's transactions resulted from the external parties with good credit standing and investment grade above financial institutions, publicly-traded stocks companies and non publicly-traded stocks companies, with good credit ratings, there are no incompliance issues and therefore no significant credit risk.

3) Guarantee

According to the Company's policy, the Company can only provide guarantee to which is listed under the regulation. The Company did not provide guarantees to as of December 31, 2021 and 2020.

(iv) Liquidity risk

The Company maintains sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Company's management supervises the bank loan facilities and ensures in compliance with the terms of the loan agreements.

The loan was an important source of liquidity for the Company. As of December 31, 2021 and 2020, the Company has unused credit lines for bank loans of $17,269,160 thousand and $18,177,781 thousand, respectively.

(v) Market risk

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

1) Currency risk

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Company's entities. The currencies used in these transactions are denominated in USD.

The foreign currency assets and liabilities might lead to the interest risk since the fluctuation of the market exchange rate influence the Company's future cash flow. The Company entering into forward and swap contracts are intended to manage the exchange rate risk due to the Company's current and future demand for foreign currency.

The contract periods are decided in consideration of the Company's foreseeable assets and liabilities and expected cash flow. At the maturity date of the derivative contract, the Company will settle these contracts using the foreign currencies arising from the assets denominated in foreign currency.

WIWYNN CORPORATION

Notes to the Parent Company Only Financial Statements

2) Interest risk

The Company' s short-term borrowings, bear floating interest rates. The changes in effective rate along with the fluctuation of the market interest rate influence the Company's future cash flow. The Company reduces the interest risks by negotiating the loan interest rates frequently with banks.

3) Other market price risk

The Company monitors the risk arising from its available-for-sale security instruments, which are held for monitoring cash flow requirements and unused capital. The management of the Company monitors the combination of equity securities and open-market funds in its investment portfolio based on cash flow requirements. Material investments within the portfolio are managed on an individual basis, and all buy-and-sell decisions are approved by the Board of directors.

(w) Capital management

The Company's meets its objectives for managing capital to safeguard the capacity to continue to operate, and provide a return to the shareholders, also, to benefit other related parties, at the same time, to maintain an optional capital structure to reduce the cost of capital. Capital includes common share, capital surplus and retained earnings. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares or sell assets to settle any liabilities.

As of 2021, the Company's capital management strategy is consistent with 2020. The Company's debt to asset ratio and debt to capital ratio at the end of the reporting period as of December 31, 2021 and 2020, were as follows:

	December 31, 2021	December 31, 2020
Debt to asset ratio	**54%**	**51%**
Debt to capital ratio	**115%**	**103%**

(x) Investing and financing activities not affecting current cash flow

Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2021	Cash flows	Non-cash changes: Addition	Non-cash changes: Interest expenses	Non-cash changes: Change in lease payments	December 31, 2021
Short-term borrowings	$ 3,107,372	1,461,478	-	-	-	4,568,850
Bonds payable	4,991,783	4,442,325	-	2,340	-	9,436,448
Lease liabilities	163,636	(63,695)	53,110	-	-	153,051
Total liabilities from financing activities	**$ 8,262,791**	**5,840,108**	**53,110**	**2,340**	**-**	**14,158,349**

	January 1, 2020	Cash flows	Non-cash changes: Addition	Non-cash changes: Interest expenses	Non-cash changes: Change in lease payments	December 31, 2020
Short-term borrowings	$ 3,670,098	(562,726)	-	-	-	3,107,372
Bonds payable	-	4,991,500	-	283	-	4,991,783
Lease liabilities	209,973	(55,471)	12,863	-	(3,729)	163,636
Total liabilities from financing activities	**$ 3,880,071**	**4,373,303**	**12,863**	**283**	**(3,729)**	**8,262,791**

(Continued)

WIWYNN CORPORATION
Notes to the Parent Company Only Financial Statements

(7) Related-party transactions:

(a) Parent company and ultimate controlling party

Wistron Corporation is both the parent company and the ultimate controlling party of the Company. As of December 31, 2021 and 2020, it owns 42.26% and 44.85%, respectively, of all shares outstanding of the Company.

(b) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the financial statements.

Name of related party	Relationship with the Group
Wistron Corporation (WHQ)	Parent Company
Wiwynn International Corporation (WYUS)	Subsidiaries
Wiwynn Technology Service Japan, Inc. (WYJP)	Subsidiaries
Wiwynn Korea Ltd. (WYKR)	Subsidiaries
Wiwynn Technology Service Hong Kong Limited (WYHK)	Subsidiaries
Wiwynn Technology Service KunShan Ltd. (WYKS)	Subsidiaries
Wiwynn Technology Service Malaysia SDN. BHD. (WYMY)	Subsidiaries
Wiwynn Mexico, S.A. de C.V. (WYMX)	Subsidiaries
Wistron InfoComm (Czech), s.r.o. (WCCZ)	Other related parties
Wistron Mexico, S.A. de C.V. (WMX)	Other related parties
Cowin Worldwide Corporation (COWIN)	Other related parties
ICT Service Management Solutions (India) Private Limited (WIN)	Other related parties
SMS InfoComm Technology Services and Management Solutions Ltd. (WBR)	Other related parties
SMS InfoComm (Singapore) Pte. Ltd. (WSSG)	Other related parties
Wistron InfoComm Technology (America) Corporation (WITX)	Other related parties
ANWITH Technology Corporation (WCHQ)	Other related parties
International Standards Laboratory Corp. (ISL)	Other related parties
Wistron InfoComm (Zhongshan) Corporation (WZS)	Other related parties
WiAdvance Technology Corporation (AGI)	Other related parties
Wistron NeWeb Corporation (WNC)	Other related parties
Wistron Information Technology and Services Corporation (WITS)	Other related parties
T-CONN Precision Corporation (TPE)	Other related parties
Wistron Technology (Malaysia) Sdn. Bhd. (WMMY)	Other related parties
WIEDU CORPORATION (WETW)	Other related parties

(Continued)

WIWYNN CORPORATION
Notes to the Parent Company Only Financial Statements

(c) Significant transactions with related parties

(i) Sales

The amounts of significant sales and outstanding balances between the Company and related parties were as follows:

	Sales		Receivables from related parties	
	2021	2020	December 31, 2021	December 31, 2020
WHQ	$ 43,914	38,307	41,598	20
Subsidiaries:				
WYUS	25,128,350	35,212,046	15,185,251	11,242,985
Others	6,012,937	4,049,676	1,159,420	906,976
Other related parties	486,390	140,486	375,659	110,485
	$ 31,671,591	**39,440,515**	**16,761,928**	**12,260,466**

The selling price and payment terms of sales to related parties depend on the economic environment and market competition, and are not significantly different from those with third-party customers.

(ii) Purchases

The amounts of significant purchase and outstanding balances between the Company and related parties were as follows:

	Purchases		Payables to related parties	
	2021	2020	December 31, 2021	December 31, 2020
WHQ	$ 54,448,632	47,899,393	8,276,236	9,538,213
Subsidiaries	1,813,705	597,678	51,494	186,733
Other related parties	187,914	1,278	16,496	94
	$ 56,450,251	**48,498,349**	**8,344,226**	**9,725,040**

Trading terms of purchase transactions with related parties can't be compared with third-party vendors due to product specifications.

WIWYNN CORPORATION
Notes to the Parent Company Only Financial Statements

(iii) Operating Expense

The amounts of operating expense between the Company and related parties were as follow:

	2021	2020
WHQ	$ 393,802	583,459
Subsidiaries	12,974	4,899
Other related parties	113,456	130,593
	$ 520,232	**718,951**

Trading terms of operating expense with related parties are not significantly different from those with third-party vendors.

(iv) Other receivables

The Company purchased raw materials on behalf of related parties and etc. The outstanding balance were as follows:

	Other receivables from related parties	
	December 31, 2021	**December 31, 2020**
WHQ	$ 35,916	178,355
Subsidiaries:		
WYUS	1,191,431	27,065
Other	1,412	2,712
WZS	218,106	312,583
Others related parties	15,954	7,500
Total	**$ 1,462,819**	**528,215**

(v) Other payable

The Company purchased research and development materials and related parties paid traveling expenses on behalf of the Company, testing services and etc. The outstanding balance were as follows:

(Continued)

WIWYNN CORPORATION
Notes to the Parent Company Only Financial Statements

	Other payables to related parties	
	December 31, 2021	**December 31, 2020**
WHQ	$ 54,179	135,802
Subsidiareis:		
WYUS	171,831	125,716
Other	4,910	761
Other related parties	20,963	11,163
	$ **251,883**	**273,442**

(vi) Acquisitions of assets

The acquisitions of assets from related parties were as follow:

	2021	**2020**
WHQ	$ -	20,340
Subsidiaries:		
WYUS	2,252	-
Other related parties:		
AGI	19,449	1,450
Other related parties	89	540
	$ **21,790**	**22,330**

Trading terms of acquisitions of assets with related parties are not significantly different from those with third-party vendors.

(vii) Financing to related parties

The loans to related parties were as follows:

		2021				
	Date of maximum outstanding balance	**Maximum outstanding balance**	**Ending balance**	**Interest rate**	**Interest income**	**Interest receivables**
WYUS	2021.12	$ **276,900**	**276,900**	0.75%	**121**	**-**

(viii) Endorsements and guarantees

As of December 31, 2021 and 2020, the Company provided endorsements and guarantees to the Subsidiaries for lease contract and bank loans amounting to $8,969 thousand and 10,866 thousand, respectively.

(ix) Leases

The Company signed a lease contract for five year with WNC during January 2019, and the total value of the contract was amounted to $180,507 thousand. For the years ended December 31, 2021 and 2020, the Company recognized its interest expense amounted to $1,808 thousand and $2,429 thousand, respectively. As of December 31, 2021 and 2020, the balance of lease liabilities was $70,835 thousand and $105,204 thousand.

(d) Key management personnel compensation

Key management personnel compensation comprised:

	2021	2020
Short-term employee benefits	$ 107,427	105,775
Post-employment benefits	935	907
	$ 108,362	**106,682**

(8) Pledged assets:

The carrying amounts of pledged assets were as follow:

Pledged assets	Object	December 31, 2021	December 31, 2020
Other non-current assets	Guarantee	**$ 26,675**	**27,463**

(9) Commitments and contingencies:

(a) Alacritech Inc. filed a patent infringement complaint against the Company in the United States District Court - East District of Texas in June 2016. The Company had appointed an attorney to deal with the matter. The litigation is still in process and a decision has yet to be made by the US Patent trial and Appeal Board.

(b) Acqis LLC. filed a patent infringement complaint against the Company in the United States District Court - West District od Texas in October 2020. The Company had appointed an attorney to deal with the matter, with the case is still pending in the court.

(10) Losses due to major disasters: None.

(11) Subsequent events:

(a) The Company resolved to cash subscribe the new share contributed by its subsidiary, Wiwynn International Corporation with USD400,000 thousand in cash, proposed in the Board of Director’s meeting held on February 25, 2022.

(b) The Company resolved to cash subscribe the new share contributed by its subsidiary, Wiwynn Technology Service Malaysia SDN. BHD with USD28,000 thousand in cash, proposed in the Board of Director’s meeting held on February 25, 2022.

(Continued)

WIWYNN CORPORATION
Notes to the Parent Company Only Financial Statements

(12) Other:

A summary of employee benefits, depreciation, and amortization by function, were as follows:

By function / By item	2021 Operating costs	2021 Operating expenses	2021 Total	2020 Operating costs	2020 Operating expenses	2020 Total
Employee benefits						
Salary	537,198	1,410,641	1,947,839	417,372	1,267,422	1,684,794
Labor and health insurance	56,647	84,531	141,178	42,034	65,406	107,440
Pension	25,686	37,529	63,215	20,054	31,891	51,945
Remuneration of directors	-	25,570	25,570	-	25,515	25,515
Others	29,544	26,890	56,434	24,349	23,332	47,681
Depreciation	231,245	118,720	349,965	190,187	96,228	286,415
Amortization	12,812	29,134	41,946	7,460	11,890	19,350

As of December 31, 2021 and 2020, the additional information for employee numbers and employee benefits were as follows:

	2021	2020
Average employees	1,804	1,502
Average directors not in concurrent employment	6	6
Average personnel expenses	$ 1,228	1,265
Average salaries	$ 1,083	1,126
Adjustment of average employee salaries	(3.82)%	(40.55)%
Supervisor's remuneration	$ -	-

The Company's salary and remuneration policy (including directors, managers and employees) are as follows:

(a) Directors and managers

The remunerations to directors are in accordance with No.21 of the Company's Articles of Incorporation. If the Company has profit (which means income before tax excluding the amounts of remuneration to employees and directors) , no more than 1% of the profit shall be distributed as remuneration to directors in cash.

Furthermore, the remuneration of the Company's directors and managers is based on "Rules for directors and managers salary policies, structures and performances assessments". Under the rules, the relevant information is as follows:

(i) The remuneration to directors is based on the individual responsibilities, attendance rate and other performance condition.

(ii) The remuneration to managers based on the Company's overall operating performance and individual's performance achievement rate, as well as peer salary level in the same industry, position, responsibilities assumed and rationalized correlation of future risks.

(Continued)

WIWYNN CORPORATION
Notes to the Parent Company Only Financial Statements

Relevant performance appraisal and remuneration reasonableness are approved by the Salary and Remuneration Committee and the Board of Directors, and the remuneration system is reviewed at any time in accordance with the actual operating conditions, and relevant laws and regulations, to meet the Company's sustainable operation and risk management.

(b) Employees' salary:

The Company has established an "Employee Remuneration Policy" which should be approved by the Salary and Remuneration Committee and the Board of Directors. The remuneration includes fixed and variable portions. Fixed remuneration is adjusted by peer salary level in the same industry, while variable remuneration depends on the Company's operating performance, individual authority and performance.

(13) Other disclosures:

(a) Information on significant transactions:

The following were the information on significant transactions required by the " Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Company for the year ended December 31, 2021:

(i) Loans to other parties: Table 1 attached.

(ii) Guarantees and endorsements for other parties: Table 2 attached.

(iii) Securities held as of December 31, 2021 (excluding investment in subsidiaries, associates and joint ventures): None.

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

(v) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

(vi) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT$100 million or 20% of the capital stock: Table 3 attached.

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock: Table 4 attached.

(ix) Trading in derivative instruments: None.

(Continued)

WIWYNN CORPORATION

Notes to the Parent Company Only Financial Statements

(b) Information on investees:

The following are the information on investees for the years ended December 31, 2021 (excluding information on investees in mainland China): Table 5 attached.

(c) Information on investment in mainland China: Table 6 attached.

(d) Major shareholders:

Shareholding Shareholder's Name	Shares	Percentage
Wistron Corporation	73,895,129	42.26 %

(14) Segment information:

Please refer to the consolidated financial statements for the year ended December 31, 2021.

WIWYNN CORPORATION

Statement of cash and cash equivalents

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Item	Description (Note 2)		Amount
Cash on hand			$ 280
	NTD	280	
Demand and checking deposits			11,331,057
	NTD	10,887,208	
	USD	2,153	
	JPY	1,804	
	EUR	5,020	
	CNY	31,393	
	SGD	452	
	AUD	124	
	CHF	141	
	GBP	1,162	
Time deposits			8,000,000
	NTD	8,000,000	
Total			$ 19,331,337

Note 1: The ending rates of foreign currency deposits on December 31, 2021 are as follows:
USD/NTD=27.6900

JPY/NTD=0.2405

EUR/NTD=31.3312

CNY/NTD=4.3483

SGD/NTD=20.4626

AUD/NTD=20.1029

CHF/NTD=30.1864

GBP/NTD=37.3067

Note 2: Expressed in thousands of foreign currency.
Note 3: The periods of time deposits are 3 months, and the annual rate ranges between 0.3% and 0.33%.

WIWYNN CORPORATION

Statement of accounts receivables, net

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Company A	$ 818,269
Company B	5,309,380
Others (less than 5%)	891,605
Subtotal	7,019,254
Less: loss allowance	(4,686)
	$ 7,014,568

Statement of other receivables

Item	Amount
Others	**$ 3,549**

Statement of inventories

Item	Amount	Net realizable value
Raw materials	$ 3,084,290	3,349,293
Finished goods	3,246,818	3,483,696
Inventory in transit	88,936	95,570
Total	**$ 6,420,044**	**6,928,559**

WIWYNN CORPORATION

Statement of changes in investments accounted for using the equity method

For the year ended December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Name investee	Beginning Balance Shares (in thousand)	Beginning Balance Amount	Increase Shares (in thousand)	Increase Amount	Decrease Shares (in thousand)	Decrease Amount	Gains (losses) on investment	Exchange differences on transaction foreign financial statements	Unrealized profit (loss) from sales	Ending Balance Shares (in thousand)	Ending Balance Percentage of ownership	Ending Balance Amount	Market Value or Net Assets Value Unit price	Market Value or Net Assets Value Total amount	Collateral
WYJP	-	$ 156,246	-	-	-	-	57,027	(22,973)	-	-	100.00 %	190,300	-	190,300	None
WYUS	169,010	5,059,217	-	-	-	-	182,998	(147,170)	-	169,010	100.00 %	5,095,045	30	5,095,045	〃
WYHK	400	191,036	-	-	-	-	21,865	(3,664)	-	400	100.00 %	209,237	523	209,237	〃
WYKR	20	83,865	-	-	-	-	61,348	(12,288)	-	20	100.00 %	132,925	6,646	132,925	〃
WYMY	2,050	13,926	33,164	221,231	-	-	(82)	(2,479)	-	35,214	100.00 %	232,596	7	232,596	〃
WYMX	31,053	38,635	149,244	207,840	-	-	31,469	(10,154)	-	180,297	100.00 %	267,790	1	267,790	〃
LiquidStack	-	-	1,000	276,609	-	-	(32,120)	5,602	-	1,000	20.00 %	250,091	250	250,091	〃
Deferred credits	-	(838,508)	-	-	-	-	-	-	342,227	-	-	(496,281)		(496,281)	
Total		$ 4,704,417		705,680		-	322,505	(193,126)	342,227			5,881,703		5,881,703	

WIWYNN CORPORATION

Statement of short-term borrowings

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Items	Bank	Ending Balance	Period	Interest Rate	Financing Amount	Collateral	Note
Unsecured bank borrowings	Agricultural Bank of Taiwan	$ 664,560	2021/07/09~2022/07/09	0.58 %	1,400,000	None	
〃	City Bank	1,052,220	2021/10/27~2022/10/27	0.61%~0.63 %	1,134,275	〃	
〃	Taipei Fubon Commercial Bank	1,190,670	2021/05/21~2022/04/29	0.65 %	1,246,050	〃	
〃	Cathay United Bank	830,700	2021/04/30~2022/04/30	0.64 %	830,700	〃	
〃	First Bank	830,700	2021/05/25~2022/05/25	0.76 %	1,000,000	〃	This credit line is shared with WYUS
〃	Bank SinoPac	-	2021/11/01~2022/10/31	-	1,384,500	〃	This credit line is shared with WYUS
〃	United Overseas Bank	-	2020/12/31~2021/12/31	-	1,661,400	〃	This credit line is shared with WYUS
〃	HSBC Bank	-	2021/01/31~2022/01/31	-	1,522,950	〃	
〃	Standard Chartered Bank	-	2021/01/31~2022/01/31	-	969,150	〃	This credit line is shared with WYUS
〃	JPMorgan Chase Bank	-	2021/02/12~2022/02/11	-	830,700	〃	
〃	Eutie Bank	-	2021/05/13~2022/05/13	-	1,200,000	〃	This credit line is shared with WYUS
〃	Taishin International Bank	-	2021/03/31~2022/03/31	-	2,000,000	〃	This credit line is shared with WYUS
〃	Yuanta Commercial Bank	-	2021/12/15~2022/12/14	-	1,661,400	〃	This credit line is shared with WYUS
〃	MUFG Bank	-	2021/11/30~2022/11/30	-	1,384,500	〃	
〃	Mizuho Bank	-	2021/07/25~2022/07/25	-	2,630,550	〃	This credit line is shared with WYUS
〃	ANZ Bank	-	2021/08/12~2022/07/31	-	5,538,000	〃	This credit line is shared with WYUS
〃	Mega Bank	-	2021/07/04~2022/07/04	-	2,215,200	〃	This credit line is shared with WYUS
〃	DBS Bank	-	2021/12/18/~2022/12/18	-	2,215,200	〃	This credit line is shared with WYUS
〃	Land Bank of Taiwan	-	2020/11/19~2021/11/19	-	553,800	〃	This credit line is shared with WYUS
〃	ESUN Bank	-	2021/01/25~2022/01/25	-	600,000	〃	
〃	The Shanghai Commercial & Saving Bank	-	2021/10/30~2022/10/30	-	553,800	〃	
〃	Hua Nan Commercial Bank	-	2021/09/10~2022/09/10	-	1,000,000	〃	This credit line is shared with WYUS
〃	Taiwan Cooperative Bank	-	2021/05/11~2022/01/18	-	886,080	〃	
〃	Far Eastern International Bank	-	2021/08/24~2022/08/24	-	830,700	〃	This credit line is shared with WYUS
		$ 4,568,850			35,248,955		

WIWYNN CORPORATION

Statement of notes and accounts payable

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Vendor I	$ 149,397
Vendor M	184,233
Vendor N	120,984
Vendor O	102,472
Vendor P	101,179
Vendor Q	133,278
Vendor R	101,226
Others (less than 5%)	1,009,003
Total	**$ 1,901,772**

Statement of other payables

Item	Description	Amount
Accrued expenses	Sundry purchase、Bonus、Freight, etc	$ 1,789,740
Supplier inventory reserve		339,841
Others(less than 5%)		11,524
		$ 2,141,105

WIWYNN CORPORATION

Statement of other current liabilities

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Return merchandise authorization	$ 20,319
Withholding taxes, etc.	11,789
Output tax	119,988
Collection in advance	46,480
Total	**$ 198,576**

Statement of bonds payable

Bonds name	Trustee	Issuance Date	Interest payment Date	Interest rate	Amount: Total amount	Amount: Repayment paid	Amount: Ending Balance	Amount: Unamortized premiums	Amount: Carrying amount	Repayment	Collateral	Note
Wiwynn Corporation's unsecured bonds-109-1	Bank SinoPac	2020/10/20	10/20	0.83 %	$ 5,000,000	-	5,000,000	(6,517)	4,991,783	half of principal will be repaid in the fourth and fifth years	None	
Wiwynn Corporation's unsecured bonds-110-1	Bank SinoPac	2021/8/6	8/6	0.63 %	4,450,000	-	4,450,000	(7,035)	4,444,665	half of principal will be repaid in the fourth and fifth years	None	
					$ 9,450,000	**-**	**9,450,000**	**(13,552)**	**9,436,448**			

WIWYNN CORPORATION

Statement of lease liabilities

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Lease term	Discount rate	Ending Balance	Note
Buildings	Offices and factories	2018/2/1~2026/3/31	2%	$ 151,016	
Other equipment	Cars	2019/10/25~2024/9/25	2%	2,035	
				153,051	
Less: current portion				(64,554)	
				$ 88,497	

Statement of operating revenue

For the year ended December 31, 2021

Item	Quantity	Amount
Hyperscale data center	7,264 PCS	$ 73,162,110

WIWYNN CORPORATION

Statement of operating costs

For the year ended December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Raw materials	
Beginning balance of raw materials	$ 880,254
Add: purchases	9,309,284
Less: ending balance of raw materials	(3,084,290)
Transferred	(174,975)
Raw materials consumed	6,930,273
Direct labor	464,598
Manufocturing overhead	510,647
Cost of finished goods	7,905,518
Add: beginning balance of finished goods	909,914
purchases	54,189,511
Less: ending balance of finished goods	(3,335,754)
Transferred	(486,179)
cost of sales of finished goods	59,183,010
Add: software royalty fees	33,901
losses on valuation of inventories	63,805
losses on supplier inventory reserve	80,247
Total cost of sales	**$ 59,360,963**

WIWYNN CORPORATION

Statement of operating expenses

For the year ended December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Item	Selling Expenses	Administrative Expenses	Research and Development Expenses	Expected credit loss
Salary and wages expenses	$ 103,355	333,867	998,989	-
Professional service fees	315	119,090	22,449	-
Freight	174,596	304	15,718	-
Welfare funds	37,174	-	168	-
Depreciation expense	652	45,964	72,104	-
Insurance expense	5,473	94,940	49,490	-
Miscellaneous purchases	25,307	30,690	920,951	-
Expected credit loss	-	-	-	2,501
Others(less than 5%)	19,514	78,402	331,345	-
Total	**$ 366,386**	**703,257**	**2,411,214**	**2,501**

Other

Item	Description
Statement of accounts receivable-related parties, net, other receivables-related parties, accounts payable-related parties and other payables-related parties	Disclosure in note 7
Statement of other current assets	Disclosure in note 6(i)
Statement of movement of property, plant and equipment	Disclosure in note 6(f)
Statement of movement of accumulated depreciation of property, plant and equipment	Disclosure in note 6(f)
Statement of movement of right-of-use assets	Disclosure in note 6(g)
Statement of movement of intangible assets	Disclosure in note 6(h)
Statement of net defined benefit liabilities	Disclosure in note 6(m)
Statement of deferred tax assets and liabilities	Disclosure in note 6(n)
Statement of other non-current assets	Disclosure in note 6(i)
Statement of contract liabilities-current	Disclosure in note 6(r)
Statement of other income	Disclosure in note 6(t)
Statement of other gains and losses	Disclosure in note 6(t)
Statement of financial costs	Disclosure in note 6(t)

WIWYNN CORPORATION
Notes to the Parent-Company-Only Financial Statements

Table 1 Financing to other parties
(December 31, 2021)

No.	Creditor	Borrower	Financial statement account	Related party	Maximum outstanding balance for the period	Ending balance	Actual amount drawn down	Interest Rate	Nature of financing (Note 2)	Amount of transaction	Reasons for short-term financing	Allowance for doubtful accounts	Collateral		Limit on financing granted to each borrower	Ceiling on total financing granted	Notes
													Item	Value			
0	The Company	WYUS	Other receivables	Yes	2,224,800	2,215,200	276,900	0.75%	2	-	Working Capital	-	-	-	2,737,002	13,685,013	(Note1、Note3 & Note4)

(Note 1) The total amount available for financing purposes shall not exceed 50% of the Company's net worth, which was audited or reviewed by Certified Public Accountant; and the total amount for short-term financing shall not exceed 40% Company's net worth.

(Note 2) Nature of financing:

1 For entities that the Company has business transactions with.

2 For entities with short-term financing needs.

(Note 3) The limit on financing granted of the entities that the Company has business transactions with:

(1) For entities in which the Company, directly or indirectly, owned more than 50% of their shares, the amount available for financing shall not exceed 10% of net worth of the Company.

(2) For entities in which the Company, directly or indirectly, owned below 50% of their shares, the amount available for financing shall not exceed 40% and 5% of net worth of the borrower and the Company, respectively.

(3) For other borrowers, the amount available for financing shall not exceed 25% of net worth of the borrower and 5% of net worth of the Company.

(Note 4) For entities with short-term financing needs, the amount available for financing shall not exceed 10% of net worth of the Company.

WIWYNN CORPORATION
Notes to the Parent-Company-Only Financial Statements

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

No.	Name of guarantor	Counter - party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise (Note 2)	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements	Ratio of accumulated amounts of endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (Note 1)	Parent company endorsements/ guarantees to subsidiary	Subsidiary endorsements/ guarantees to parent company	Endorsements/ guarantees to subsidiary in Mainland China
		Name	Relationship with the company (Note 3)										
0	The Company	WYMX	2	8,211,007	185,345	151,050	151,050	-	0.55%	13,685,013	Y	N	N
0	The Company	WYUS	2	8,211,007	123,883	97,300	97,300	-	0.36%	13,685,013	Y	N	N

(Note 1) The total amount for guarantees and endorsements provided by the Company to other entities shall not exceed 50% of the Company's lastest net worth, which was audited or reviewed by Certified Public Accountant.
(Note 2) The total amount for guarantees and endorsements provided by the Company to any individual entity shall not exceed 30% of the Company's lastest net worth, which was audited or reviewed by Certified Public Accountant.
(Note 3) Relationship with the Company:
1. Ordinary business relationship.
2. Subsidiary which owned more than 50% by the guarantor.
3. An investee owned more than 50% in total by both the guarantor and its subsidiary.
4. An investee owned more than 90% by the guarantor or its subsidiary.
5. Fulfillment of contractual obligations by providing mutual endorsements and guarantees for peer or joint builders in order to undertake a construction project.
6. An entity that is guaranteed and endorsed by all capital contributing shareholders in proportion to their shareholding percentages.
7. The companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre - construction homes pursuant to the Consumer Protection Act for each other.

WIWYNN CORPORATION
Notes to the Parent-Company-Only Financial Statements

Table 3 Related-party transactions for purchases and sales with amounts exceeding the lower of NT$100 million or 20% of the capital stock:
(December 31, 2021)

Name of company	Related Party	Nature of relationship	Transaction details				Transaction with terms different from others		Notes/ Accounts receivable (payable)		Notes
			Purchase/Sales	Amount	Percentage of total purchases / sales	Payment terms	Unit price	Payment Terms	Ending balance	Percentage of total notes / accounts receivable (payable)	
The Company	WYUS	The Company's subsidiary	Sale	25,128,350	34.35%	OA120	-	-	15,185,251	63.87%	
"	WYJP	The Company's subsidiary	Sale	2,578,968	3.53%	OA90	-	-	435,759	1.83%	
"	WYKR	The Company's subsidiary	Sale	2,537,766	3.47%	OA90	-	-	450,464	1.89%	
"	WYKS	The Company's subsidiary	Sale	521,330	0.71%	OA90	-	-	272,775	1.15%	
"	WYHK	The Company's subsidiary	Sale	374,873	0.51%	OA90	-	-	422	0.00%	
"	WIN	The Company's other related company	Sale	250,558	0.34%	OA90	-	-	237,180	1.00%	
"	WBR	The Company's other related company	Sale	234,307	0.32%	OA120	-	-	138,343	0.58%	
"	WHQ	The Company's parent company	Purchase	54,448,632	84.26%	OA45	-	-	(8,276,236)	(80.78%)	
"	WYUS	The Company's subsidiary	Purchase	1,813,705	2.81%	OA90	-	-	(51,494)	(0.50%)	
"	WSSG	The Company's other related company	Purchase	186,730	0.29%	OA60	-	-	(15,963)	(0.16%)	

WIWYNN CORPORATION
Notes to the Parent-Company-Only Financial Statements

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

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Loss allowance	Notes
					Amount	Action taken			
Account Receivables									
The Company	WYUS	The Company's subsidiary	15,185,251	190.16%	6,014,958	Collecting	-	-	
"	WYJP	The Company's subsidiary	435,759	445.35%	-	-	-	-	
"	WYKR	The Company's subsidiary	450,464	921.94%	81,155	Collecting	81,155	-	
"	WYKS	The Company's subsidiary	272,775	368.65%	24,338	Collecting	-	-	
"	WIN	The Company's other related company	237,180	211.28%	-	-	-	-	
"	WBR	The Company's other related company	138,343	188.39%	-	-	-	-	
Other Receivables									
The Company	WYUS	The Company's subsidiary	1,468,331	-	852,149	Collecting	-	-	
"	WZS	The Company's other related company	218,106	-	299	Collecting	-	-	

Table 5 Information on investments (excluding investees in mainland China):

The following are the information on investees for the year ended December 31, 2021 (excluding information on investees in mainland China):

Name of the investor	Name of investee	Location	Main business and products	Original investment amount		Balance as of December 31, 2021			Net income (losses) of the investee	Share of profits/losses of investee	Notes
				December 31, 2021	December 31, 2020	Shares(In thousands)	Percentage of ownership	Carrying value			
The Company	WYJP	Japan	Sales of data storage equipment	6,620	6,620	-	100.00%	190,300	57,027	57,027	-
"	WYUS	U.S.A	Sales of data storage equipment	5,021,581	5,021,581	169,010	100.00%	5,095,045	182,998	182,998	-
"	WYHK	Hong Kong	Investing activities and sale of data storage equipment	12,181	12,181	400	100.00%	209,237	21,865	21,865	-
"	WYKR	South Korea	Sales of data storage equipment	2,903	2,903	20	100.00%	132,925	61,348	61,348	-
"	WYMY	Malaysia	Sales of data storage equipment	236,340	15,109	35,214	100.00%	232,596	(82)	(82)	-
"	WYMX	Mexico	Human resources service provision	257,125	49,285	180,297	100.00%	267,790	31,469	31,469	-
"	LiquidStack	Netherlands	Sales and R&D of data storage equipment	276,609	-	1,000	20.00%	250,091	(160,598)	(32,120)	-

WIWYNN CORPORATION
Notes to the Parent-Company-Only Financial Statements

Table 6 Information on investment in mainland China:

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 2)	Accumulated outflow of investment from Taiwan as of January 1, 2021	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2021	Net income (loss) of the investee	Percentage of ownership	Investment income (losses) (Note 3)2.	Book value	Accumulated remittance of earnings in current period	Notes
					Outflow	Inflow							
WYKS	Sales of data storage equipment	10,659	2	10,659 (Note 1)	-	-	10,659	14,699	100%	14,699	92,508	-	-

(ii) Limitation on investment in mainland China

Accumulated Investment in mainland China as of December 31, 2021 (Note 1)	Investment Amounts Authorized by Investment Commission, MOEA(Note 5)	Upper Limit on Investment (Note 4)
10,659(USD 350,000)	9,692(USD 350,000)	16,422,015

(Note 1) Wiwynn Technology Service Hong Kong Limited used its own capital to invest in WYKS.

(Note 2) Ways to invest in mainland China:

1.Direct investment in mainland China.

2.Reinvestment in mainland China through third place.

3.Others

(Note 3) The three categories of investment income (losses) recognized were as follows:

1. The financial statements of the investee company were audited by the global accounting firm in cooperation with ROC. accounting firm.

2. The financial statements of the investee company were audited by the same auditor of the Taiwan parent company.

3. Others

(Note 4) Amount of upper limit on investment was the higher between sixty percent of total equity or total consolidated equity.

(Note 5) Translated using the ending rates on December 31, 2021.

(iii) Significant transactions

For the year ended December 31, 2021, the significant inter-company transactions with the subsidiary in mainland China, are disclosed in “Information on significant transactions”.

Wiwynn Corporation

Chairman: Simon Lin